



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

COMMUNITY AFFAIRS LEGISLATION COMMITTEE

**Consideration of Budget Estimates**

WEDNESDAY, 2 JUNE 1999

CANBERRA

BY AUTHORITY OF THE SENATE

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**SENATE**  
**COMMUNITY AFFAIRS LEGISLATION COMMITTEE**

**Wednesday, 2 June 1999**

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

**Senators in attendance:** Senators Coonan, Eggleston, Evans, Gibbs, MacGibbon, Murphy, Tierney and West

**Committee met at 9.04 a.m.**

**FAMILY AND COMMUNITY SERVICES PORTFOLIO**

Proposed expenditure, \$3,275,796,000 (Document A).

Proposed provision, \$1,730,065,000 (Document B).

**In Attendance**

Senator Newman, Minister for Family and Community Services

Department of Family and Community Services—

Executive

Dr David Rosalky, Secretary

Mr Wayne Jackson, Deputy Secretary

Mr Jeff Whalan, Deputy Secretary

Executive Directors

Ms Cathy Argall

Mr Graeme Hope

Mr Alan Law

Mr Geoff Leeper

Ms Robyn McKay

Ms Lisa Paul

Mr Michael Sassella

Mr David Tune

Mr Barry Wight

Assistant Secretaries

Mr Roger Barson, Partnership and Service Delivery

Ms Jenny Bourne, Youth and Students  
Ms Margaret Carmody, Disability Payments and Services  
Ms Joan Corbett, Child Care Services  
Mr Alex Dolan, Family and Children  
Mr Chris Foster, Strategic Policy and Analysis  
Ms Ruth Goren, Office of Disability  
Ms Helen Hambling, Family Relationships  
Mr Andrew Herscovitch, Disability Policy and Carers  
Mr Peter Hoefler, Corporate Resources  
Mr Steve Jennaway, Acting International  
Mr Richard Lansdowne, Information Strategies  
Mr Evan Mann, Seniors and Means Test  
Mr John McWilliam, Budget Development  
Mr Keith Ogborn, Housing  
Mr Jeff Pople, Tax Reform Unit  
Mr John Powlay, Performance, Ministerial and Public Relations  
Ms Judy Raymond, Child Care Benefits  
Ms Tricia Rushton, Community  
Ms Serena Wilson, Risk, Audit and Compliance  
Ms Peta Winzar, Parenting and Labour Market

Centrelink—

Executive

Ms Sue Vardon, Chief Executive Officer  
Mr Ross Divett, Deputy Chief Executive  
Ms Jane Treadwell, Chief Information Officer

General Managers

Mr Graham Bashford, Business Development  
Mr Mike Goldstein, Contestability, Procurement and Contracts  
Mr John Wadeson, Major Projects

National Managers

Mr Darryl Alexander, Acting National Manager, Employment Services  
Mr Denis Bayada, Families and Children  
Ms Jenni Colwill, People Management  
Mr Peter Fisher, Disability and Carers  
Ms Peta Fitzgibbon, Youth and Students  
Mr Hank Jongen, Communication and Marketing  
Ms Margaret Kilpatrick, Retirement  
Mr Andrew Moran, National Account Manager, FaCS

Ms Trisha Moran, Business Pricing and Support Operations

Ms Rhonda Morris, National Account Manager, FaCS

Mr Brian Pacey, Detection and Review

Mr Brian Silkstone, Tax Reform Implementation

Ms Marcia Williams, Acting National Manager, Rural and Housing

Managers

Mr John Dickinson, New Classification Structure Project

Mr Greg Evans, Supplement Team

Ms Sue Finnigan, Youth Employment Services

Ms Les Matthews, Network Design

Mr Graham O'Brien, Youth Allowance Team

Product Manager

Ms Karen Appel, Disability Customer Service Team

Chief Finance Officer

Mr Allan Gaukroger, Financial Accounting

Chief Auditor and General Manager

Mr Vic Rogers, Audit and Evaluation

Department of Finance and Administration—

Mr Brad McDonald

**CHAIR**—Good morning, ladies and gentlemen. I declare open this public hearing of the Senate Community Affairs Legislation Committee considering the budget estimates. The committee will now commence examination of the Family and Community Services portfolio.

I welcome the minister Senator Jocelyn Newman, the departmental secretary Dr David Rosalky, and officers of the Department of Family and Community Services and Centrelink. The committee will be working from the portfolio budget statements, although using slightly different procedures from those that applied for the consideration that we entered into on Monday and Tuesday for the previous department. I propose firstly to call for general questions on the portfolio overview at pages 11 to 16 of the PBS. The committee will then consider estimates for Centrelink, followed by departmental non-budget and budget measures which will be called on seriatim as listed in the PBS at pages 95 to 146. I will then call for general questions relating to the departmental outcomes by outcome and output group 1 to 3, as listed at pages 30 to 94.

Could I remind all witnesses and officers appearing before the committee when they are answering questions to please identify themselves for identification with *Hansard*. That is most important. Minister, do you wish to make an opening statement?

**Senator Newman**—Mr Chairman, I do not, but I would like Mr McWilliam to make a short opening statement for the committee's benefit, I hope.

**CHAIR**—Very well.

**Mr McWilliam**—Under the accrual budgeting framework the portfolio budget statements for the Family and Community Services portfolio provide separate statements for the three agencies in the portfolio, the Department of Family and Community Services, Centrelink and

the Australian Institute of Family Studies. The Child Support Agency, the Social Security Appeals Tribunal and CRS Australia form part of the Department of Family and Community Services and their resources are included in the FACS statement.

Under the new framework, outputs are clustered under strategic outcomes. The Department of Family and Community Services has three such outcomes and Centrelink and the Australian Institute of Family Studies one each. They are summarised at pages 13 and 14 of the portfolio budget statements. Each outcome section in the document includes a table that shows the relationship of the various outcome groups to the former subprograms of the department.

Budget measures that are initiated by the Family and Community Services portfolio are described in the Department of Family and Community Services agency statement. The costs of the budget and other measure variations that have occurred since the 1998-99 budget are summarised at table 1.2 on pages 24 to 28 and appropriate page references to the measure descriptions which commence at page 95 are given in that table. Similarly, in each outcome statement there is a list of the costs of the measure variations and referencing to the measure descriptions.

The inclusion of a separate section on budget and non-budget measures has been done, consistent with past practice, which is intended to assist the reader; and we note that in the past this approach has been endorsed by the committee. Each outcome section for the Department of Family and Community Services also contains tables that show the 1998-99 estimates on both a cash and an accrual basis. They also show the previous appropriations and the relevant comparable figures in 1998-99 and 1999-2000 on an accrual basis. The information that we have provided in these tables is a bit more detailed than that required by the department of finance guidelines, in order to try to provide that comparison with what happened previously. Those outcome tables also identify the payments that we in the Department of Family and Community Services are making to Centrelink.

Each outcome section also lists the performance information against which we plan to report in future annual reports. Finally, the statements for each agency include the agency's budgeted financial statements. That concludes the general statement but I am happy to take questions on the format of the portfolio budget statements if that would help.

**CHAIR**—Thank you very much, Mr McWilliam. Are there any questions from the committee of Mr McWilliam?

**Senator WEST**—Yes. I would like to make a general comment that—

**Senator Newman**—Excuse me.

**Senator WEST**—Sorry, Minister.

**Senator Newman**—Could I just add to the fact that I have asked for that statement to be copied so that you will each have it in front of you.

**CHAIR**—That is good. Thank you.

**Senator WEST**—Thank you. I am not meaning this to be derogatory in any way, and please do not take it that way if it sounds like it. This is like a dog's breakfast because there does not seem to be any commonality in the way the departments are doing their PBSs. I do not know whether that is because the department of finance guidelines have not been clear enough, but we have just spent two days ploughing through another department, just getting our heads around the way that PBS was done. This one is done differently. This one seems to be done, particularly with your outcomes and outputs, more in line with the way we were told at pre-estimate briefings we could expect it, so that is not totally unwelcome, but I think as a general

criticism of everybody, of every PBS, in this estimates process, there seems to be no commonality.

You cannot pick up one and say, 'Yes, I know that the outcomes and outputs are going to be done this way, the budget statements are going to appear this way,' and pick up another one and expect to be able to leaf through and find some sort of similarity. It is not there. I want to put this on the record so when the department of finance and when the public admin committee, whichever one it is that goes looking at these, comes to doing a review they can actually take that on board.

**Senator Newman**—Thank you, Senator. Can I suggest that it is useful for committees to make recommendations as to what they find most useful in the introduction of accrual accounting to compare what they like or find difficult in the reporting that is available to them for this budget. It will be helpful, no doubt, for future—

**Senator WEST**—Yes. It is hard enough to get our heads around accrual accounting anyway and, when you are getting PBSs that are actually in different formats from one another and giving different information and on occasions having to get the forward estimates when you are actually sitting down and getting the opening statement, it is not particularly good. Has the department any idea how much it has cost them to actually change to accrual accounting? And the same question would go to the agencies as well?

**CHAIR**—Could I intrude now. We are now moving into the general questions on portfolio overview, pages 11 to 16, are we?

**Senator WEST**—Yes. Are you able to give us some idea, because a lot of staff have burnt a lot of midnight oil, I know. Are you able to give some idea of what the cost has been?

**Dr Rosalky**—I do not think we have that actual cost but I might say it has been a development over actually some years of moving into trials of accrual processes, not only this year. There has been quite a lot of restructuring of our own functions as departments towards the outcomes, so I think it is a broader question than just the cost of producing the material this year. It has been something that has been phased in over a few years. I do not have a cost estimate.

**Senator WEST**—One reason would be that a lot of the senior officers who would be doing this would not be on overtime. They are on a flat salary package anyway, so there would not be any overtime being paid to them. You would not have any idea of additional hours they have had to put in?

**Dr Rosalky**—I do not think we could attribute it particularly to the accrual. I think every budget process has that common element of very long hours associated with it.

**Senator WEST**—Minister?

**Senator Newman**—As you would know from having worked in a minister's office.

**Senator WEST**—I do know but I hear tell stories of the oil burning well after midnight this time to get the PBSs and things organised, whereas it is usually burnt up until midnight.

**Senator Newman**—This budget for this department has always been an oil burning exercise. It is so huge. It has only got bigger.

**Senator WEST**—Yes, but in getting the PBSs out I am just trying to get some handle on the additional load that it has actually cost or taken for people to get their heads around the final leap to accrual accounting and getting this in the format.

**CHAIR**—Further questions in the introductory section?

**Senator WEST**—Yes. What I would like is this—and it may well be that it is hidden in here, but my lack of knowledge or competency with accrual accounting does not allow me to find it. You may want to take it on notice, and it is to go not just to the department, but to every agency as well. For each administered item listed in the resource summaries contained in the PBS, can the agency or department provide an estimate of expenses for 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 go on notice because I think it might be fairly complex. As I say, I am directing that to the department now and for all of the agencies that the department has within it. I am also flagging it to Centrelink and the Institute of Family Studies too, please.

Can the agency or department provide an estimate of expenses for 1999-2000, 2000-01, 2001-02, 2003-03 for departmental output groups and suboutputs listed in the resource summaries contained in the PBS? Can estimates be provided for any outputs that are expected within the period of the forward estimates that will not take effect until after 1999-2000? Again, I am happy for that to go on notice.

**Dr Rosalky**—Take that on notice, thank you.

**Senator WEST**—Can the agency or department provide an estimate of the total cost of the move to accrual accounting? Can the agency or department also provide details of cost specification recipient and whether a tender was held of any consultancy contracts awarded in relation to accrual accounting? You may want to take that on notice. Have any issues been raised by the community and industry groups in relation to understanding the new budget reporting arrangements, and, if so, what were they? When did the agency or the department first start using accrual accounting? We know that some departments started in about 1992 to use some accrual accounting methods. What historical information is available on programs on an accrual basis? Can that be provided along with the corresponding cash based information?

I would also like each agency and the department to provide an itemised list of the liabilities they are recording as accounts payable and a cash flow profile of those liabilities. As I say, I am happy for that to go on notice, because this is going to take some thinking about and poring over. We know that if there is a program that is going for a number of years, the money may be well allocated. Previously we have seen so much money coming through these statements each year for that particular program. But now I understand, if programs are being done by NGOs or other organisations or the states, even though it might be a three-year time frame, that the departments are showing the money going to that organisation once at the beginning with a significantly large amount of money, and then, for the following couple of outyears over which the program runs, it is showing a zero because Finance or Treasury or whoever gives you the money has given you the money and it is being done in one hit. Do you follow what I am saying?

**Mr McWilliam**—It would only really depend, Senator, on when the commitments were being entered into, particularly if they are a discretionary grant. If the commitment was being entered into, then I think you would record it as the expense in a particular year. It really depends on the individual circumstances. As a general rule, we have shown the expenses across the various financial years. It just depends on the individual circumstance.

**CHAIR**—Are there any further overview questions?

**Senator WEST**—I am just trying to think that one through. You have programs that other organisations do for you where you get the funding in one year but are showing in the

paperwork, say, over three years, going out a third this year, a third this year, and a third the year after. You are showing it that way, are you?

**Mr McWilliam**—As a general rule, yes, Senator. There are one or two instances where the commitments are being entered into in a different financial year. They have been expensed in that financial year, even though the money might be actually flowing in a later financial year.

**Senator WEST**—What ones have you got that are happening like that?

**Mr McWilliam**—There are some in the Family Services area. There are two in the Family Services area that commitments are being entered into this financial year and the department of finance's advice was that they should be expensed this financial year.

**Senator WEST**—They are the ones I am looking for because that gets a bit confusing if we trot along next year and say, 'Whoops, there's no money here for this program. Terrible government. They've cut the funding.'

**Senator Newman**—You will say that anyway though, won't you?

**Senator WEST**—Yes, but I want to at least be somewhat close to the truth, Minister.

**Senator CHRIS EVANS**—I have got to come to you later. I have got to report the health department to you. They are using savings against forward estimates as real savings in their budget. I was going to raise it with you later. It is a dreadful thing. I know you always complain about me doing it, so I raised it with the health department. I told them I was going to report them to you.

**Senator Newman**—Thank you, Senator.

**Senator CHRIS EVANS**—You can sort them out.

**CHAIR**—Are there any further overview statements?

**Senator WEST**—Can you tell me the two areas you said it was, please? What pages are they on, and where will I find them?

**Mr McWilliam**—On page 33, Senator, about halfway down under 'Annual Appropriations', 'Output Group 1.1—Family Assistance: Grants to Family Relationship Support organisations,' you will see that the accrual amount in 1998-99 is \$33.8 million. It is only \$5.7 million in 1999-2000. That reflects the fact that commitments are being entered into in 1998-99 but the expenditure will actually flow in 1999-2000.

**Senator WEST**—In that \$33 million as expenditure it is going to actually be flowing in 1999-2000 and 2000-01?

**Mr McWilliam**—That is correct, Senator.

**Senator WEST**—That is the sort of stuff I think we want a breakdown of, please.

**Mr McWilliam**—There is another one which is a minor amount. That is 'prevention', I think it is, Senator, where there is a small amount as well.

**Senator WEST**—Are there any more?

**Mr McWilliam**—Those are the only two, Senator.

**Senator WEST**—Thank you.

**CHAIR**—Have we completed the portfolio with these questions?

**Senator WEST**—Up to what page?

**CHAIR**—On pages 11 to 16?

**Senator WEST**—That is fine.

**CHAIR**—If we have done that, let us move now to Centrelink.

### CENTRELINK

**CHAIR**—We will move to Centrelink, which is in the portfolio budget statements, pages 175 to 202. Are there any questions of Centrelink? Senator Evans?

**Senator CHRIS EVANS**—Yes, thanks, Mr Chairman. If I could as a starting point ask about the general financial position of Centrelink. I want to ‘fess up immediately that I do not understand accrual accounting, I do not understand particularly this chart where H equals E minus F minus G; it sounds like Senator Harradine in the Senate a few months ago. So forgive my ignorance; I am just trying to work out what this all means. I wonder if someone could actually give me a five-minute breakdown of what is happening on a macro level with Centrelink finances and how that is explained in the budget papers.

**Ms Vardon**—Could I introduce Mr Alan Gaukroger who has recently been appointed as our chief finance officer. I am going to ask him to give you the general overview.

**Senator CHRIS EVANS**—Thank you.

**Mr Gaukroger**—The Centrelink budgets basically reflect the translation from cash to accrual budgeting using the DOFA guidelines, and essentially what we have done is include non-cash items in the operating statement, such as depreciation and amortisation expense as well as change in leave provisions. So they are non-cash items. We have taken out of what were previously in the cash budgets capital items, fixed assets, as well as things such as loans. We have got a situation where we are balancing the cash each year. The operating statement at this stage reflects losses which we are currently looking at based on the initial translation, working towards a break-even situation.

**Senator CHRIS EVANS**—As a layman reading the books I thought you were operating at a loss and I wanted to know whether that is right or not. You said you were representing losses. Are you operating at a loss or not?

**Mr Gaukroger**—We balance the cash for each year. In the initial years we have borrowed in order to finance the restructuring activities and we expect to repay all the borrowings by the years 2003-04, which is not in the PBS; it is one year out. In terms of the operating statements, the operating statements reflect the initial translation from cash to accrual budgeting, and what we are currently in the process of doing is working on our internal financial plan and we will be working towards a break-even situation for 1999-2000.

**Senator CHRIS EVANS**—Because all of your revenue comes from the fee for services entry, doesn't it?

**Mr Gaukroger**—Essentially, yes.

**Senator CHRIS EVANS**—Is the government the sole purchaser or is it the major purchaser?

**Ms Vardon**—Yes.

**Senator CHRIS EVANS**—Still sole purchaser?

**Ms Vardon**—The state government housing authorities buy some services from us.

**Senator CHRIS EVANS**—The Commonwealth is the large majority purchaser of your services.

**Ms Vardon**—Yes.

**Senator CHRIS EVANS**—But there is no direct appropriation from the government to Centrelink for this year at all, is there?

**Mr Gaukroger**—I have not got that information, Senator. I would have to find that out for you.

**Ms Vardon**—The answer is no.

**Senator CHRIS EVANS**—I think we had better get that right for the record.

**Ms Vardon**—It is no.

**Senator CHRIS EVANS**—No. All right. So the only payment from the Commonwealth government to Centrelink other than fee for service is this loan arrangement. Is that right?

**Mr Gaukroger**—Yes.

**Senator CHRIS EVANS**—How much are they lending Centrelink this year?

**Mr Gaukroger**—In this year, Senator?

**Senator CHRIS EVANS**—This coming financial year.

**Mr Gaukroger**—The current financial year or the following?

**Senator CHRIS EVANS**—The year we are dealing with the budget, next year. Next financial year.

**Mr Gaukroger**—Next financial year it is in the order of around \$62 million, \$65 million—\$62 million.

**Senator CHRIS EVANS**—So you have borrowed that from whom?

**Mr Gaukroger**—We borrowed that from DOFA.

**Senator CHRIS EVANS**—From DOFA? What are the arrangements under which you borrowed that money?

**Mr Gaukroger**—I am not fully conversant with the details there but essentially we will be repaying that money. We are borrowing next year in the order of \$62 million, \$5 million the year after that, and then we will be in a position where we will have positive cash flows and we will be repaying the money by 2003-04.

**Senator CHRIS EVANS**—Yes, I picked that up. That is the plan, but is someone able to help me with what the arrangements are for the loans?

**Mr Gaukroger**—I understand there is an interest charge involved in that. I do not have the details with me.

**Senator CHRIS EVANS**—Is there an officer here who can help us with that?

**Senator WEST**—Can I just clarify something as well? Earlier you said you expect to repay—and I do not know whether you said by or in 2002. Fortunately for you it is the year just out of the forward figures here.

**Mr Gaukroger**—That is right.

**Senator WEST**—Do you expect to start to repay the loan or do you expect to complete the payment?

**Mr Gaukroger**—We expect to complete the loan by 2003-04. We expect to commence from 2001-02 paying those moneys back. We will be generating positive cash flows.

**Senator WEST**—So 2003-04 you expect to repay it.

**Mr Gaukroger**—To expect it to be fully paid by then—the initial borrowings. We expect to commence repayment of those borrowings from the year 2001-02.

**Senator WEST**—So basically in two years you are going to repay it.

**Mr Gaukroger**—A three-year period altogether.

**Senator CHRIS EVANS**—Can I just take us back though. You borrowed \$62 million over what period and at what interest rate and what arrangements?

**Mr Divett**—I understand the interest rate is six per cent. I have just verified that.

**Senator CHRIS EVANS**—What are the terms of the loan?

**Mr Divett**—We have described the term of the loan, the length of the loan, the duration.

**Senator CHRIS EVANS**—How long is the loan for? You see, what you have given us is when you expect to repay it. I have got a housing loan, and when I expect to repay it and when I repay it are two different things, I suspect. I was trying to get the terms and conditions of the loan which you have taken out from DOFA. Is it a five-year loan, a 10-year loan? What is the interest rate and what are your requirements to repay? Do you have to pay interest only in the first few years? What are the conditions of the loan?

**Mr Divett**—Essentially, Senator, the way it works is less like your house loan and more like a drawing limit, and it is simply to account for the variation in cash flows. So Centrelink will draw down, up to a maximum of \$62 million next year, more cash than it has through revenue, and that is to pay out the costs of restructuring, as Allan Gaukroger said. Then in future years there is a projected surplus cash flow which will return to the department of finance as the surplus cash is available. So it will be returned through the year.

**Senator CHRIS EVANS**—It is like an equity loan you can draw down to a maximum of \$62 million. Is that right?

**Mr Divett**—That is about the description of it, Senator.

**Senator CHRIS EVANS**—And you pay interest on only what you borrow?

**Mr Divett**—On the outstanding balance.

**Senator CHRIS EVANS**—What are the arrangements for repayment of the interest? Where are they shown in the figures?

**Mr Divett**—They are not shown in those terms, Senator. As I said before, the surplus cash we generate in those outyears is available to the department of finance—or to the Commonwealth account—which then reduces the outstanding balance and we pay less interest. ‘The interest is added to the outstanding balance’ is the answer to your question.

**Senator CHRIS EVANS**—So you do not actually make any repayments in the next couple of years.

**Mr Divett**—No.

**Senator CHRIS EVANS**—So the cost of the interest is added to your debt to DOFA. Is that how it works?

**Mr Divett**—That is correct.

**Senator CHRIS EVANS**—You described the relationship and DOFA’s ability to draw it back in a rather odd way for a loan. Can you phrase that again?

**Mr Divett**—As we have surplus cash we take it off the balance of our outstanding debt.

**Senator CHRIS EVANS**—You take it off or they take it off?

**Mr Divett**—‘We’ includes the Department of Finance and Administration and ourselves. We do not have cash sitting in our—

**Senator CHRIS EVANS**—I thought you were separate from them these days. I thought that was the whole point about—

**Mr Divett**—We are not legally separate. We are the Commonwealth of Australia and Centrelink is not a separate legal entity, no. In that sense we are no different from any department or state.

**Senator CHRIS EVANS**—Yes, but this is not an appropriation, is it? You term it as a loan. I am just trying to understand the financial relationship. You term it as a loan but what you are saying to me is that they have the right to pull it out the moment they think you are making a profit. Is that a layman’s way of putting it?

**Mr Divett**—It is not making a profit, Senator. It is surplus cash. It is a cash issue, not a profit or loss issue.

**Senator WEST**—I always thought surplus cash was a profit.

**Mr Divett**—Surplus cash contributes to a profit but you can have surplus cash and be making a loss.

**Senator CHRIS EVANS**—You have a \$62 million equivalent of an equity type of loan arrangement. You are paying six per cent on that. What happens if Centrelink’s projected movement into cash surplus does not occur? Does DOFA just wait for the money and add a further six per cent onto the loan?

**Mr Divett**—We have a continuing negotiation with DOFA and I would point out that we have exceeded all our financial plans to date.

**Senator CHRIS EVANS**—But the world changes. One goes up and one goes down. I do not know how that affects Centrelink, whether it is better if it is up or down, but these things are never a science. Is the arrangement that it continues until you have the cash?

**Mr Divett**—That would be subject to renegotiation with the department of finance.

**Senator CHRIS EVANS**—What date does that renegotiation have to occur? Is it 2003 or 2004 that you are due to pay it back?

**Mr Divett**—If we are exceeding our financial performance, as we expect to, there will be no renegotiation.

**Senator CHRIS EVANS**—There is a second item as well, isn’t there? Was there a loan last year?

**Mr Gaukroger**—That is right. There was \$95 million for the year 1998-99.

**Senator CHRIS EVANS**—You borrowed \$95 million last year?

**Mr Gaukroger**—This current financial year.

**Senator CHRIS EVANS**—Is that a separate arrangement from the one we are talking about or is this a continuation of the equity loan?

**Mr Gaukroger**—They are both related.

**Senator CHRIS EVANS**—Is it the same money or different money?

**Mr Gaukroger**—It is still related to restructuring activities. The \$95 million would be added onto the \$64 million and that would be the total amount of the loan from the department of finance which we expect to repay by 2003-04.

**Senator CHRIS EVANS**—I see. I read it that you owed them \$95 million this year and you worked down the balance to \$62 million. But that is not right, is it? It is the combination of the two amounts.

**Mr Divett**—That is correct.

**Mr Gaukroger**—That is right.

**Senator CHRIS EVANS**—Is that the extent of your debt to DOFA?

**Mr Divett**—Yes, Senator.

**Senator CHRIS EVANS**—You have \$95 million from this financial year and \$62 million—

**Mr Gaukroger**—Sorry, Senator, it is actually \$64 million. That is on page 196 of the PBS.

**Senator CHRIS EVANS**—So it is \$95 million last year and \$64 million this year. The figure for the outyears I found somewhere. Is this \$5.307 million the estimate for next year?

**Mr Gaukroger**—Yes, that is the residual of what borrowings we anticipate we will need.

**Senator CHRIS EVANS**—Is that additional money or what is left from the \$64 million?

**Mr Gaukroger**—That is all related. You would have to add all three figures together, and that is the total loan from the department of finance.

**Senator CHRIS EVANS**—Just so I understand it in laymen's terms, is it anticipated that at the end of the next financial year you would owe DOFA the combination of \$95 million, \$64 million and \$5 million, which is \$164 million.

**Mr Gaukroger**—In the year 2000-01, that is correct.

**Senator CHRIS EVANS**—That would be the total of your debt to them.

**Mr Gaukroger**—That is right.

**Senator CHRIS EVANS**—When you return to cash surpluses they would gradually draw that back, depending on the extent of the surplus.

**Mr Gaukroger**—That is right.

**Mr Divett**—Senator, this is the standard borrowing arrangement across all departments. There is a standard limit to which this operates, with pluses and minuses every year, and it has done so for over 10 years as I recall. This arrangement is no different from what has always been in place. There is nothing special for accrual accounting and there is nothing special for Centrelink. It is within the standard automatic borrowing limits the department of finance established and has had for years. There is nothing at all special in these arrangements.

**Senator CHRIS EVANS**—Thanks for that, Mr Divett. Can someone explain what the equity injection in the line above means?

**Mr Gaukroger**—New capital purchases from this next financial year are done by way of equity injection. That mainly relates to tax reform with the family assistance package and the capital expenditure required to put that into place.

**Senator CHRIS EVANS**—What does the figure of \$11 million this year and \$15 million next year represent?

**Mr Gaukroger**—That is funding for new capital purchases.

**Mr Divett**—Associated with new policy initiatives.

**Mr Gaukroger**—That is right.

**Senator CHRIS EVANS**—Whose money is that? Is that DOFA's money?

**Mr Divett**—It is the Commonwealth of Australia's money. It is equity in Centrelink.

**Senator CHRIS EVANS**—It is money DOFA pays to you. Is that represented as a debt?

**Mr Gaukroger**—No, it is represented as equity and is subject to a capital usage charge.

**Senator CHRIS EVANS**—Does DOFA pay you for the purchase of capital equipment?

**Mr Gaukroger**—New capital equipment on new policies.

**Senator CHRIS EVANS**—Then they charge you for the use of that money.

**Mr Gaukroger**—There is a capital usage charge on it, yes.

**Senator CHRIS EVANS**—What do they charge you for the use of that money?

**Mr Gaukroger**—That is in the order of 12 per cent on net assets, so it is the assets minus the liabilities. It may not specifically be on the \$11 million; it is on Centrelink's overall financial position. In the case of capital usage charge, we will be charged only on new capital items from the next financial year.

**Senator CHRIS EVANS**—Is that because you are at a balance position now?

**Mr Gaukroger**—That is because our liabilities exceed our assets, so there is no net asset charge on previous items.

**Senator CHRIS EVANS**—What will you be paying this assets charge on in the next financial year?

**Mr Gaukroger**—In the year 1999-2000 it is in the order of \$1.3 million or \$1.4 million.

**Senator CHRIS EVANS**—Where is that figure represented in the papers?

**Mr Gaukroger**—It would be in the operating statement under 'Administration charges'.

**Senator CHRIS EVANS**—I do not pick that up at all. Could you point it out to me in the PBS?

**Mr Gaukroger**—If you look at page 194 it will be under 'Other costs of providing goods and services'. It is part of the conglomeration of the \$581 million.

**Senator WEST**—Could that be broken down, please?

**Mr Gaukroger**—No, there is no breakdown for the PBS.

**Senator WEST**—I have just asked for it to be broken down, please, on notice.

**Ms Vardon**—Yes, Senator, we will do that.

**Mr Gaukroger**—Sorry, I did not hear you, Senator.

**Senator CHRIS EVANS**—That is not treated in the same way as the debt. Is your only commitment to DOFA to pay that charge on the net position?

**Mr Gaukroger**—That is right.

**Senator CHRIS EVANS**—There is no direct correlation between that item and your payments to DOFA. Is it just a correlation between your net position?

**Mr Gaukroger**—There is no correlation between the equity injection and the loan. They are for two separate items.

**Senator CHRIS EVANS**—Can I go back to the macro position. Where are we at with the implementation of the efficiency dividend? Can someone take me through that?

**Mr Divett**—The efficiency dividend comes straight off the top of our revenue before we get it, Senator.

**Senator CHRIS EVANS**—I am trying to remember where we are in the cycle of the 10 per cent. I am trying to get the macro feel for where we are. Are we in the second year or the third year?

**Mr Divett**—The subject of the estimates is the third year, Senator.

**Senator CHRIS EVANS**—So the financial year 1999-2000 is the third year of that efficiency dividend process. What was the efficiency dividend for that financial year?

**Mr Gaukroger**—In that particular year it is \$211 million and the cumulative is \$361 million.

**Senator CHRIS EVANS**—What is that in percentage terms? It was expressed as 10 per cent, wasn't it, originally?

**Mr Divett**—Senator, it is six per cent this year but it is not on all of the revenue. It is on most of the revenue.

**Senator WEST**—Why isn't it on all the revenue?

**Mr Divett**—It is only on that business that was in place at the creation of Centrelink, not on new business.

**Senator CHRIS EVANS**—What is the proportion of state government revenue? Is it one per cent or two per cent?

**Mr Divett**—Less than half a per cent.

**Ms Vardon**—We also have other clients, say Veterans' Affairs and so on. That is not efficiency—

**Senator CHRIS EVANS**—I was going to come to that. I was trying to work out whether in relation to the state revenue there was any real impact in terms of your overall budget. It is obviously nice to have the money, but it is not—

**Ms Vardon**—The significant bulk of our funds are Family and Community Services funds.

**Senator CHRIS EVANS**—The efficiency dividend was only on that custom provided by Family and Community Services?

**Mr Divett**—No, it was all business at the creation of Centrelink.

**Senator CHRIS EVANS**—That means that was on business you had from Vet Affairs at that time?

**Mr Divett**—We had no business from Vet Affairs at that stage.

**Senator CHRIS EVANS**—Who were your customers at that stage?

**Ms Vardon**—It was from DEETYA. It was the employment business that came across to make the one-stop shop.

**Mr Divett**—It was the Department of Social Security, the Department of Employment, Education and Training and Youth Affairs and the Department of Health and Family Services at that time.

**Senator CHRIS EVANS**—The services that those three departments contracted to you at birth were the ones that had the efficiency dividend applied?

**Mr Divett**—That is correct.

**Senator CHRIS EVANS**—What has happened with the services that they or others have contracted to you since? Do you just negotiate the fee for service, or is there an efficiency dividend component?

**Mr Divett**—They are subject to the normal one per cent component that all departments and agencies have, Senator, but not to the special efficiency dividend.

**Senator CHRIS EVANS**—After you negotiated the appropriate rate with the department? Is that a fair description of the process? Is it a negotiation between Centrelink and the department, the fee for service?

**Mr Divett**—Those figures were a decision of government, Senator.

**Senator CHRIS EVANS**—Yes, so it is not fair. Right. So after the original figure was set, you then have a one per cent efficiency dividend per annum applied to those figures. Do you have a growth factor as well?

**Mr Divett**—The one per cent applies to all government agencies, Senator.

**Senator CHRIS EVANS**—If FACS had contracted with you for something else that was worth \$1 million, do you then just take one per cent off that the following year in terms of the contract, or is there a factor for the fact that the number of clients you are servicing might have grown by 10 per cent as well?

**Mr Divett**—It depends on the contract. Some of our contracts have variation with workload built into them; some of them do not. It depends on the nature of the contract. That component is dealt with first, if there is a workload variation component, and then there is one per cent on top of that, yes.

**Senator CHRIS EVANS**—So it is not necessarily the case that your fee for services contracted after this will only be reduced by one per cent. In fact, the fee might well have gone up because of other factors.

**Mr Divett**—Yes, Senator.

**Senator CHRIS EVANS**—I am just trying to conceptualise this.

**Mr Divett**—In many of our contracts workload is the biggest driver. It dominates everything else.

**Senator CHRIS EVANS**—Yes, so we are not likely to see \$1 million less one per cent in terms of a payment from FACS for that service. It is likely to be \$1.2 million total because the workload has driven it.

**Mr Divett**—That is correct, Senator.

**Senator CHRIS EVANS**—So you have the one per cent efficiency dividend on those contracts entered into since your formation, but are the other contracts, the original contracts, still in place, or have they been renegotiated or reset?

**Mr Divett**—All of our contracts have been renegotiated at least once since Centrelink was created.

**Senator CHRIS EVANS**—How did that impact on this efficiency dividend? Did you just apply it to the new figure each year?

**Mr Divett**—Those elements did not change in the contracts.

**Senator CHRIS EVANS**—No, but from one year to the next when the contract was changed, if the contract had been for \$5 million and now it is for \$6 million, you applied the three per cent efficiency dividend to the \$6 million rather than to the \$5 million? Is that how it worked?

**Mr Divett**—You are including the workload variation component?

**Senator CHRIS EVANS**—Yes. You said you got a new contract, so I assumed the value of the contract had changed and that you then struck a value for the contract and then applied the efficiency dividend.

**Mr Divett**—The efficiency dividend components apply to unit price. That is probably the best way to look at it. The total value of the contract is affected by variations of volume. Your proposition is correct, yes.

**Senator CHRIS EVANS**—So if the unit price is \$10, you take the three per cent efficiency dividend off that and then you multiply it for the number of customers.

**Mr Divett**—Yes—or the six per cent or the one per cent.

**Senator CHRIS EVANS**—Yes. What was the efficiency dividend this financial year, 1998-99?

**Mr Divett**—It was \$96.1 million.

**Senator CHRIS EVANS**—What was that in percentage terms?

**Mr Divett**—It was 1½ per cent, Senator.

**Senator CHRIS EVANS**—So this year is the big year in terms of the efficiency dividend, is it?

**Mr Divett**—That is correct, Senator.

**Senator CHRIS EVANS**—This is the six per cent, \$211 million this year, with a total of \$361 million. Do you have a breakdown by customer in these tables, as to who is paying you what? I have seen the gross figures for sale of goods and services. Is it \$1.6 billion?

**Ms Vardon**—Yes, \$1.6 billion.

**Mr Divett**—Page 185, Senator.

**Senator CHRIS EVANS**—Could you just take me through this. This is by department, so FACS has contracted for next financial year for \$1.490 billion worth of services. Is that right?

**Mr Gaukroger**—That is right.

**Senator CHRIS EVANS**—What is AFFA?

**Ms Vardon**—Agriculture, Fisheries and Forestry—primary industry.

**Senator CHRIS EVANS**—Between accrual accounting and acronyms, I am coming off second best here! Obviously FACS are by far the biggest customer. What percentage of those contracts have the efficiency dividend applied to them? In other words, what percentage of the work was already contracted at inception?

**Mr Divett**—It is by far the bulk, but I would have to take that on notice if you want the actual figures.

**Senator CHRIS EVANS**—If you would not mind, yes. I am just trying to get a feel for that. But you say it is by far the bulk of the work?

**Mr Divett**—Yes.

**Senator CHRIS EVANS**—Could you also give me the total.

**Mr Divett**—Senator, I am advised that the answer to your question is: in the order of 97 per cent.

**Senator CHRIS EVANS**—Perhaps you could take that on notice if you have got more accurate information. I do not want to put you to extra work, but could you confirm that. Can you do that for the other departments and for the total for me as well, please.

**Mr Divett**—That is for the total. We understood your question related to what component of our total revenue was subject to the special efficiency dividend.

**Senator CHRIS EVANS**—Could you, if you have it available, give to me a breakdown by the departments as well, on notice.

**Mr Divett**—Certainly, Senator.

**Senator CHRIS EVANS**—Only if it is available to be worked out. So 97 per cent still of the total purchase from the Commonwealth has the efficiency dividend applied to it?

**Mr Divett**—Yes. We will check the figure.

**Senator CHRIS EVANS**—It is in that order. What is the efficiency dividend proposed for 2000-2001, or is this the end of it?

**Mr Divett**—It is \$255.2 million. These figures are ongoing from the base year. It is an additional \$45 million, Senator.

**Senator CHRIS EVANS**—You gave me figures before of \$211 million for this year, which I thought made a total of \$361 million. Now you say the ongoing for next year will be a total of \$255 million.

**Mr Divett**—Yes, that is the one per cent efficiency dividend that is across all agencies.

**Senator CHRIS EVANS**—What is?

**Mr Divett**—The difference between 1999-2000 and 2000-01—which I thought was the question you were asking—is the additional one per cent that applies to all agencies in an ongoing way. There are no further special efficiency dividends, Senator.

**Senator CHRIS EVANS**—So the figures you gave me before of \$211 million for the next financial year and \$361 million in total are the special efficiency dividends?

**Mr Divett**—It is all efficiency dividend, Senator.

**Senator CHRIS EVANS**—That is the total of your 10 per cent plus the annual one per cent rates?

**Mr Divett**—Yes, based on the base year of 1996-97.

**Senator CHRIS EVANS**—Does that mean that you will have 13 per cent applied by the end of this year?

**Mr Divett**—Yes. The total of the special efficiency dividends will be applied by the end of the current year.

**Senator CHRIS EVANS**—What is the total efficiency dividend in percentage terms? Thirteen per cent? Is that right? Three ones and 10. It probably adds up to something different under 'Accrual'.

**Mr Divett**—The total of the special efficiency dividend is 10 per cent, Senator.

**Senator CHRIS EVANS**—Yes, I know what the special efficiency dividend is. On top of that you have the one per cent apply, don't you?

**Mr Divett**—That is correct, yes.

**Senator CHRIS EVANS**—Does that mean you have, effectively, 13 per cent applied to your total budget, give or take the fact that it is not the whole—

**Mr Divett**—Yes, Senator.

**Senator CHRIS EVANS**—So we end up with about 13 per cent total.

**Mr Divett**—Plus an IT outsourcing dividend, Senator. There is a saving from the proposed market testing on IT which is also built in.

**Senator CHRIS EVANS**—How much is that?

**Mr Divett**—It is a total of \$25.4 million for 1999-2000, Senator.

**Senator CHRIS EVANS**—In which year?

**Mr Divett**—1999-2000.

**Senator CHRIS EVANS**—Is that the extent of the efficiency dividends Centrelink has been managing in the last few years?

**Mr Divett**—Yes, Senator.

**Senator CHRIS EVANS**—So the total efficiency dividend at the end of 1999-2000 will be \$361 million plus the \$25 million market testing IT dividend?

**Mr Divett**—No, the \$361 million is the total of all efficiency dividends.

**Senator CHRIS EVANS**—The next year you will pay a dividend of six per cent.

**Mr Divett**—Yes.

**Senator CHRIS EVANS**—Does that equal \$211 million or does that include the one per cent in addition?

**Mr Divett**—Senator, it might be best if I read them out to you. For the year 1999-2000, the standard efficiency dividend is \$46 million, the special efficiency dividend is \$139.4 million, the IT dividend is \$25.4 million and the total is \$210.8 million.

**Senator CHRIS EVANS**—It is \$210 million total efficiency dividend for the financial year 1999-2000.

**Mr Divett**—That is correct.

**Senator CHRIS EVANS**—What is the accumulative efficiency dividend in that year?

**Mr Divett**—It is not in that year. The accumulative figure that Mr Gaukroger gave was the figure if you add the three together over the three years to date.

**Senator CHRIS EVANS**—So if we add the efficiency dividends paid in 1996-97, 1997-98 and 1999-2000, what is the total efficiency dividend?

**Mr Divett**—As Mr Gaukroger said, it is \$361 million.

**Senator CHRIS EVANS**—Thanks for that. What are the efficiency dividends proposed for 2000-01?

**Mr Divett**—It is the same. The only increase is the one per cent that is across everything.

**Senator CHRIS EVANS**—The only thing you know of is that the ongoing one per cent will be applied. Is that right?

**Mr Divett**—Yes, Senator.

**Senator CHRIS EVANS**—Unless somebody else gets any more bright ideas about more efficiency dividends. I think you might have to borrow more money then.

**Senator WEST**—Pay for an efficiency dividend from the person who is making you claim it.

**Mr Divett**—Senator, it might add to your knowledge of the overview of Centrelink's financial position to know that for some months now our ongoing operating costs structure is below our revenue. The only reason that there is an issue of dollars cash to be paid back

is the cost of the restructuring, largely from previous years. Our cost operating position at this point of time is lower than our revenue position for the year after next, so we are well positioned in a financial sense.

**Senator CHRIS EVANS**—Good. Are you saying that all the cost of—this term ‘restructuring’—

**Ms Vardon**—Voluntary redundancies.

**Senator CHRIS EVANS**—Is that the total cost of restructuring?

**Ms Vardon**—It is a significant amount of it.

**Senator CHRIS EVANS**—Has all that now been met?

**Mr Divett**—Not all, but the bulk of it has been, Senator, yes. There will be some early next year.

**Senator CHRIS EVANS**—But you had many more redundancies this financial year than was the average for the three. You got the bulk of them this year I think, didn’t you?

**Mr Divett**—That is correct, Senator.

**Senator CHRIS EVANS**—What is left in the 1999-2000 budget as the cost of restructuring?

**Mr Divett**—On page 194, Senator, that is shown as \$24.122 million.

**Senator CHRIS EVANS**—Whereabouts? Page 194?

**Mr Gaukroger**—Page 194 under the line that says, ‘Abnormal—restructuring costs’: for the year 1999-2000, \$24.122 million.

**Senator CHRIS EVANS**—This year, that is going to be the cost to you of restructuring. Will that be redundancy payments?

**Mr Gaukroger**—A proportion of that will be redundancy payments. I do not have the precise percentages. There are also restructuring costs involved as well.

**Senator CHRIS EVANS**—What does ‘restructuring’ mean?

**Mr Divett**—It could be property costs. It could be a whole lot of costs that are associated with changing—

**Senator CHRIS EVANS**—It could be rationalising properties as well?

**Mr Divett**—Or extending properties, yes. We now have 50 per cent more locations and properties than we had when we started Centrelink, for instance.

**Senator CHRIS EVANS**—Are you able to get for me on notice a breakdown of that costing?

**Mr Divett**—For next year? It is part of our internal budgeting processes. We do not have it in detail, Senator. We could report to you in perhaps four or five months on a better figure for next year.

**Senator CHRIS EVANS**—Can you tell me what proportion of that is likely to be redundancy costs and what you have allowed for that next year?

**Mr Divett**—We could make some estimates, Senator. The net reduction in staff next year is relatively small. The judgment we have to make for budgeting purposes is for what percentage of those people that reduction will occur through natural attrition. We are right in the middle of those estimates now. It is a difficult figure to give to you.

**Senator CHRIS EVANS**—You started with a target of 5,000, didn’t you?

**Mr Divett**—We announced 2,700 for the previous year, which is 1998-99, and a whole series of things have changed. We have had considerable additional revenue flow into the organisation. Our costs of restructuring in the current year are likely to be significantly lower than we originally budgeted for, which reduces the staffing impact in future years. When we have finished our internal budgeting, we suspect the staffing impact will be quite small.

**Senator CHRIS EVANS**—Do I interpret that to mean that because of the growth in demand for your services, you are growing in other areas and therefore the need for redundancies and cutbacks in some of the areas you have planned are no longer as pressing? Is there a balance going on?

**Mr Divett**—That is one of the issues. The other issue is that we reduced our costs a lot faster than the original plan had in place, so our borrowings are considerably less and the need to repay is considerably less, yes, Senator. There is a series of issues coming out of sound financial management that has put that position in place.

**Senator CHRIS EVANS**—You had anticipated borrowing more from DOFA this year than \$64 million?

**Mr Divett**—In the additional estimates the borrowing limit was set at \$143 million. Several months ago that was refined to \$95 million. It may well be a bit lower, depending on when the cash impact of things like voluntary redundancies are paid, and whether they are paid at the end of this year or the start of next year.

**Senator CHRIS EVANS**—You have a limit this year with DOFA of \$95 million?

**Mr Divett**—It is currently \$95 million.

**Senator CHRIS EVANS**—But you have budgeted for \$64 million.

**Mr Divett**—For next year?

**Senator CHRIS EVANS**—Yes. Sorry, that is my fault. I keep saying ‘this year’ because we are dealing with this year’s budget.

**Senator Newman**—It is next year’s budget in this year.

**Senator CHRIS EVANS**—Yes. Two days of estimates from nine to 11 dull the brain! Yes, that is right. The budget figures show \$95 million for this financial year and you are predicting borrowings of \$64 million for 1999-2000.

**Mr Divett**—A borrowing limit of \$64 million for the next financial year. Our intention would be to reduce that substantially.

**Senator CHRIS EVANS**—You are not sure about what makes up that \$24 million worth?

**Mr Divett**—We could make estimates, but it may well mislead you.

**Senator CHRIS EVANS**—Yes. Are you saying there are other things going on in the organisation that make that—

**Mr Divett**—Yes, Senator.

**Senator CHRIS EVANS**—Can you explain to me what the \$51 million in this financial year was spent on? Was that largely paying for the redundancies of the 2,700 or so officers?

**Mr Gaukroger**—The \$51 million, Senator, also relates to a combination of voluntary redundancies and other restructuring costs.

**Senator CHRIS EVANS**—Are we able to get a breakdown of that figure?

**Mr Gaukroger**—Yes, I will be able to get that.

**Mr Divett**—I could give you the redundancy component of that to the last payday, if that would help you, Senator. We can only estimate it to the end of the year.

**Senator CHRIS EVANS**—Yes, I am happy just to get an indicative figure at this stage. I gather most of it, or a large part of it, is that.

**Mr Divett**—The redundancy component at 30 April was \$59.479 million.

**Senator CHRIS EVANS**—\$59.479 million?

**Mr Divett**—The \$51 million is a net figure.

**Senator CHRIS EVANS**—A net figure?

**Senator WEST**—How do you have a net figure?

**Senator CHRIS EVANS**—Are you deliberately trying to confuse me, Mr Divett? I will give you a bit of advice. The health department said yesterday, 'It's accrual accounting, Senator,' and they got away with it largely. Senator West had some success but I had no success. They hid behind it very nicely.

**Mr Divett**—Senator, can we take that on notice and explain that variation—the timing issue?

**Senator MURPHY**—You just read out a figure of \$59 million that has been spent on redundancies.

**Mr Divett**—Yes.

**Senator MURPHY**—Is that accurate?

**Mr Divett**—That figure is accurate at 30 April. There will be a timing issue in the preparation at this stage.

**Senator MURPHY**—I understand that. But that is an accurate figure?

**Mr Divett**—Yes, Senator.

**Senator MURPHY**—That is an accurate figure that has been spent on redundancies—\$59 million?

**Mr Divett**—Yes, Senator.

**Senator CHRIS EVANS**—That is not the full financial year. There are other items that go in that budget item, aren't there? Conceivably you have a figure much larger than \$51 million. What would be offsetting that?

**Mr Divett**—Senator, I am sure it is a timing issue. The budget documents were prepared before the current expenditure figure. That will explain the difference. In this year virtually all of it will be a redundancy component, but we will check the figures and give you those.

**Senator CHRIS EVANS**—Have you had a lot of redundancies late in this financial year?

**Mr Divett**—Most of the redundancies this year actually occurred very early in the financial year.

**Senator CHRIS EVANS**—That is what I thought.

**Mr Divett**—The second group of them occurred right at the end of March and April. That is why this figure will be high. We will check the figures.

**Senator CHRIS EVANS**—Perhaps you could take the explanation for that on notice.

**Senator MURPHY**—What was the operating result before abnormals? Was it \$23 million?

**Mr Gaukroger**—\$23.87 million.

**Senator MURPHY**—That is the difference between revenues and expenses?

**Mr Gaukroger**—That is correct.

**Senator MURPHY**—Then we add on abnormal restructuring costs.

**Mr Gaukroger**—Yes.

**Senator MURPHY**—We have an outcome of \$75 million. Somehow that is all way out of kick, isn't it? It is not even anywhere near accurate.

**Mr Divett**—Those figures would have been accurate at the time of preparation of these documents.

**Senator MURPHY**—Which was when?

**Mr Divett**—In April, Senator.

**Senator MURPHY**—At the beginning of April or the end of April?

**Mr Gaukroger**—From recollection, Senator, at the end of April.

**Senator MURPHY**—End of April.

**Mr Gaukroger**—That is right.

**Senator MURPHY**—Mr Divett just read out a figure of \$59 million though as at the end of April, did he?

**Mr Gaukroger**—Yes. We have got to just check up on what is the reason for those timing differences there.

**Senator MURPHY**—You are going to give us a breakdown of the \$24 million?

**Mr Gaukroger**—That is right.

**Senator MURPHY**—As an estimate.

**Mr Gaukroger**—Sorry, the \$51 million—

**Senator MURPHY**—We do not know what the \$51 million is. You have got \$59 million on the one hand. It would seem to me the figures in there are totally inaccurate.

**Mr Gaukroger**—We will have to check those numbers.

**Senator MURPHY**—Mr Divett's figure of \$59 million was at the end of April or end of May?

**Mr Divett**—That is correct, Senator, end of April.

**Senator MURPHY**—End of April? There are other costs as well.

**Mr Gaukroger**—There are other costs associated with the restructuring, yes. We would have to check those numbers for you.

**Senator CHRIS EVANS**—On that table are all the questions—

**Mr Gaukroger**—I can make a call during the course of the day.

**Senator MURPHY**—That would be useful because then it might help to understand a bit better what you have budgeted for this year.

**Mr Gaukroger**—Yes.

**CHAIR**—Senator Evans.

**Senator CHRIS EVANS**—Mr Gaukroger, you were saying that by the year 2002-03 you are back in surplus but it seems to me on this table—and, forgive me, I have no accounting expertise at all—you are still running a deficit at 2002-03.

**Mr Gaukroger**—Senator, the cash operating surplus would be generated by the non-cash items such as depreciation and amortisation. If you take a simple example on the operating statement and you took the depreciation and amortisation line out, you would actually see an operating surplus. The cash surplus is generated primarily through the non-cash items under accrual accounting.

**Senator CHRIS EVANS**—What are you telling me the bottom line at 2002-03 for Centrelink is, and where is that shown?

**Mr Gaukroger**—The bottom line from a cash basis is on page 196 where, for cash used in 2001-02, there is a repayment of \$51 million, in the next year \$52.2 million, and then there is a subsequent payment or final payment the year after that.

**Senator CHRIS EVANS**—I am not following. Which column are you at—page 196?

**Mr Gaukroger**—Page 196 under ‘Cash’.

**Senator CHRIS EVANS**—Yes, cash received, cash used, total cash used.

**Mr Gaukroger**—Yes, total cash used.

**Senator CHRIS EVANS**—Yes.

**Mr Gaukroger**—You will note the line above is where the borrowings have occurred originally. Then below the line under ‘Cash used’ is when we generate positive cash flows.

**Senator CHRIS EVANS**—That shows you are paying back \$51 million in year 2001-02.

**Mr Gaukroger**—By way of cash, yes.

**Senator CHRIS EVANS**—By way of the cash being taken back to DOFA?

**Mr Gaukroger**—It may not necessarily relate to the operating statement.

**Senator CHRIS EVANS**—When I look at page 194, and your operating results are for abnormals, I am looking at the wrong table, am I, because that still shows you \$17 million down.

**Mr Gaukroger**—That is the operating result under accrual budgeting. There is a difference between that and balancing the cash. Primarily it is with the non-cash items such as depreciation, amortisation and change in leave provisions.

**Senator CHRIS EVANS**—When I want to know what the bottom line of Centrelink is for each of the years, which table ought I look at?

**Mr Gaukroger**—The bottom line you would be looking at is on page 194 on the operating statement, the operating result after abnormals.

**Senator CHRIS EVANS**—That is what I thought. That is why I got confused when it still shows you in deficit.

**Mr Gaukroger**—Yes. As Mr Divett mentioned earlier on, we are currently looking through our internal financial plan. For the year 1999-2000 we will be working towards a break-even position. The results we have got here reflect our initial—

**Senator CHRIS EVANS**—Sorry, can you say that again?

**Mr Gaukroger**—The results we have got here reflect our initial translation from cash to accrual budgeting. It is something which we are currently working through with our internal financial plan to work towards a break-even result.

**Senator CHRIS EVANS**—I might be missing something here. You told me you were back in surplus and all was rosy.

**Mr Gaukroger**—From a cash basis.

**Senator CHRIS EVANS**—I admit it is small beer compared with your total budget but, on the figures you have given me, if I am looking at the right table, you are still in deficit in 2002-2003. You are saying to me you are going to work through it and the figures here are not a proper representation of where you think you will be?

**Mr Gaukroger**—We think we will be able to work better than what is presented here in the trading result.

**Senator CHRIS EVANS**—We all hope that, but what is the point of giving us these totals then?

**Mr Divett**—Senator, your question earlier was about cash. You are now talking about operating position. The cash is on the next page and we anticipate we will be paying back the cash, as Mr Gaukroger said earlier, in those years. They do not relate directly to the operating position here.

**Senator CHRIS EVANS**—No, that is why I asked him to make sure I was in the right table and we were in the right spot and I had read it right. He told me that if I wanted to look at your bottom line and understand what was really going on in the organisation, I had to look at table 4.1 on page 194, and then look at the bottom line, and the bottom line still has you in deficit. I have an agenda here. I am just trying to understand it.

**Mr Gaukroger**—Yes.

**Senator CHRIS EVANS**—As I say, it is not a huge amount. It is \$17 million in 2002-03 compared with the income of \$1.6 billion. I am happy to keep it in proportion, but it does not quite match with the rhetoric I was getting earlier, that is all. I am just trying to make clear what it is you are saying about it.

**Mr Divett**—It includes the cost of paying back the loan, Senator.

**Senator CHRIS EVANS**—A similar question: will you be in surplus in 2002-03 or won't you?

**Mr Divett**—In cash terms, Senator?

**Senator CHRIS EVANS**—Give me any terms you think are relevant, Mr Divett—all versions.

**Mr Divett**—Yes, Senator, on these figures we will be in cash terms in that year. We will have cash surpluses to return to the department of finance to pay back the loans.

**Senator CHRIS EVANS**—And in terms of your statement of revenue and expenses?

**Mr Divett**—Until we have paid back those loans, they will be showing negative, Senator.

**Senator CHRIS EVANS**—Thank you.

**Senator MURPHY**—You will have a cash surplus but an operating loss.

**Mr Divett**—That is correct.

**Senator WEST**—On page 196 can you explain this. With the 'Cash used', 'Employees', between this year's estimated actual and next year's budget you have a drop of \$86.510 million. This coming financial year and the following financial year you only have a drop of \$7.196 million. Then in 2000-01, 2001-02 you actually have a drop of \$52.381 million. Can you explain to me what all that means in terms of numbers of employees? Obviously there are going to be some redundancies in there if you are going from paying out \$1,014.524 million down to \$962.143 million. How many staff does it mean?

**Mr Gaukroger**—Senator, could I take that question on notice to obtain that information for you?

**Senator WEST**—This is amazing. Nobody can tell us what is happening with the staff figures. We went through this with Health, or with ANZFA in particular, and we got these variations. Nobody could tell us. Can you tell me what ‘Cash used—Suppliers’ means when you are going from \$14.479 million down to \$3.106 million? There is \$11 million there. What is the variation there?

**Mr Gaukroger**—I would have to obtain that information for you, Senator. I do not have the detail with me at present.

**Senator WEST**—Purchase of property, plant and equipment. You are having a \$15 million increase. How does that arise? In the following year you are then having a \$3 million drop. In the following year you are having a \$13 million drop. How come?

**Mr Gaukroger**—That is the result of restructuring and additional amounts of money being spent on capital purchases. We have forecast that that will decrease over the following years as a restructuring.

**Senator WEST**—What are you going to purchase?

**Mr Gaukroger**—I would have to get that information for you.

**Senator WEST**—That will become an asset, won’t it?

**Mr Gaukroger**—That is correct.

**Senator WEST**—That will mean you are liable for a capital use charge to make sure you utilise your assets properly.

**Mr Gaukroger**—That is correct.

**Senator WEST**—I want to know what sorts of assets, because the way the capital use charge has been explained to me, it would appear that it is very much aimed at discouraging you from having any assets at all. So I want to know what sort of assets you are going to purchase, because you are talking \$110 million—not small fry—that you are aiming to purchase. Somebody mentioned earlier IT outsourcing, so that certainly would not come under property, plant and equipment. I would have thought that your major property, plant and equipment—reading underneath that, you have got ‘Intangibles’. We will stick on ‘Property, Plant and Equipment and’—I do not know what the ‘and’ is.

**Mr Gaukroger**—And ‘Intangibles’.

**Senator WEST**—‘And Intangibles’ because it has got a separate line, I see. If you were going to IT outsource I would have thought your major property, plant and equipment purchases that you are going to classify as an asset to get the capital user charge would have been your IT.

**Mr Divett**—We have not assumed that the IT is outsourced in this budget, Senator.

**Senator WEST**—I see. With the capital user charge there is a component for an amount for depreciation for you to invest, so that you can make the appropriate replacements at the end of the life of the asset. Where and what are you doing with that amount of money?

**Mr Gaukroger**—The depreciation and amortisations are partly used to fund replacement assets but it is also to the component that is helping to generate a surplus cash component by the year 2001-02.

**Senator WEST**—So you are actually using some of your reserves for replacement and maintenance of your infrastructure to help pay off your debt.

**Mr Gaukroger**—There is a combination. We get revenue for replacement assets each year, and there is also a component within the depreciation and amortisation. I do not think we can clearly connect those in terms of the surplus cash which is generated in 2001-02 onwards.

**Senator WEST**—I am struggling to understand accrual accounting, and I am struggling to understand depreciation and amortisation and capital assets user charges. Can you give me on one piece of paper something that is going to outline to me how much of your depreciation and amortisation is actually going to be put aside and invested, where it is going to be invested for covering your maintenance and your replacement, and how much of it is going to be used with the cash to pay off your debt?

**Mr Gaukroger**—Okay.

**Senator WEST**—It will make me happier. I will comprehend it a bit more. Can I turn back to page 185, and Sir Humphrey was alive and well when this bit was being written. It is table 2.2, the notes, and actually down below, the next one as well. It says:

FaCS have out-turned their prices in forward estimates to reflect anticipated price level changes.

Would somebody like to tell me what 'out-turned' is, please? There is enough gobbledegook in public service language without inventing some more.

**Mr McWilliam**—Out-turned just means that they are in the prices of that financial year. So a price factor has been included to say that it is going to be in the prices of those outyears.

**Senator WEST**—So you are telling me that those figures say the FACS figure for 2001 is \$1,522 million and you are saying that that is not in the June 1999 figures, that is actually in the 2000-01 figures—dollar values.

**Mr McWilliam**—That is correct, Senator.

**Senator WEST**—Who came up with this out-turn phrase? It is a new one on us.

**Mr McWilliam**—The term out-turning has been used for quite a number of years, actually, Senator. The figures that we provided for budget estimates in the past have also been out-turned.

**Senator WEST**—But the note has never been there, so I have paddled along quite happily and ignorantly. Note No. 2, and I do not know what this applies to because I cannot find the annotation of the 2. Can I also please suggest that, when you are doing PBSs, you be careful with shading. For some of us with our eyesight getting a bit older, it is very hard to read.

**Senator GIBBS**—You need new glasses.

**Senator WEST**—I need new glasses but I did not need you to remind me I needed them quite so soon. Point 2 says:

Funding for Comcover, Agency Banking and IT Capital has been devolved.

What does that mean? I am greeted with silence. What does it mean, please?

**Mr McWilliam**—It simply means that the Department of Finance and Administration has devolved responsibility for a lot of those functions. For instance, with agency banking the department of finance is moving to have agencies have their own bank accounts rather than have those managed through the Department of Finance and Administration.

**Senator MURPHY**—But what does it mean in terms of this agency?

**Mr McWilliam**—In terms of this agency, it means they are going to have their own bank account.

**Senator WEST**—Which bank?

**Mr McWilliam**—They pay their own moneys to Comcover and so on.

**Senator WEST**—Which bank? Are they all going to be with the Reserve Bank? No, this is serious! Which bank are the departments going to be investing with? Is it the Reserve Bank?

**Ms Vardon**—The Reserve Bank, Senator.

**Senator WEST**—What interest rates are the Reserve Bank paying?

**Dr Rosalky**—That is a commercial choice we still have not made yet.

**Senator MURPHY**—You have not decided which bank?

**Senator WEST**—Centrelink has just told me the Reserve Bank.

**Mr McWilliam**—Family and Community Services will use the Reserve Bank. I am sorry, Senator, it is the Reserve Bank.

**Senator WEST**—Dr Rosalky, what did you mean?

**Dr Rosalky**—There was a choice. I had not caught up with the current facts that the decision had been made to go with the Reserve Bank. That was a choice. There is a choice for the future about which bank, Senator.

**Senator WEST**—What sort of packages are the banks putting forward to attract departmental business? If a bank can say, 'We've got this particular account and it's so many billion,' that would be a rather lucrative account that they would want to have. What sort of packages are they offering? How competitive are they being with the Reserve Bank?

**Mr Hoefler**—We have been going to the commercial banks in recent tendering exercises and the banks have put up excellent deals to date, but the Reserve Bank has been far more competitive in basic transactional costs and also has been able to provide far more substantive services.

**Mr Bashford**—In relation to that note 2, what that means is that money that came through the Department of Family and Community Services previously for those items—Comcover, agency banking and IT capital—has now come through the other clients that you see listed there. It is just a change of how the money comes to Centrelink rather than anything else.

**Senator WEST**—When you are offering a contract to provide a service to another department, you are including in that contract offer the funding necessary to cover the Comcover—which I presume is the old Comcare, which is the old workers comp—the agency banking, and the IT component. Is that correct? Or are we having another answer coming through here?

**Mr Bashford**—The funding that comes from those other departments will in future cover Comcover, agency banking and IT capital.

**Senator WEST**—What arrangements have been negotiated?

**Mr Bashford**—Originally it came through Family and Community Services so money will have to be taken from the Family and Community Services line and distributed to other clients. There is no net change in the cost to the Commonwealth. It is just a change in the way the money comes to Centrelink.

**Senator WEST**—Whilst it suits FACS very nicely, because their costs are actually going to drop a little bit, DEWRSB, HAC, DETYA, AFFA, and I suppose DVA as well, are all now going to find that their costs are going to go up.

**Mr Bashford**—They are going to get money from the government to pay for this, because the money has always been in the FACS portfolio. It will be taken out of the FACS portfolio—a proportion of it, obviously—and given to those other clients, and those clients will give it to us in the price that we charge.

**Senator WEST**—But you are going to have to belt them around the ears in your negotiations to get that out of them.

**Mr Bashford**—We are certainly going to have a talk to them about getting it, yes.

**Senator WEST**—Can someone explain to me why in that table you have got in the next financial year an increase for FACS of \$1,490.162 million to \$1,522 million?

**Mr Bashford**—Senator, it is workload variation. We have an increase in workload as a result of this budget. It will be the number of customers either going up or down, or the number of new initiatives coming on with this budget.

**Senator WEST**—Have you got the 1998-99 figures so I can compare this year with next year, to begin with, to give me some base.

**Mr Bashford**—I can certainly get that, Senator. I do not have it right here at the moment. I can get it to you in the course of the hearing.

**Senator WEST**—Yes. I want to know the reason for the increase.

**Senator MURPHY**—How much does Centrelink spend on advertising? Where do I find that in this budget?

**Mr Bashford**—The total figure for 1998-99 was \$1,498,450. You have got the figures for the outyears. There are lots of changes to that because the efficiency dividend has come off, new budget initiative has come on, and there will be changes to workload numbers, so that will go up in some cases and down in others, depending upon the program. There are a number of variations that lead us to that figure.

**Senator WEST**—I would like to know what the variations were. I am happy for you to take it on notice and tell us what they were, and what you think they are going to be for the outyears as well. You have dropped \$8 million between this financial year and next. You then go up \$32 million the following year, and then you have projected to come down over a whacking \$50 million, and then go up \$6 million. I would like someone to give us the justification for why all that is happening.

**Mr Bashford**—All these figures are based on the estimates figures for the outyears—

**Senator WEST**—Yes, I realise that.

**Mr Bashford**—Based on Treasury predictions. That does not assume, in the outyears, of course, any new initiatives from the budget.

**Senator WEST**—Yes, I realise that, but I would like to know what the basis is for those projections.

**Mr Bashford**—We can give you the Treasury figures that are published. That is what we use.

**Senator WEST**—Can Centrelink tell me what this year's DETYA figure is? Next year it is \$19 million and then there is a drop to \$13 million. Can somebody can give me a

breakdown of what that is based on? I want the reasons, not just the figures. I can see the figures. I want to know what the logic is for a drop of, say, \$50 million. Somebody must have some idea. Someone must have based that figure on some reasoning.

**Mr Bashford**—The drop from 1999-2000 to 2000-01 is \$6 million. That is because in 1999-2000 we are implementing a number of systems changes.

**Senator WEST**—That is for the IT?

**Mr Bashford**—Yes. There are a number of changes as a result of initiatives that we have to implement in 1999-2000. That is a one-off cost for the systems which goes away in the following year.

**Senator WEST**—I need someone to explain to me in the forward estimates why you have a \$32 million jump the following year and then you have a \$52 million drop the following year.

**Mr Bashford**—Sorry, Senator, I am not sure where you are getting a \$32 million drop from. There is a \$6 million drop from 1999-2000 to 2000-01. There is a \$500,000 drop the following year.

**Senator WEST**—I have moved back up to FACS.

**Mr Bashford**—Sorry. Yes, we will give you the Treasury estimates of workload.

**Senator WEST**—If you can give us that breakdown, that would be helpful, please.

**Mr Bashford**—Yes.

**Senator WEST**—I would have a greater comprehension of it. Thank you.

**Senator GIBBS**—At the top of page 184 you have ‘Compensation for detriment caused by defective administration’. What is ‘defective administration’?

**Mr Bashford**—That figure of—

**Senator GIBBS**—One hundred and eighty thousand dollars.

**Mr Bashford**—Yes. It represents ‘settlement of offers of compensation made to customers late in the previous financial year’.

**Senator GIBBS**—Compensation to who?

**Mr Bashford**—‘Made to customers late in the previous financial year’.

**Senator CHRIS EVANS**—Which customers?

**Mr Bashford**—Centrelink customers, people who have come into our offices for services.

**Senator GIBBS**—Why are they being paid compensation? Someone made a boo-boo, did they?

**Senator MURPHY**—What caused the compensation to be paid, by way of example?

**Mr Bashford**—I am informed that it is because we do not get sufficient information from the customer, so we make a mistake and we have to recompense them for that mistake.

**Senator GIBBS**—I see. This is expenditure where, because of the insufficient information, they are underpaid and then they have to be compensated?

**Mr Bashford**—It seems that way. I will have to find someone who is an expert on that. I am not.

**Senator Newman**—Senator Gibbs, there is nothing new about it. It is a continuation of something that has operated for many years.

**Senator MURPHY**—I would like an explanation of what happened—

**Senator Newman**—We are happy to give you one, but there was no sudden discovery of something new and—

**Senator MURPHY**—I do not quite accept an explanation that was just given here now where an officer says, ‘Well, because we didn’t get enough information, we made a mistake and we had to compensate.’ I would have thought if the customer did not give you enough information, it probably would not have been the department’s fault.

**Senator Newman**—Can I perhaps ask the national manager who is responsible for these payments, Margaret Kilpatrick, to answer this question for you.

**Senator GIBBS**—Yes, please.

**Ms Kilpatrick**—Those payments are made where we give misleading advice and people act on that advice to their detriment.

**Senator GIBBS**—You give misleading advice to who?

**Ms Kilpatrick**—To our customers. They act on that advice to their detriment, usually a financial detriment, and there is no way under the existing legislation that you can make that situation good again. This is a payment which compensates them for that particular loss.

**Senator GIBBS**—The compensation is paid when the customer finds out that he or she is not getting the right benefit?

**Ms Kilpatrick**—Yes.

**Senator GIBBS**—Or when the department realises that this person should be getting more. How does it work?

**Ms Kilpatrick**—It is usually that they have missed out on something.

**Senator GIBBS**—Some sort of benefit?

**Ms Kilpatrick**—Some sort of benefit. To give an example, if somebody comes in and says, ‘I want to put in a claim for a particular payment,’ and we say, ‘No, you’re not entitled. Go away,’ and they do go away and then six months down the track they find out that they really were entitled, under the Social Security Act we would have no way of backdating that claim once it was put in, but that person has acted on the advice that we gave them; it has been to their detriment and we can use this payment to pay them the equivalent of what they would have got had we provided them with the right advice.

**Senator GIBBS**—From the time that they first applied?

**Ms Kilpatrick**—Yes.

**Senator GIBBS**—Thank you. That \$180,000 is for 1998-99. I assume that because the next figure, 1999-2000, is nil, you do not know what that would be until it actually happens. Am I correct? This is money that has already been spent. There is no future figure because you do not know how much of this will be next year. Is that right?

**Ms Vardon**—Could I introduce Trisha Moran, who has been doing all the figures for us.

**Ms Moran**—The outyears is just an omission and it will be dealt with at additional estimates time.

**Senator GIBBS**—Thanks very much.

**Senator MURPHY**—You will just have an estimate of what you think you will spend?

**Ms Moran**—About \$250,000.

**Senator MURPHY**—But it is just an estimate of what you think you will spend?

**Senator WEST**—I have a case where somebody was cut off a payment because they claim a form was not filled out, but if they had checked their records the whole family's file would have fallen out, and the person should not have been cut off. This happened in May of this year. The family has been back-paid to October of last year. I thought there was only a three-month time frame within which those underpayments would have been made—three months back pay. Does this sort of case fall into this category where there is a mistake in the department? It was the failure of the department to actually look at the whole family, because it is related to a youth allowance and other family members who were on other Centrelink payments—not unemployment benefits, I hasten to add. When we went to bat for them we thought we would get back-payment for three months but we got it back to October last year. I am wondering what pot of money that is going to come out of.

**Ms Kilpatrick**—There could be some situations in which a payment could be made for defective administration. On the whole, though, with people who are currently on payment there are appeal rights which provide some remedies. The three months back-payment across most of our payments does apply except where people ask for a review of the decision. A lot of that depends on whether or not they were notified of the original decision which may now be found to be wrong and whether they responded to that decision within three months and asked for a review. If they left it too long they would only get the three months back-payment and there would be no payment of compensation under defective administration.

**Senator MURPHY**—Even if you had made the mistake?

**Ms Vardon**—We are happy to give—

**Senator WEST**—I have fixed the problem. My office rang up Centrelink and asked why Centrelink did not look at the whole of the material they had on the family on the record. That would have given them some indication as to what the financial situation of the family was without even getting into the argument of 'Yes, we sent the forms.', 'No, you didn't send them. I didn't receive them.', and 'No, you didn't notify us that you were taking this kid off the youth allowance.'

**Ms Vardon**—We could tell you under what grounds we made that back-payment, if you were interested.

**Senator WEST**—I am interested in the principle of the matter, not this particular individual case. I wonder how often some of this happens. The client, as I understand it, did not lodge a review. Is a review considered to be a member of parliament's office ringing up and saying, 'What's going on here?'

**Ms Vardon**—We would certainly hope our people would be responsive to that.

**Senator WEST**—They were very responsive when my staffer rang back and said, 'The senator wants to know why you didn't look at the whole of the family's case on your computer, given that the parents are actually in receipt of disability support pensions?' Surely to goodness, if you are doing a youth allowance, one of the things you look at is family income, even if you did not have the form from the kid, who also has an intellectual disability. You did not notify them that you were dropping that payment, but why didn't Centrelink look at what they had on their records?

**Senator Newman**—Madam Chair, could this be addressed by Senator West directly and privately? People's circumstances are so dependent upon odd bits and pieces of the facts of their case that it is very hard to ask people to address something which essentially is

hypothetical in these circumstances. You may be in possession of the facts but they are not. It is hard to do this in this committee. We could be doing it all the time.

**Senator COONAN**—Senator West put her finger on it when she said she was really interested in the principle. Perhaps we could stick to that.

**Senator WEST**—I am interested in knowing, first of all, the bucket of money that sort of case would have been paid out of. Would it have come out of the ‘Compensation for detriment’ or would it have come out of the general—

**Senator MURPHY**—Where does the money come from for an underpayment? If you underpay a customer, where does that money come from?

**Ms Kilpatrick**—It is paid out under the Social Security Act. For example, it would come out of the appropriations for that particular project.

**Senator MURPHY**—Is this compensation money a separate amount? Is it a line item?

**Ms Kilpatrick**—These are things that cannot be fixed up under the Social Security Act.

**Senator MURPHY**—For what period can underpayments be paid back? Is it up to three months or longer?

**Ms Kilpatrick**—It is complex. There are quite a number of situations set down in the law.

**Senator MURPHY**—Can you provide the committee with those situations in writing so that they can be looked at and maybe followed through at additional estimates?

**Ms Kilpatrick**—Yes, indeed.

**Senator WEST**—That would be very helpful because I was most surprised when the back-payment went back to October. I thought I would get it back to the three months.

**Ms Vardon**—We are happy to take that question on notice.

**Ms Kilpatrick**—We will take it on notice. It does vary from payment to payment.

**Senator MURPHY**—I understand that.

**Senator GIBBS**—I know people get different benefits and if a particular person never received an add-on benefit they were entitled to and that was your fault because you did not pay it, surely they would get it back further than three months, wouldn’t they? If they had a couple of benefits adding up to one total and for some reason the department said, ‘You’re only entitled to this much money instead of this added benefit for whatever,’ and that person never got it, but a year later you discovered you should have been paying them the extra benefit, would that three-month limit apply there? Or would you pay that person back to the full time?

**Ms Vardon**—Senator, the rules come from the Department of Family and Community Services. Could I invite Mr Michael Sassella to answer that question?

**Mr Sassella**—Where a person has made an inappropriate claim and has been paid the wrong sort of payment and that payment is less than the payment they could have received had they made the right claim, the act permits a fresh claim to be made for the proper payment and there are full arrears. An example might be where someone has claimed and for some time been paid sickness allowance, which has a less generous income test than disability support pension. If it becomes clear after the event that disability support pension was a payment for which they were eligible, they then lodge a claim for disability support pension and that is effective back to the date when sickness allowance commenced. If it emerges that there has

been an underpayment, that can be made up and there is no three months arrears rule applying there.

On the other hand, it could be a totally different payment, for example one of the small supplementary payments such as telephone allowance. I am not sure if that requires a claim, but if it does and there has never been a claim for that it is very difficult to make up a payment of that sort. You can only pay the full arrears when the original claim was for something less generous than the person could have qualified for had that been realised at the time.

**Senator Newman**—There are changes coming that will tend to solve some of those problems. People will not be expected to know what they should be applying for. That will be something which Centrelink takes responsibility for when we introduce the life events model. People will come in and say, ‘These are my circumstances,’ and the Centrelink ‘one main contact’ person will say, ‘This is what we can do to help.’ They do not have to know the particular payments that will be appropriate.

**Senator GIBBS**—I am very pleased to hear that because in the past I have had a few people who have come to see me and have been in dire straits financially. I said to one woman, ‘There is a loan that you can get,’ and she had no idea that she could get that loan.

**Senator Newman**—That is constantly the case. It is a complex system and there is a multitude of payments. You cannot expect people to know the social security system as well as those who administer it know it.

**Senator GIBBS**—No, you cannot.

**Senator Newman**—That is the rationale, and that will be the next step in the Centrelink reforms.

**Senator GIBBS**—Even we have to read up on them. You cannot expect that from people out there who are disadvantaged.

**Senator MURPHY**—Can I now ask about this Centrelink advertising budget?

**Ms Vardon**—Certainly.

**Senator MURPHY**—How much is it and where is it in the PBS?

**Ms Vardon**—I am not sure where it is but I can tell you how much we have spent to date this year. I have got the figures. This year we have spent \$3,339,376, to 21 May.

**Senator MURPHY**—What is the purpose of Centrelink advertising? It is not as though you have to go around and sell your services.

**Ms Vardon**—The reason we advertise is to talk about changes in government policy. We do not actually, unfortunately, have money to spend on promoting ourselves.

**Senator MURPHY**—Is that right?

**Ms Vardon**—It is.

**Senator MURPHY**—I would like to ask the minister then what that might be described as.

**Senator Newman**—We are in the business of providing—

**ACTING CHAIR (Senator Coonan)**—Just for the *Hansard*, what are you showing, Senator Murphy?

**Senator MURPHY**—It is a promotional advertising feature in a regional newspaper in Tassie. It is a three-page feature which I assume Centrelink paid for to do with the new national pay centre.

**ACTING CHAIR**—Senator, could you give the date of the publication.

**Senator MURPHY**—The date of publication is 21 April 1999.

**Senator Newman**—It is the *Advocate* and I think they should be commended on an excellent job.

**Senator MURPHY**—I guess you would, Minister, given you have got your photograph in there on two occasions.

**Senator Newman**—It looks like a very professional production.

**Senator MURPHY**—I am curious as to how much this cost Centrelink. As I said, I am more curious as to the purpose of spending money on these sorts of things. I would like to know, in addition to that, how many of these are actually done around the country, and at what expense.

**Mr Jongen**—I regret I am going to have to take that question on notice. That is not included in my briefing material.

**Senator MURPHY**—That is fine, you can take that on notice. I do appreciate the fact that you might advertise to promote particular services or changes to services—that is, advisory advertising—but this is not. Are there guidelines for your advertising?

**Mr Jongen**—As with all other government agencies, we are bound by the guidelines that have been established by the Office of Government Information and Advertising. Information dissemination of that nature is intended to highlight to our customers the range and nature of the services that we provide. I regret that I am not in a position to give you the figures in relation to that.

**Senator GIBBS**—Mr Jongen, would this come out of tendering and contracting? Would this be something that was contracted out, or something that was done internally?

**Mr Jongen**—That sort of product would have been developed at the local level. Looking at the product, I would say it would have been done in consultation with the newspaper. I might also add that there may even have been some offsetting advertising from other suppliers which would have been packaged by the newspaper.

**Senator MURPHY**—There actually is some other advertising from other people—Radcliffe Transport, for instance, which is furniture removalists, warehouse and storage, et cetera; Russell Smith, electrical contractors; and the Harris Group, the people who own the newspaper. Could you provide me with the guidelines that are set down for advertising and with information as to any publications of this nature that were paid for by Centrelink around Australia? I am happy to give you this one as an example. Could you also advise me, on looking at this, how you think it comes within the guidelines for your advertising expenditure.

**Mr Jongen**—I would be happy to do that, Senator.

**Senator MURPHY**—Could you also tell me how much it actually cost? What is the process for approval of that advertising?

**Mr Jongen**—In relation to advertising of that nature, it would normally fall within the province of the area manager responsible but, again, within the broad guidelines that cover government based advertising.

**Senator MURPHY**—Does the minister have any involvement in the approval?

**Mr Jongen**—Certainly if we are involved—

**Senator Newman**—I launched it. I opened it. That is why I am there.

**Senator MURPHY**—I know that you launched it. You opened it. I know that. That is in the photos. I just want to know whether the minister's office was involved in the approval for the advertising.

**Senator Newman**—It was a great thing for Burnie. It was very newsworthy that 24 people were in new jobs in Burnie on substantial incomes which will improve the economy.

**Senator MURPHY**—I am quite sure it would have been newsworthy.

**Senator Newman**—It was something everybody was pleased about, including the *Advocate*.

**Senator MURPHY**—But you could have got your photograph in the *Advocate* without the taxpayer having to pay for it.

**Senator Newman**—I did not ask the taxpayer to fund anything.

**Senator CHRIS EVANS**—If Senator Harradine had the balance of power for another three years north Tasmania would probably sink under the weight of new jobs.

**Senator Newman**—If you recall, this was to do with the rescue package for Burnie after the loss of jobs at Amcor, and it was a very important and serious matter for the unions and for the state Labor government. They wanted help in this area.

**Senator CHRIS EVANS**—I am well aware of the issues, thanks, Minister.

**Senator MURPHY**—Thank you for that information, Minister, but I am more interested in whether or not your office is involved in the approval of advertising for Centrelink.

**Mr Jongen**—Senator, if I can assist: the minister's office would be involved, and it would be normal for any agency to consult with ministers in relation to major campaigns for any information products which would have a significant impact on our customers. It is part of the normal administrative process. My area particularly would work closely with a minister in relation to the development of those campaigns and strategies.

**Senator MURPHY**—Along with the information as it relates to advertising around Australia, can you tell me whether or not the minister's office or the minister was involved in the approval of the *Advocate* advertising campaign and all other campaigns that the minister has been involved in for the purposes of approval?

**Mr Jongen**—Senator, that would be literally hundreds of products that are distributed nationally. It may be easier if I were to indicate to you advertising of this nature, because that is administratively much simpler, I can assure you, Senator. As I indicated, in 90 per cent of cases of national campaigns or information products we would work closely with ministers. So you could assume that we would.

**Senator MURPHY**—At this point, we will stick with the nature of this one.

**Mr Jongen**—Certainly, Senator.

**Senator MURPHY**—Where is the \$3 million-odd of advertising expenditure shown in the budget papers? Which line item is it hidden in? I cannot see it there as an individual line item.

**Mr Gaukroger**—It is on page 194 under 'Expenses', and it is part of that figure for 'Other costs of providing goods and services'.

**Senator MURPHY**—There is only \$533,000 there, not \$3 million.

**Mr Gaukroger**—No, there is \$533 million there.

**Senator MURPHY**—Sorry. What is 'Other costs of providing goods and services'?

**Mr Gaukroger**—That is all other costs apart from salaries, depreciation and amortisation. It is costs such as rent and any other non-salary or non-depreciation amortisation item. Basically it is everything except employees, depreciation and amortisation.

**Senator MURPHY**—Is there a breakdown of that?

**Mr Gaukroger**—I will see if I can get a breakdown for you.

**Senator MURPHY**—Thank you.

**Senator WEST**—Can I ask why, when we arrived today, we received the answers to questions 11, 93 and 94 that Senator Gibbs had placed on notice on the February initial estimates hearing? Why were those answers only received today?

**Mr McWilliam**—Partly it was due to some difficulties in getting the information but partly, I am afraid, Senator, it was due to a breakdown in administrative processes.

**Senator WEST**—How often do these breakdowns occur? What was the breakdown?

**Mr McWilliam**—It was partly related to the control processes in the branch in terms of getting the information, getting it cleared. It was just an administrative error, not overlooked.

**Senator WEST**—Do you keep some sort of running sheet on your compliance, your ability to answer and to respond to questions—the timeliness? Don't you have an output or an outcome that says how happy the ministers were in the speediness of the replies? Do you have something you measure that by? Do you have something you measure this sort of turnaround with?

**Mr McWilliam**—We would endeavour to try to meet all of the guidelines. This is one that just slipped through the net, Senator.

**Senator WEST**—Given that some of these were Centrelink questions, when did the answers leave Centrelink to go to FACS?

**Mr McWilliam**—The answer from Centrelink I understand was received last week, Senator.

**Senator WEST**—Ms Vardon, why was Centrelink so slow in responding and providing an answer?

**Ms Vardon**—It was only a little while ago.

**Senator WEST**—Excuse me, it was 9 February that these questions were placed on notice.

**Ms Vardon**—Yes, I understand that. We used the definition that we worked through here in relation to part of the answer. It took us a while to pull apart all of the sets of payments that we made. I had a number of people working on it, and they reported to me to make sure the answer was correct, and it probably took longer than it might. It took us a while to do some background work on it, and then in the end I made a decision to put the background preliminary information into it to try and get my interpretation of what I thought it was the senators were trying to get.

**Senator WEST**—There are no payment fees here.

**Ms Vardon**—Sorry, Senator?

**Senator WEST**—These are questions 11, 93 and 94.

**Ms Vardon**—I was referring in my answer to the one about the consultants or contractors—

**Senator WEST**—No. Questions 11, 93 and 94 asked at the 9 February hearing.

**Ms Vardon**—That is right, that is the question. It was the one that required the clarification.

**Senator WEST**—So it took you some considerable time to work out that seven former Centrelink staff had received a redundancy package and been rehired.

**Ms Vardon**—Senator, we had a conversation about this at our last additional estimates.

**Senator WEST**—Yes.

**Ms Vardon**—And we clarified with Senator Gibbs what it was that we thought the question was.

**Senator WEST**—I suppose at least we have got the answer. Can I ask what is happening with the social work review that is being undertaken by Centrelink? Have you a social work services?

**Ms Vardon**—I am not sure there is a present review, Senator.

**Senator WEST**—You do not think there is a review?

**Ms Vardon**—I am going to ask Peta Fitzgibbon to give us an answer on that. There is no review.

**Senator WEST**—So there is no review of Centrelink's social work services being undertaken.

**Ms Vardon**—No. There may well have been, but the social workers are well and truly ensconced in our organisation in very important positions, and they are not being investigated or reviewed or anything like that.

**Senator WEST**—Can somebody tell me why there was a meeting in the central west of New South Wales several weeks ago at which a consultant met with the social workers—not the Centrelink social workers but the social workers that are employed by other agencies in the region—to discuss the social work service that is provided by Centrelink?

**Ms Fitzgibbon**—I was formerly the National Manager, Social Work, until a couple of weeks ago. I have no knowledge of any particular review. The only reference I can think it may relate to is that Centrelink is currently doing some market research, which we have contracted Roy Morgan through our normal procedures to do—this came from the social work service itself—to actually talk with a sample of our customers, a sample of our internal staff and some community organisations to get some feedback about their perception of social work services in Centrelink. It is a very small survey that we are doing, just in terms of getting some feedback.

**Senator WEST**—So it is a survey you are doing.

**Ms Fitzgibbon**—Yes, it is some market research. It is a bit like some of the other work that Centrelink has done to get some feedback on how social workers are seen.

**Senator WEST**—No, I want to be very precise as to what sort of activity is being undertaken.

**Ms Fitzgibbon**—I can get you a copy of it, Senator. We have got a research project and a proposal that is being formally put together.

**Senator WEST**—I would like a copy of that.

**Ms Fitzgibbon**—Yes. That is the only thing I can think of that it could relate to.

**Senator WEST**—I have been talking to a community social worker. It was on a Friday evening, so it was a good evening for her to be talking to me. She had had a horrible week, but had finished up with a session with—I cannot remember the consultant's name—the social workers from the base hospital: the rehab, ACAAP, the health centre and a number of the other

voluntary organisations doing a group type of experience with a whole series of questions being asked of them. But these questions were very much weighted and slanted towards, 'What would be your reaction if Centrelink did not have a social work service? How valuable is the Centrelink social work service?' She rang me up and she was pretty angry. She said, 'What'—expletive deleted—'is going on? Are they going to get rid of social work services?' I have done enough surveys and enough research in my experience to know that this is very low, very weighted.

**Ms Vardon**—Senator, can I just say that we have got no intention of removing the social work service. It is extremely valuable and the social workers are everywhere.

**Senator WEST**—You have not reduced the numbers of them either?

**Ms Vardon**—All of the positions of our organisation have had some impact because of the dividends, but we have increased the numbers of social workers. For example, we have put a social worker in, I think, 11 of our call centres. So overall we have increased the number of social workers in our organisation. We have no intention of withdrawing them, especially from rural and regional Australia.

**Senator WEST**—You might like to give me on notice a breakdown of where your social workers are distributed, how many are at the coalface and how many are telephone. Maybe we had better have a look at this.

**Ms Fitzgibbon**—Yes, that is the only thing I can think it was. As I said, it was very much driven by the social workers themselves; it was not something that the organisation had asked the social workers to do, but it was to get some feedback about our own services, the quality of them, how they are perceived and how we can improve them.

**Senator WEST**—I can tell you that I know of two social workers who came away from this experience very upset and very angry because they thought their workload was going to increase; they make quite a few referrals to the social worker at Centrelink which is an appropriate referral mechanism.

**Senator GIBBS**—Ms Vardon, can I just get back to these questions of mine.

**Ms Vardon**—Yes.

**Senator GIBBS**—Thank you for that. Of these seven people who came back and then contracted, what was their total redundancy package in all?

**Ms Vardon**—I cannot answer that, Senator. I will have to get that figure.

**Senator GIBBS**—Could you put that on notice, please.

**Ms Vardon**—Yes.

**Senator GIBBS**—I can understand people coming back part time if they have a particular expertise like physiotherapy, but when people take redundancy packages and then come back to work full time, why do they come back on contracts and not as permanent employees? Wouldn't it be cheaper for the agency to have them as full-time employees instead of contractors?

**Senator Newman**—Senator, I think we went through this at some length about five weeks ago, didn't we?

**Senator GIBBS**—I am asking Ms Vardon.

**Senator Newman**—I am just asking you to remember. Didn't we?

**Senator GIBBS**—Yes, but I have only just got the answers now. I know Ms Vardon said originally \$44 million.

**Senator Newman**—Yes.

**Ms Vardon**—That was in answer to another question. That is why we worked so hard to get what we thought was what you had asked. They are not coming back to work permanently. They are coming back as a temporary or as a short-term limited contract.

**Senator Newman**—That was what I was meaning when I said that we discussed that at the additional estimates.

**Senator GIBBS**—What length of service would it be? What is the average length of service if they come back for a period?

**Ms Vardon**—It could be three months; it could be a year. We would certainly be looking hard at it if it was over a year. The only people we continue to keep on are the IT people as a general rule, because of their special expertise.

**Senator GIBBS**—They are contracted, of course.

**Ms Vardon**—Some are.

**Senator GIBBS**—Then their contracts are renewed if you require their services.

**Ms Vardon**—Their contracts are renewed, but we check that we require to renew them.

**Senator GIBBS**—Thanks very much.

**Senator CHRIS EVANS**—Can I just ask about getting an update on the performance indicators of appointment times and call waiting times. I think last time, in terms of the appointment waiting times, we had a survey of 19 January. Do you have a more recent figure on that performance indicator?

**Ms Vardon**—We do. I will ask Mr John Wadeson to give it to you, Senator.

**Mr Wadeson**—As we said last time, we do from time to time have a look at waiting times for Newstart interviews. It is certainly under two days at present, which is fairly consistent with the sort of pattern of the network. We have very low arrears. For some period now we have been conducting ‘if not today, next day’ type appointments.

**Senator CHRIS EVANS**—You gave us a list by office. Is there a more up-to-date report on that?

**Mr Wadeson**—I do not have a complete list of offices. We tend to do them more as a survey without noting them against the office. The more recent one with the offices is a bit older than the recent figures I have just given you.

**Senator CHRIS EVANS**—Sorry, Mr Wadeson?

**Mr Wadeson**—We have a list of the waiting times. It is a very long exercise to list them out by office, but we took them off the system just as a list and got an average. We know that, of the ones we looked at, there were no offices over 10 days.

**Senator CHRIS EVANS**—There were a number last time over 10 days, weren't there?

**Mr Wadeson**—When we did it in January, yes, we did.

**Senator CHRIS EVANS**—Are you able to give us a more up-to-date copy of that print-out?

**Mr Wadeson**—Yes, we will give you the most recent exercise for Newstart.

**Ms Vardon**—I do have something which I could table to you, which is a list of 14 payment types. It is a survey taken on 28 May this year, with the calculation of the national average

wait times: Newstart allowance 1.52 business days, youth allowance 1.77, and so on. I can go through the whole lot if you want, or I can table it.

**Senator CHRIS EVANS**—It is much easier to table it. I do not want to delay us. The other thing is that it is very hard to comprehend what it actually means when it is read from a table.

**Ms Vardon**—Only three of the 299 customer service centres had a waiting time for appointments exceeding 10 business days, but staff absences were the explanation in each of those sites. They have been corrected now, but this is, of course, a point in time survey.

**Senator CHRIS EVANS**—As I say, that is one of the performance indicators, so I would appreciate any up-to-date information you have. Could you table that. If the print-out by office is available, I would appreciate that as well. Can I ask about the call centre figures as well. What is your latest information on what the call centre performance indicators are?

**Mr Divett**—Certainly, Senator. Our performance standard for call centre wait times is 210 seconds. I can give you the average of last month by queue or each day last week. Would that help?

**Senator CHRIS EVANS**—Again, do you have a print-out or a table of that?

**Mr Divett**—I can provide that to you. It is very brief. I can give it to you by day. They are excellent figures, Senator.

**Senator CHRIS EVANS**—If you have good news, I am happy for you to put it on the record. But this is one of the performance indicators, so I thought we had a bit of a habit of having a table and—

**Ms Vardon**—We will put the chart in the *Hansard*.

**Senator CHRIS EVANS**—Yes, but I am happy if you want to tell me something in particular.

**Mr Divett**—Last week: 24 May, 53 seconds; 25 May, 28 seconds; 26 May, 22 seconds; 27 May, 21 seconds; 28 May, 42 seconds.

**Senator CHRIS EVANS**—Does that also include the figures on unanswered calls?

**Mr Divett**—The success rate on those same days was 99 per cent, 99 per cent, 96 per cent, 97 per cent, 93 per cent. Essentially, all calls are being answered.

**Senator CHRIS EVANS**—That is quite different from where we were last time, isn't it?

**Mr Divett**—As we said in January, the first three weeks in January are the busiest time of the year, Senator. Yes, it is dramatically different.

**Senator CHRIS EVANS**—What are you saying to me about unanswered calls?

**Mr Divett**—There virtually are not any during May.

**Senator CHRIS EVANS**—What about for the intervening months?

**Mr Divett**—They have been improving since January quite quickly.

**Senator CHRIS EVANS**—When is your next peak?

**Mr Divett**—July, and then next Christmas.

**Senator CHRIS EVANS**—What is going to cause the peak in July?

**Mr Divett**—End of financial year processing and some changed arrangements on payment cycles.

**Senator CHRIS EVANS**—The cause of your major problems seems to have been connected with new systems and what have you in the past. Is there anything else new coming in in July?

**Mr Divett**—No, the major issue in January was the end of the calendar year, with all the changed arrangements for customers. The major issue in July will be, for instance, that we have to deal with all the customers' taxation certificates right at the end of June.

**Mr Wadeson**—We send out over five million group tax type statements in the first two weeks of July. Also, you get a switch-over in the students coming out of one semester and going into another semester. That is another peak that happens during July.

**Mr Divett**—I need to say that the Centrelink call centre has never performed at this level in its history, and it has never been as well prepared for either a major January or a major July peak.

**Senator CHRIS EVANS**—I appreciate that the total number of calls is increasing. Does that table include the total number of calls as well?

**Mr Divett**—I can give you the total number of calls for that period.

**Senator CHRIS EVANS**—No, I was just interested. They seem to vary quite a bit from month to month and, as you say, there is a trend of quite large growth in the total number of calls anyway, isn't there?

**Mr Divett**—No, that is not necessarily correct, Senator. The number of calls is falling for a range of reasons.

**Senator CHRIS EVANS**—Is that a recent development? That is not the impression you have given me in the past. The budget papers talk about the nine per cent increase in the year. Has something changed?

**Mr Divett**—There are large cyclical variations through the year. We are also working very hard to reduce the level of what we call unnecessary calls by changing the way we deal with our customers, which is having quite a large impact.

**Senator CHRIS EVANS**—What are you saying to me about what is happening with the number of calls now, then, in a general sense?

**Mr Divett**—Call attempts are definitely a lot lower in May than they were in January, but I am not quite sure what you are asking.

**Senator CHRIS EVANS**—Reflecting on what you said in your PBS statement, I said that the calls were, although quite strong—

**Mr Divett**—It is a year on year trend.

**Senator CHRIS EVANS**—You seemed to want to correct me, to say, 'No, that's not actually what's happening now.' I am looking for the explanation of what is happening and why.

**Mr Divett**—Year on year we expect the number of calls to increase and we have budgeted for that and are resourcing for that. Within the year there are large peaks, in January and July, and the call numbers drop off quite appreciably in March-April-May.

**Senator CHRIS EVANS**—What are you saying to me about March-April-May this year compared with March-April-May last year?

**Mr Divett**—Call numbers were lower this year than last year.

**Senator CHRIS EVANS**—This does seem to indicate that there is an underlying shift from what we have observed in the last couple of years.

**Senator Newman**—Do not forget that last year in those months we were introducing the Newstart common platform. The Job Network came on behind that and we were also doing

a lot of mail-outs for students, getting them ready for youth allowance. There was a coming together of a major demand which is not there this year.

**Senator CHRIS EVANS**—That is what I am trying to get a feel for. I feel like I am pulling teeth a bit, Mrs Newman. I am actually encouraging you to describe what is happening so that we can understand it.

**Ms Vardon**—We have put in a 40-point strategy to deal with this issue, Senator.

**Senator CHRIS EVANS**—Usually you only have a 10-point plan.

**Ms Vardon**—I know but this is a very big issue. Actually it was a 41-point plan, to be totally specific.

**Senator CHRIS EVANS**—Politicians usually only manage with five points.

**Ms Vardon**—We decided to take this on as a major issue for us. There were a number of things that we did. Firstly, we put a whole lot of strategy in to reduce demand. We clarified our letters, for example. Some of the letters were very confusing and people could not understand them. We worked very hard to focus-test letters, for example, in relation to pay cycles, so that people would not feel that they had to ring to get an explanation. There was a very high satisfaction that the letters were clear. Demand management always is important to us. We are only sending out one tax notification this year instead of two like last year.

We are also streamlining with the 'one main contact'. With an emphasis on getting decisions done on the same day if all the information is in, people are not ringing as they used to do and saying, 'Where's my—? Why haven't you done this?' They are getting their problems fixed on the spot or a decision made on the spot. We have not yet received the full benefit of that, but certainly improved service delivery on site causes people not to ring all the time.

**Senator CHRIS EVANS**—I was going to ask you about that because one of the trends I thought you were saying was happening was that people were tending to call rather than visit offices and in some ways you had encouraged that with certain developments. Do you monitor the physical visits to the offices as well?

**Mr Divett**—We monitor appointment numbers, Senator, but not all drop-in traffic.

**Senator CHRIS EVANS**—I suppose the appointment figures would not be an active reflection of the number of contacts in the sense that people sometimes drop a form in or have a query.

**Mr Divett**—But our offices are a lot less busy than they were six months ago. That is part of the streamlining of the way we do business. That is having an impact on the number of people who are calling.

**Ms Vardon**—One of the other strategies I would like to mention is that we are getting much better at putting staff on for anticipated peaks and preparing them beforehand.

**Senator CHRIS EVANS**—In summary terms, what are we saying about what we think is happening with the call rates? Do we think there is an underlying drop in the number of calls coming in?

**Mr Divett**—We are still budgeting for an underlying increase year on year but we now have far better information about the pattern within the year.

**Senator CHRIS EVANS**—Do you expect it to be still very much driven by peaks and troughs?

**Mr Divett**—Yes, that is the nature of the business. We are now getting a lot better at resourcing for those peaks and troughs.

**Senator CHRIS EVANS**—What consideration has been given to trying to even out your workload in that way by staging things? We have had this discussion before.

**Mr Divett**—We do that to the extent we can but we cannot do a lot with 1 January or 1 July. There is a whole series of triggers that happen because of the calendar.

**Mr Wadeson**—One of the big changes this year, Senator, will be introducing or sending out progressively the pensioner benefits cards. They used to go out in one big heap, which used to generate a large number of calls. From this year we send them out on the anniversary of the birth date. They will go out progressively over the year.

**Senator CHRIS EVANS**—Then they will ring up to see why they have not got their card yet.

**Senator Newman**—They have had notification in *Age Pension News* that this is going to happen. Isn't it a commonsense idea? You wonder why it has been done in bulk all these years.

**Senator CHRIS EVANS**—You have a table showing the total calls, the delays and the unanswered calls. What provision have you made for this July peak? You obviously have extra staff. How many extra staff are coming in?

**Mr Divett**—Those staff were taken on during April and May. They are fully trained and fully operational now.

**Senator CHRIS EVANS**—When do you expect the workload to increase?

**Mr Divett**—The last few days in June.

**Senator CHRIS EVANS**—Are these temporary staff?

**Mr Divett**—They are temporary staff.

**Senator CHRIS EVANS**—When are they employed from and till?

**Mr Divett**—Until the peak subsides. That is the nature of their employment. We would expect that from the start of August we will start to let those numbers drop. If the peak drops faster this year we will let them go earlier.

**Senator CHRIS EVANS**—I would appreciate it if you could table those statistics. It will be useful. You have some sort of customer aggression survey going on, have you? Is this part of the occupational health and safety program?

**Ms Vardon**—Yes. Can I introduce Jenny Colwill, who is national people manager, Senator. We are working out every possible way we can stop or reduce aggression. It has dramatically decreased, but there has been some rise in it and we are trying to work out what that is about.

**Ms Colwill**—We have entered into a joint project with Comcare to look at better ways of handling customer aggression.

**Senator CHRIS EVANS**—Is that a research project?

**Ms Colwill**—Yes.

**Senator CHRIS EVANS**—What format is that taking?

**Ms Colwill**—With Comcare we have contracted some consultants. We are sending them and a member of my staff to offices to talk about customer aggression. We are also benchmarking against other organisations to see how they handle the problem and to see what sorts of ideas we can get.

**Senator CHRIS EVANS**—Who are the consultants and what is their skill? What is their expertise?

**Ms Colwill**—I am sorry, I have forgotten their names, Senator. I can get that for you. They are certainly experienced in this field. They are occupational health and safety consultants from a company in Victoria.

**Senator CHRIS EVANS**—Do they have a national contract with you?

**Ms Colwill**—Yes, with the national support office.

**Senator CHRIS EVANS**—Do they produce a report?

**Ms Colwill**—Yes.

**Senator CHRIS EVANS**—When is that expected?

**Ms Colwill**—That is due at the end of this month.

**Senator CHRIS EVANS**—Will that be made available to staff?

**Ms Colwill**—Certainly the actions arising from the report will be the subject of discussions with staff and with unions.

**Senator CHRIS EVANS**—What prompted this particular survey? Ms Vardon indicated that there might have been a bit of an increase in customer aggression. Is that right? Do you track that? Do you do surveys?

**Ms Colwill**—Yes, we do. We look at our customer aggression statistics very carefully. It is an issue that concerns us. We have dramatically decreased customer aggression over the last couple of years but there has been a slight rise over the past three months or so. It certainly is not anywhere near the levels that it had been previously.

**Senator CHRIS EVANS**—In terms of the measurement, is this a per customer unit or is it a total? It seems to me you have had less concentration on face to face stuff and more on phones.

**Ms Colwill**—We include phone aggression in our statistics. I do not have the distinction between face to face aggression and phone aggression but the majority of our aggression incidents are over the counter and are related to people seeking immediate payments and being rejected.

**Senator CHRIS EVANS**—Are you able to provide us with some statistics and background on how you measure that?

**Ms Colwill**—Certainly, yes.

**Senator CHRIS EVANS**—You say you had a bit of an increase again in more recent times.

**Ms Colwill**—Yes, there has been a slight increase.

**Senator CHRIS EVANS**—What is the explanation for that?

**Ms Colwill**—It is largely related to immediate payments. One of the other things that we are looking at is how Centrelink handles immediate payments, what we do about that, and the guidelines that we provide to our staff on providing immediate payments to customers. There will be a new approach to immediate payments, I think in the beginning of July. We intend to coincide that new approach with the actions that arise from this research project we are conducting.

**Senator CHRIS EVANS**—Link the two?

**Ms Colwill**—There is definitely a link. In fact, I can predict that there may be an increase in customer aggression when we change our guidelines on immediate payments. What we are trying to do is to make sure that any increased incidence of customer aggression is handled well, and that our staff are well equipped to look after themselves.

**Senator CHRIS EVANS**—I must have the wrong end of the stick there. I thought what you were saying is that the concern about customer aggression was driving the change in the payment system.

**Ms Colwill**—No, customer aggression is one of the issues. Certainly from my perspective, in looking after staff, I am very pleased that there is a review of this policy because it will make a difference to customer aggression. The change in immediate payments is for other purposes.

**Senator CHRIS EVANS**—You just said you thought it was actually resulting in an increase in aggression.

**Ms Colwill**—When we start telling customers that they cannot have immediate payments under quite the same terms that they may have expected before, there may be an increase in customer aggression during that month.

**Ms Vardon**—Can I just say, though, that a number of offices have actually implemented the policy. There was some slight anger, but our staff were not greatly at risk. Once the message got around that payments were not available all the time, there was relative peace fairly quickly after.

**Ms Colwill**—Can I also add that there is a dramatic decrease in customer aggression in those offices that have gone to the one-man customer model. We anticipate that will also be addressing this problem to a very substantial degree in the future as more of our offices take that approach.

**Senator CHRIS EVANS**—We do not call it the one-man model, do we, Ms Vardon?

**Ms Vardon**—One-man contact.

**Ms Colwill**—One-man contact, sorry.

**Senator CHRIS EVANS**—What is the change in terms of immediate payments, Ms Vardon?

**Ms Vardon**—We needed to get a new policy before 1 July when the new pay cycles came. We wanted to clarify under what circumstances people could have immediate payments. We had some people coming in quite regularly wanting a little bit of money. Some of that money, we thought, might have been going to pay for drug deals. We do not know. I do not want to be too speculative about that, but there has been some concern about that. We have been asked across Australia to get a consistency of policy because there tended to be a variety of policies around the place about who got what and under what circumstances.

**Senator CHRIS EVANS**—So there was not a national policy?

**Ms Vardon**—There was a general national policy but it needed to be more consistent in the detail. We have had a number of our managers in regional offices working across Australia with the area managers to look at what is a fair thing for people under very desperate circumstances and compare it with those people who may not necessarily be quite so desperate in terms of food and housing but might be, in fact, using money for other things.

**Senator CHRIS EVANS**—How on earth do you decide for what purposes they are going to use the money though?

**Ms Vardon**—That is why we have sent it down to the regional offices and the area managers to write the policy, because they are the ones who know the local community best of all. They are the ones who know the voluntary agencies, the non-government agencies, what is available and what is not available. We are using the grassroots information to determine this as opposed to someone in Canberra.

**Senator CHRIS EVANS**—I appreciate that. You are telling me it will be a national policy, though?

**Ms Vardon**—It will be a national policy.

**Senator CHRIS EVANS**—One of your concerns was that it was being interpreted and applied differently?

**Ms Vardon**—We had stories of someone going to one office and being told, ‘We don’t do it here,’ and then the word gets out in the community, ‘If you go to an office down the road, you’ll be able to get it.’ We thought that this was not fair to the staff, let alone the customers, and so we said there has to be a more consistent set of behaviours.

**Senator CHRIS EVANS**—Although you have got local input, there will be a national policy and all officers will be applying it in the same way, you hope, at the end of the process?

**Ms Vardon**—Yes, we have been asked by the area managers and the regions for this to happen.

**Senator CHRIS EVANS**—Is it fair to interpret that the new policy will be stricter in terms of people accessing immediate cash?

**Ms Vardon**—Yes.

**Senator CHRIS EVANS**—What is the key element to that?

**Ms Vardon**—I have not seen the latest version. John Wadeson is over there and is keen to tell you.

**Mr Wadeson**—The main focus of the payments under which we will issue electronic benefits transfers, which is the card from which you can get cash or a cheque, will be primarily based around the new crisis payment, and I think the legislation is currently in the Senate. It sets up two main categories of people for which this crisis payment will be made.

**Senator CHRIS EVANS**—It is not on the urgent list either, by the way, Mr Wadeson.

**Mr Wadeson**—It is based on victims of domestic violence and released prisoners as the two major categories. What the policy essentially says is that people eligible for crisis payment can get cash in a day if required. That is how we will pay those people. For other people who are in hardship the policy focuses on, ‘We will pay into your bank account tonight so you will have the money tomorrow.’ The focus will shift for the more general categories—and we are defining this in very severe hardship—‘We will make the payment into your bank account and it will be available for you tomorrow.’ We have the technology and the capacity to do that.

**Senator CHRIS EVANS**—You are saying that in severe hardship you will make it available tomorrow?

**Mr Wadeson**—If they are in hardship and they need an immediate payment or if they need money urgently it will be paid into their bank account tonight and be available tomorrow, yes.

**Senator CHRIS EVANS**—What you are saying is that, apart from those two categories you mention, effectively no-one will be getting cash on the spot?

**Mr Wadeson**—I do not think we can ever say no-one. There will always be particular circumstances where an officer will decide to make a payment.

**Senator CHRIS EVANS**—There will still be some discretion?

**Mr Wadeson**—Yes, but we need to understand that at the present we have a group of people who are coming in literally day after day demanding immediate payments. The policy is targeted at getting those people on to a more sensible regime of payment. The focus on this will be on those people who are coming in every fortnight, sometimes three and four times over the period, to be paid.

**Senator CHRIS EVANS**—I am not sure what you are saying to me. I understand you are saying you have got a group of your clients who are looking to use that system regularly.

**Mr Wadeson**—Yes.

**Senator CHRIS EVANS**—Are you saying to them that they will be treated differently to your other clients in this, or are you saying that the rule will apply generally?

**Mr Wadeson**—The national policy is as I have described it. We will certainly be talking over June to the customers who currently are in the habit, so that we prepare them for the fact that there will be a change in policy. They will be the people who will be most affected by the change in policy.

**Senator CHRIS EVANS**—What research, what evidence, do you have about this allegation that these clients are essentially using it for drug purchases?

**Ms Vardon**—Can I just say only some, Senator. I do not want to say all these. Some are.

**Mr Wadeson**—It is clear to our staff who deal with some of these groups that a major component of the people regularly requesting these payments have substance abuse problems. There have been some incidents just in the last few days involving drugs in our public contact areas. The link with aggression is in fact that people think they can get these payments and that brings these people into our offices very regularly. Rather than helping by paying them, we are actually bringing them in and having to deal with that aggression more often.

**Senator CHRIS EVANS**—Ms Colwill, what analysis have you done, then, of what this new payment regime is likely to mean? Mr Wadeson mentioned that you would be working with clients during June. Are you involved in that?

**Ms Colwill**—I would just like to point out that this is only one of the contributing factors to customer aggression. We have always had customer aggression problems. In fact, as I have mentioned earlier, there has been a significant overall reduction in the number of incidents as various factors have changed. We are trying to establish what factors decrease customer aggression. We believe that improved customer service approaches that have been in place over the last couple of years have had a dramatic impact on decreasing customer aggression. We also believe that possibly open-plan offices may contribute to the reduction. What we are trying to identify through this project is the combination of factors that might further reduce customer aggression, and to put in place any other steps that we can to protect our staff from aggressive customers.

**Senator CHRIS EVANS**—So you get this report at the end of June?

**Ms Colwill**—Yes.

**Senator CHRIS EVANS**—What then flows from that?

**Ms Colwill**—Obviously we will be looking at the recommendations in the report, and the next step is to do a cost analysis of implementing the recommendations. We know offices in

certain geographic locations have a much more severe problem with customer aggression than others. We will be prioritising any changes that we make in trying to deal with the problem as well as we can. It is a bit difficult for me to predict, Senator, without knowing what the recommendations are, what exactly we will be doing with the report. But, believe me, we will be doing something. It is a problem that we continuously work on, and that we are very keen to reduce.

**Senator CHRIS EVANS**—Is the measure of customer aggression part of occupational health and safety reports?

**Ms Colwill**—Yes.

**Senator CHRIS EVANS**—I think you have taken on notice that you will provide me with what information you have about how you have been monitoring that and what the level is.

**Ms Colwill**—Yes.

**Ms Vardon**—Senator, we have actively encouraged people to report aggression. Part of prevention is to first get it reported. Some of that rise could well be that we are now starting to get the measure of it at an appropriate level.

**Senator CHRIS EVANS**—Yes, I appreciate that.

**Ms Colwill**—It is one of those areas where you are damned if you do and damned if you don't. You want to have accurate reporting and while we want to reduce the number of reports, I am actually at the stage of welcoming increases of this kind.

**Senator CHRIS EVANS**—Yes. You cannot deal with it if you do not know what you are dealing with.

**Ms Colwill**—That is right.

**Senator CHRIS EVANS**—It is obviously not acceptable that it becomes considered just part of the job.

**Ms Colwill**—Precisely.

**Ms Vardon**—Senator, you might be interested to know that there has been a new problem for us: we do 1,500 contacts a week on the Internet and we have some very abusive calls coming through on the Internet.

**Senator CHRIS EVANS**—I'll show you mine if you show me yours. Mine came from Nick Minchin's office, though! I am sure it is a problem. I was only being half facetious, because parliamentarians' offices are getting them as well. I assume you have an efficient junk button.

**Ms Vardon**—They are always customers. That is the trouble.

**Senator CHRIS EVANS**—That is the same problem parliamentarians have, unfortunately—they are always electors. We have discussed a number of times this question of computer mistakes, breakdowns, et cetera, and I thought as a general question I would ask how we are going to measure that performance. That seems to be the core of a lot of problems Centrelink have experienced. You might be aware that Allan Morris made some comment about the Newcastle area, but I just in more general terms want to understand how we are measuring that performance.

**Ms Vardon**—In fact it is one of the things that the board of Centrelink has paid particular attention to. Every month we report against a number of computer performance indicators. I will get Jane Treadwell to come and speak about these. We report over the months, so we get a trend on all sorts of things from the infrastructure problems to outages. We have become much more disciplined in the measuring of things. We have also worked much harder at

release management; putting very senior officers on releases. We are getting more disciplined about bringing in testing earlier, getting the micropolicy from our client departments earlier, which has made a very big difference to the way we do business. I am going to ask Jane, in general terms, to talk a little bit about that, if you are happy with that.

**Senator CHRIS EVANS**—I am happy with that. Before she does, could I just ask from an estimates and parliamentary accountability point of view, what do you think we should be using as a measure of performance in that area?

**Ms Vardon**—Any measure would really have to be a reduction of inconvenience to the customer, from a parliamentary point of view. For us, it is accountability internally to our staff, the efficiency of the equipment that we give our staff, and any inconvenience to the customer as well.

**Senator CHRIS EVANS**—Inconvenience to customers seems a reasonable starting point for performance assessment. How are Senate estimates generally to measure your performance over time on that criterion?

**Ms Vardon**—We do not measure exactly how many customers are inconvenienced by wrong letters, but we could for ourselves have a measure for the error rate in letters. Not everybody is inconvenienced by them, but we certainly want to know when we make mistakes. Can I ask Jane to be more specific about what it is that we measure. She might want to comment further.

**Senator CHRIS EVANS**—Yes. You might take on board, too, Ms Vardon, that rather than me raise with you each time the latest computer glitch has been reported to me, and the upset that has come from a particular group, which is a bit hit and miss—it depends on who writes to us, who raises it, et cetera—that we develop some sort of measure as to how we are going on that. Maybe Ms Treadwell can help me.

**Ms Treadwell**—The point you make is something we are looking into now. It would involve a lot of technical explanations to try and actually understand the chain of events that occurs in both the way in which technology contributes to Centrelink's ability to service its customers, as well as impedes the ability of staff to manage customer inquiries. From a technical perspective we do measure quite a number of events in terms of things called outages. It is a revolting term the IT industry uses. If the cables get cut by a truck or an accident in the ground, that causes our computing systems to break down. We measure that. We measure the cost in lost productivity of our staff as a consequence of that. It is not only an external event. It can actually occur as a result of some of the hardware connections not working appropriately. We of course measure that.

A lot of the time we are looking at what part of this network fails, and also the consequence to people at call centres or over the counter who are not able to manage appointments or customer inquiries. At the moment, we measure lost productivity or staff time down. There are also measures for customer satisfaction, both the internal customers for IT—the staff—as well as a number of surveys done through the year to establish Centrelink customers' levels of satisfaction or comfort with the way in which they are dealt with using technology. In terms of the actual applications, we measure the problems that our staff experience. There is a system by which their concerns or complaints are registered and we are looking at those problems and how quickly they are resolved.

One of the key measures that we have introduced in regular reporting to the board are things called bug screens—I did not write them up and I am learning as much as everyone else—that is when the actual computer screen freezes or our staff actually cannot move into the next part

of the process of dealing with the customer. After a major software or application change such as Newstart common platform or youth allowance, when we have introduced major systems changes that may not be perfect, given a number of reasons, we can anticipate that these bug screens actually increase to quite a severe degree, which again causes inconvenience and damage, I suppose, in terms of customer expectations and staff ability to do their work.

About this time last year we were experiencing around 12,000 screen freezes a day across Centrelink. That went up rapidly to around 50,000 after the system changes in the middle of the year and, with a concerted attack on these bugs over the last six months, we have brought that down to 6,000 and we are trying to bring that down even more. The target should be zero. In a system as complex as Centrelink's I am told that is a desirable target that we will have to keep trying to attend to; we certainly have brought it down a severe amount. To move it beyond these figures, if we say that each of these screen freezes cost \$4 in lost productivity, the attention to actually improving the code has saved us, as an organisation, around \$3 million since the beginning of January.

What we are trying to do within the IT area is certainly pull up our performance and benchmark across other similar organisations, and there are a number of technical performance measures, but, in addition to that, to actually understand the value chain that operates, the interaction between Centrelink and its customers and then the means by which IT supports or makes problems to that. One big exercise conducted a few years ago looked at the contribution to social security by IT and the level of productivity saved or earned through IT. I think the report of the consultants showed that for every \$1 invested in IT there was a \$3 savings.

That is not necessarily received in the hand because of the complexities by which Centrelink can now operate in terms of the magnitude of the different payment requirements. That has actually enabled significant degrees of targeting and understanding of particular client or customer circumstances. So IT provides either an improvement in productivity at the staff level or an ability to target and better refine the means by which government policy is implemented. We want to be able to account back to Centrelink and to government where the value comes from IT.

**Senator CHRIS EVANS**—Thanks for that answer. Obviously a bug screens measure may be part of a performance appraisal that might be useful, and that is obviously a bit more of an internal focus in terms of—

**Ms Vardon**—It does not answer your question though, Senator.

**Senator CHRIS EVANS**—It does in part, in the sense that obviously if cost to the organisation is an issue we ought to be considering it. If computer glitches, whatever, are costing you money and staff time, an inability to process, that is one measure in the sense of your own internal productivity, and that is something we ought to be concerned with. But it does not deal with the customer focus in the sense of what impact that has on the customer. They cannot measure what impact that then has on what is happening to their claim or the response or what have you.

**Ms Vardon**—Would it help if we talked a little bit more quickly about the work that we are doing with accuracy and applications? I know the issue that you are referring to—with Mr Morris. There are improvements to be made all the time. We are reducing the number of errors that are made in the letters that have been sent out to the wrong people and so on, or the wrong text.

**Senator CHRIS EVANS**—I am happy to hear that. I notice that your performance indicators are a bit briefer than some of the other departments. I do not necessarily say that as a criticism. Some of them seem to take eight sentences to say one concept, which is customer satisfaction or whatever, but I do think yours might be a little on the brief side.

**Ms Vardon**—Except that all our data goes into Family and Community Services—to report in through there.

**Senator CHRIS EVANS**—I appreciate that. What I am grappling with is how we measure what is occurring in terms of inconvenience and service to customers and, in particular, what is driven by these technological changes and systems changes, because that seems to have been an area where we have had quite a few problems, and I accept that there are reasons for all that. But one of the measures that we are interested in doing is seeing whether that is fixed or is an ongoing problem. Maybe you would like to take on notice how you think we might fairly measure that.

**Ms Vardon**—Yes. The answer lies in the way we manage releases. There could well be a way we could discuss with the minister of how she would like to report that.

**Senator CHRIS EVANS**—Thanks for that. Did you want to say something about the applications?

**Ms Vardon**—No.

**Senator CHRIS EVANS**—Could I just ask a bit about your ongoing market research campaigns. Have you got one going currently or recently?

**Ms Vardon**—Yes.

**Senator CHRIS EVANS**—This is Roy Morgan again.

**Ms Vardon**—Roy Morgan, yes. The Roy Morgan survey is happening now.

**Senator CHRIS EVANS**—Within the last month or so, is it?

**Ms Vardon**—Yes.

**Senator CHRIS EVANS**—Could someone give me an update on the purpose of that survey and who you are surveying?

**Ms Vardon**—Yes, we tabled all the questions.

**Mr Divett**—At the last hearing you asked that question, Senator, and I thought we provided the answers.

**Senator CHRIS EVANS**—I really have a specific area of interest. I forget the precise information you gave me but you have a series of customer satisfaction surveys, et cetera.

**Ms Vardon**—Yes.

**Senator CHRIS EVANS**—You have one being conducted currently.

**Ms Vardon**—Yes.

**Senator CHRIS EVANS**—I want to know a few details of that and whether you added questions to your traditional survey for the purpose of that survey.

**Ms Vardon**—I have not seen anything that has been added. This is the survey that gives a performance measure back to every single office in Australia about how their customers see them. It measures against 15 or 12 different items, from the length of the queues, the length of waits, what you felt like when you came in, and so on. The value to us is that we do not

change it. Every six months each local office can get a measure over time of what the customers think of themselves.

**Senator CHRIS EVANS**—I appreciate that; you gave me that information before. I wanted to concentrate on whether you had added any questions, whether the nature of that had changed or whether you had any other research going with Roy Morgan. I have had a couple of reports about people being surveyed but it did not seem to be quite the same tenor. There were a couple of questions in particular asking about whether they considered alternative services to Centrelink and about the use of banks. That sounded like a new question or a different survey, so I want to get a feel for it.

**Ms Vardon**—Senator, I cannot answer that question. I would be very happy to answer that question for you but I would have to ask the people who contracted for it and they are not present.

**Senator CHRIS EVANS**—Are you aware of any questions being added, Ms Vardon?

**Ms Vardon**—Mr Jongen thinks one or two questions may have been added but I cannot give it to you accurately.

**Senator CHRIS EVANS**—Perhaps you would take it on notice. I just want the details of the current survey. I presume we are talking about the ongoing program, not a different or separate initiative.

**Ms Vardon**—Yes.

**Senator CHRIS EVANS**—Perhaps you could give me the details of the extent and the conduct of that. Could you also provide for me what additional questions have been added and for what purposes they have been added.

**Ms Vardon**—Certainly.

**Senator GIBBS**—Could I talk about the establishment of the rural call centres. I notice here that we have two new call centres and it says there are 14 located in regional areas. I suppose this has been given to our committee at some stage but I cannot remember how many there are in Queensland.

**Mr Divett**—It would be best to take it on notice.

**Senator GIBBS**—Approximately.

**Ms Vardon**—Three or four.

**Senator GIBBS**—I was wondering where they were located. Basically I want to know why the new call centre was put in Maryborough. Is there an enormous need in that entire catchment service?

**Senator Newman**—I have been asked this before. Wasn't it in the Senate?

**Senator GIBBS**—I am not trying to get at you, Minister.

**Senator Newman**—No, but it was long before Minister Truss was the minister for Centrelink. That was his electorate.

**Senator GIBBS**—It has to be in somebody's electorate. It does not matter where these things are put. It is in somebody's electorate.

**Senator Newman**—We wanted something that had a big hinterland of people in rural occupations.

**Senator GIBBS**—That is what I am trying to get at. What is the area of the catchment that this centre services?

**Mr Divett**—There is a plan to eventually have all of non-urban Australia covered by a series of footprints and these are the first two that have been announced. The footprint for the Maryborough one is in the Maryborough region, going out west in Queensland.

**Senator GIBBS**—How far does that stretch out?

**Mr Divett**—We are still modelling that on estimated call loads but it essentially goes for most of the central part of Queensland.

**Senator GIBBS**—Would that go as far as Rockhampton, or is there one up near Rockhampton? You have Rockhampton and Mackay, so how far up would that go? Of course there are the other regional towns up there, so would there eventually be centres where they stretch out?

**Ms Williams**—We are working through a lot of that at the moment. The real issue with these call centres is that they are smaller specialist call centres that are really focused on those rural people and those rural towns that have limited access to Centrelink services because of their distance. We are working through that at the moment and particularly focusing, as Mr Divett said, on trying to move them out into central Queensland. At the moment we are playing with the model on the number of calls that we will get because we want to give them a good service that does not have long waiting periods. It may well be that some of those major towns will be excluded and will be serviced by the normal traditional rural call centres.

**Senator Newman**—There are a number already in the towns along the coast.

**Senator GIBBS**—And there was not one in Maryborough?

**Senator Newman**—No.

**Senator GIBBS**—This is what I am trying to get at. Queensland is the most decentralised state so anything north of Brisbane is rural. It is all regional and rural there.

**Senator Newman**—You have Toowoomba, Townsville, Cairns and Brisbane. I think that is the lot and this will make one more.

**Senator GIBBS**—Yes, Townsville and Cairns are way up the top. Is there nothing in Rockhampton or Mackay?

**Senator Newman**—No.

**Senator GIBBS**—From Townsville to Maryborough is a hell of a long distance. I can drive to Rockhampton in 7½ hours if I plant the foot and hope that the cops do not catch me, but it normally takes about eight or nine hours.

**Senator Newman**—But these people are working in a call centre where people can come from the whole of Australia. This is networked. What we are talking about here with these rural call centres is that they are specific to the needs of people in rural areas. So often they are either farmers or small business people who have much more complex assets and income situations than do people who are on PAYE in towns and cities around the country. What we found was that their calls were usually fairly complex, that they needed people who focused in a fairly continual way on the special issues that affect them and the special programs that affect them, like retirement assistance with farmers or the drought exceptional circumstances situation.

We thought that, if we had a network of rural specific call centres that do not service the needs of the city and towns, that would be very important for one group of customers. All the others are networked. As you have heard, there is already a number of them in Queensland,

but they are networked to the whole of the nation. They can be picked up because they have consistent customer service issues to deal with but they are different from rural.

**Senator GIBBS**—I want to get it clear in my mind how this actually works. The area around Maryborough would have different needs than further north and the whole area around Innisfail. The farmers are different, they grow different things. In one area you have a mass of droughts; in another area you will have constant floods. Because Queensland is such a huge state, each area is different and unique.

**Senator Newman**—You will have exceptional circumstances, whether it is fire, flood or drought, but it will not matter which it is. It will be an exceptional circumstances issue. They will have financial structures that mean that they are operating as sole traders, partners or companies in a family trust arrangement. Those are all things which are not dealt with normally every day by people in the rest of the call centres. They are rural specific as distinct from the everyday needs of people in cities. It does not matter that they are different kinds of farmers or small business people. It might be the local spare parts and service station, but spare parts for farm equipment. It does not matter what the equipment is, it is the structure of their business.

**Senator GIBBS**—I understand that. Rural people get a little bit upset because they live in isolation anyway and being extremely friendly, probably because they hardly ever see anybody, they love face to face contact. I cannot tell you how many graziers have said to me—because of the banks—‘I now have to deal with Queen Street and they haven’t got a clue that I need this money to eat until I can shear the sheep,’ or whatever. I just wanted to find out where they are going to be situated and if there was going to be any sort of personal—

**Ms Williams**—That is why we are taking so much time in making sure the footprint does cover a lot of those issues. In fact the rural call centres actually arose out of many customer surveys we did and going out to those customers and talking to them. They raised the same things you did. Going through the normal call centre network, regardless of whether they were in a rural based call centre, did not necessarily mean that those people understood their needs.

**Senator GIBBS**—That is right.

**Ms Williams**—While many of those customers do want personalised service—which is what they were telling us—it does not necessarily mean face to face. They wanted someone who understood their own individual circumstances. This is very much what the minister talked about. In particular, many Queensland customers are farmers and many of them have extreme circumstances and different circumstances. What we are trying to do with this call centre is have local staff who are trained in and understand the particular difficulties around those Queensland locations in the rural areas—and who are Queensland people. One of the big messages that came out from those customers was that when they rang they found out it was someone in Melbourne who did not even understand what they were talking about.

**Senator GIBBS**—Exactly.

**Ms Williams**—That is what these call centres are designed to overcome. Queensland will be one of those sites. It will cover, as Mr Divett talked about, a large portion of Central Queensland. We are just working out the mechanics of trying to get some synergies from those customers and how we address all of their issues, because there is a myriad of them.

**Senator Newman**—We save them driving hundreds of miles at great cost to actually achieve somebody face to face who does understand and take time with their concerns or problems.

If they can have somebody with that understanding a telephone call away, in financial terms it is beneficial to them, as well as in time away from their job.

**Senator GIBBS**—Thank you very much. So we are going to see this pattern. In Central Queensland you can have a huge mine, then you can have all these farms, then you can have God knows what. They are all different and all very complex. Of course, we talk differently to those who live in Melbourne, too. In Queensland we have a saying that, the further north you live, the slower you talk—and it is true; not that they think slower, it is just that they talk slower. It is hotter, you see, I suppose. They also walk slower, too. It is the heat, the terrible heat. Mind you, I will be glad to get back to the heat after being down here for so long.

I want to talk to Mr Jongen about the Brave design and clear a few things up. Thank you for your reply, Mr Jongen. I received that quite a while ago. You gave me the details of the costs of the form design and the graphic design. I was wondering if we could have a comparison. I know the whole idea of tendering and contracting out is to try to save the department money.

**Mr Jongen**—Yes.

**Senator GIBBS**—These figures you have given me, within the time frame that Brave have actually worked—is it nine months?

**Mr Jongen**—Yes, that is correct, Senator.

**Senator GIBBS**—Does that compare favourably with what it cost the department internally before? Is there a saving here?

**Mr Jongen**—There is. In fact, it is quite a significant saving. Last financial year, graphic design services were in excess of \$590,000. That is a monthly average of approximately \$49,100. So far this year under the Brave contract the equivalent cost has been \$25,234 a month. In other words, we are looking at roughly half the cost. I might add that that is not taking into account staffing costs which were previously associated with the individual tenders that we had to undertake.

**Senator GIBBS**—This was graphic design, was it?

**Mr Jongen**—Yes, that is correct.

**Senator GIBBS**—Basically we are spending all of that money. But then, of course, the wages would have been on top.

**Mr Jongen**—Yes, that is correct, Senator.

**Senator GIBBS**—What about the forms?

**Mr Jongen**—Regrettably, we are in the process at the moment of doing the performance assessment of Brave. I was hoping to have those figures for you today. I do anticipate similar savings, but I am not in a position to give you those figures and I do apologise.

**Senator GIBBS**—That is all right. Perhaps next time you will have them.

**Mr Jongen**—Yes. I would be happy to do that, Senator.

**Senator GIBBS**—Apparently the agreement was for two years with the option to extend for a year. With these cost savings, when the contract period runs out will you be extending to them or will you be putting it out to tender again?

**Mr Jongen**—Certainly at the end of three years we would be bound to put it out to the market again. If we continue generating savings of this order, that is one of the factors that would influence whether I take up that 12-month option at the end of the initial two years. There are other performance indicators, of course, which we look at, including the quality of their design. For example, as part of the process of measuring their performance we also look

at issues such as quality, consistency and timeliness. At the present time we are implementing our first review of their performance. That includes over-viewing such things as a problem log to see what sorts of issues may have arisen in our day-to-day performance. Certainly cost is one of the key issues.

**Senator GIBBS**—Thank you very much.

**Senator CHRIS EVANS**—I did not take you to this question of the Newcastle computer problems which was raised by Mr Morris. I wanted to ask you to go through a few details about that, so we will skip back. Can someone help me with what happened with this Centrelink mail-out to people in the Hunter? I think it was about the end of March.

**Mr Pacey**—I will, Senator.

**Senator CHRIS EVANS**—Mr Pacey, I gather you are aware of the incident I am referring to. Could you tell me what happened. I gather people received letters saying that they owed Centrelink money when they did not. Is that the nub of it?

**Mr Pacey**—Yes, Senator. First of all I will give you some background. Each year, Centrelink has a project to recover outstanding debts on non-current customers' income tax refunds by garnishee notice. In an attempt to provide better customer service and better targeting of the cases referred to the ATO, it was decided this year to send a letter to the non-current customers who were in danger of being selected for ATO referral because they had debts over \$200 and over three months old with no arrangement in place. This would give them an opportunity to make an acceptable repayment arrangement or settle the debt, thereby avoiding a garnishee of their tax refund.

**Senator CHRIS EVANS**—So this was not the first time that you had corresponded with these people who you thought owed you more than \$200, and who you thought also knew that they owed you more than \$200?

**Mr Pacey**—Yes, that is right. Due to the concerns from the ATO that Centrelink would not discourage customers from lodging income tax returns, the letter specified a range of recovery options that are available to the Commonwealth and urged the customer to contact Centrelink to resolve the matter. On 5 May around 18,266 of these letters were sent out.

**Senator CHRIS EVANS**—Eighteen thousand?

**Mr Pacey**—Yes, 18,266. The letter was to encourage customers to call a local contact number to resolve the matter. Many of the customers called to make an arrangement for repayment, advised that they had already repaid the debt, or that they had made a repayment arrangement between the time the mail list was drawn up and when the letter was received. There was approximately a four week gap there. For those customers the debt recovery staff were able to confirm the payment on the spot and apologise, if necessary, for the dispatch of the letter to the people who had already paid.

The vast majority of calls were from customers who wanted to make a repayment arrangement. There were 245 customers who did not actually have an outstanding debt who received a reminder letter in error. These customers had what is termed book debts. There are records within Centrelink systems to reconcile adjustments to program appropriations following a transfer of customers between payment types or between Commonwealth agencies. They should never have got the letter. Centrelink sent a written apology to these customers regretting any inconvenience or concern caused by a receipt of the reminder. At this stage, a post-implementation review is being conducted by the debt team to ensure that both the time lag and the book debt errors are not repeated in the future.

**Ms Vardon**—The first letter would have been improved if it had had a sentence in it which read, 'If you have paid, please disregard this letter.' But in fact the sentence was left off. One of the lessons we all learned from this is that that sentence will go in in the future.

**Senator CHRIS EVANS**—It would not have solved your book debt problems, would it?

**Ms Vardon**—No, it would not have solved the book debt problems. That was separate.

**Mr Divett**—The book debt problem was clearly human error.

**Senator CHRIS EVANS**—Yes. It is a very clear communication, to give it its credit—'I am writing to you about the money you owe Centrelink.' They do not have to wait until the third paragraph to figure out what the letter is about. Whether you can call it effective communication, I am not sure, but they certainly got the message.

**Mr Divett**—It was very effective for the 18,000-odd who received it.

**Senator CHRIS EVANS**—Yes. I am sure they all rang up. This was not a geographically targeted letter?

**Mr Divett**—No.

**Senator CHRIS EVANS**—Mr Morris obviously just had more than his fair share of people contacting him. This was Australia-wide. How many people actually did owe you money? You said there were 245 book debts.

**Mr Pacey**—The others all owed money to Centrelink. The others were all correct.

**Senator CHRIS EVANS**—They all owed, or they had owed?

**Mr Pacey**—At the time of the letters, apart from the ones who had paid in the previous four weeks, everybody else who was sent the letter we believed actually owed us money.

**Senator CHRIS EVANS**—So apart from the 245 who were straight errors, there was another subset who would have settled their debt in the four weeks?

**Mr Pacey**—Within the four weeks.

**Senator CHRIS EVANS**—Do you know how many were involved in that?

**Mr Divett**—Or contacted. There is always a crossing of letters issue with debtors.

**Senator CHRIS EVANS**—Is it normally four weeks? That seems a bit long.

**Ms Vardon**—It was longer than we would want it to be.

**Senator CHRIS EVANS**—What is the norm?

**Mr Divett**—From extraction to actually getting the letters out, I would expect in the order of two weeks normally.

**Senator CHRIS EVANS**—Quite a lot could happen in terms of debt in that sort of period. If not, they still owed you money, but the figures may well have changed, I suspect.

**Mr Divett**—Yes. Clearly we would normally have the sentence in there that says, 'If you have paid since the date of this extraction, please disregard it.' It was left out on this occasion.

**Senator CHRIS EVANS**—Have you sent a letter of apology to each of those people?

**Mr Divett**—Yes. My understanding is that the great majority were contacted by phone immediately it was raised with us. We identified the people overnight and then started contacting them immediately. Many of those people would have been called before they got the letter.

**Senator CHRIS EVANS**—Can you provide me with a copy of the letter as well.

**Mr Divett**—Yes, Senator.

**Senator CHRIS EVANS**—Not now. Just take it on notice. Did you have any instances where people actually paid up when they did not owe you anything?

**Mr Divett**—No. They had to contact us to make arrangements.

**Senator CHRIS EVANS**—So the error was picked up before anybody paid.

**Mr Divett**—They could not have paid. They did not have enough information to pay. It was a letter to say, 'Please contact us'—not to pay the money.

**Senator CHRIS EVANS**—That is not what my letter says—'As Centrelink would prefer to settle this matter without taking such action'—that is, referring you to a debt collection agency—'would you please phone this office to discuss repayment.'

**Mr Divett**—That is correct.

**Senator CHRIS EVANS**—'If you do not, we may take recovery action without contacting you again.' It then lists the methods of payment—sending a cheque, et cetera.

**Mr Divett**—I am not aware of any of the 245 even attempting to make a payment, Senator.

**Senator CHRIS EVANS**—It was not subtle. Somebody might have been scared into just paying you. Anyway, could you just take that on notice for me and see whether anybody actually paid you, and how you handled that. What was the total level of debt you were seeking to recover? Do you know?

**Ms Vardon**—We do not know. We will have to take that on notice, Senator.

**Senator CHRIS EVANS**—Were some of these quite large debts? I am just trying to get a feel for this.

**Mr Pacey**—I am sorry, we will have to take that on notice.

**Senator CHRIS EVANS**—Would the amounts have been quite large for the people who had book debt figures, or were they all relatively minor?

**Ms Vardon**—We will take that on notice.

**Senator CHRIS EVANS**—I understand that compliance reviews in child-care centres are done by Centrelink. I want to ask a couple of questions regarding the development of a protocol for compliance reviews in child-care centres. Have I got the right people?

**Ms Vardon**—Yes, you have the right person.

**Senator CHRIS EVANS**—I have had concern expressed to me about the compliance reviews, particularly from Queensland. I understand from one of the child-care centre representative groups that you are developing a protocol in this area?

**Mr Pacey**—Yes, Senator.

**Senator CHRIS EVANS**—Can you give me a bit of background about that and how it works?

**Mr Pacey**—We have developed protocols, and those protocols have been discussed recently with providers. We have recently attended two major conferences of the child-care organisations. Both of those meetings were in Queensland.

**Senator CHRIS EVANS**—Which two organisations were those, Mr Pacey?

**Mr Pacey**—I would have to find the names. Sorry.

**Senator CHRIS EVANS**—Perhaps you could take that on notice.

**Mr Pacey**—Yes.

**Ms Raymond**—I understand that the conferences that were attended were the Confederation of Child Care—the national conference—and the Queensland Council of Child Care, which again is associated with the confederation.

**Senator CHRIS EVANS**—Was one a state group?

**Ms Raymond**—Yes.

**Senator CHRIS EVANS**—They had their conference on South Molle Island, but I did not go.

**Mr Pacey**—I did not know that.

**Senator CHRIS EVANS**—Mr Pacey, you were explaining that you had meetings with these two organisations.

**Mr Pacey**—Yes. At the conference we took the opportunity to discuss the protocols that were in place, to discuss any problems that there may have been in the past with providers, to try and raise their awareness of the activities that we were conducting, and also to further refine those protocols if possible. I understand that the protocols are being discussed with our colleagues at DFACS. They are essentially complete, so we could make them available to you, if you wish.

**Senator CHRIS EVANS**—Just so that I am clear, was there an existing protocol or is this a new protocol?

**Mr Pacey**—There were protocols in place, but it was apparent that the people operating around the country were not sufficiently familiar with the protocols to apply them correctly or to explain them correctly to the people that they were conducting reviews on.

**Senator CHRIS EVANS**—So you have finalised a new protocol. Will that be applied in all states?

**Mr Pacey**—Yes.

**Senator CHRIS EVANS**—Is that a protocol to be followed by Centrelink offices?

**Mr Pacey**—Yes.

**Senator CHRIS EVANS**—Will you be able to give me a copy of that?

**Mr Pacey**—Yes, Senator.

**Senator CHRIS EVANS**—Is there an education component of establishing the new protocol?

**Mr Pacey**—Yes, Senator. We have been doing outreach with our own people and equally there has been outreach to the service providers, which is a joint initiative, so that they will understand what it is we are trying to achieve.

**Senator CHRIS EVANS**—Thanks for that. I assumed that we would break for lunch after we have dealt with Centrelink?

**CHAIR**—Yes.

**Senator CHRIS EVANS**—I was going to raise later the issue of the minister for health's mail-out to customers of Centrelink but I gather that that is in some ways more a FACS responsibility.

**Ms Vardon**—It was a joint exercise.

**Senator CHRIS EVANS**—Perhaps we had better do it now. We were endeavouring to allow the majority of Centrelink officers to go at lunchtime, so I was going to try and finish Centrelink by lunchtime—other than those required for dealing with the more general budget initiatives and FACS. I did want to raise this question of what surrounded the letter of the minister for health and the use of the database, and I raised with Health yesterday. So if people are happy we ought to do it now. We have been here before, Dr Rosalky, so I am sure people are aware of the issues at stake. Perhaps someone from the department could take me through how and why the minister for health had access to the Centrelink database for a mail-out regarding health matters.

**Dr Rosalky**—Mr Sassella will be able to answer the questions about whom we contacted in relation to that, Senator.

**Mr Sassella**—An officer from the Department of Health and Aged Care contacted the Department of Family and Community Services to ascertain whether there were any difficulties in obtaining access to the database maintained under the Social Security Act in order to conduct such a mail-out. Our view was that they could have access to that legally under the Social Security Act and also in accordance with privacy requirements. I can explain why that is the case, if you wish me to do that.

**Senator CHRIS EVANS**—Yes, I would like you to do that. I would also like you to advise me what advice you took or who made that decision.

**Mr Sassella**—Yes.

**Senator CHRIS EVANS**—It seems to me on the face of it that it is slightly contrary to what the Privacy Commissioner said last time.

**Mr Sassella**—We obtained advice from the Australian Government Solicitor on the legal aspects. We provided a copy of that advice to the Privacy Commissioner's office when it became available and sought formal advice from the Privacy Commissioner's office as to whether our views that the release would be consistent with privacy principles were correct. The response from the Privacy Commissioner was that they did agree with our views, but they took the opportunity to suggest various procedures that we should consider adopting in providing information that would go as far as possible in protecting privacy interests. We did require that the Department of Health and Aged Care observe those requirements, and they did do so.

**Senator CHRIS EVANS**—Perhaps we could go back a step. When were you contacted by the department of health?

**Mr Sassella**—The date would have been 27 April. If it is not that, it is a day or so either side.

**Senator CHRIS EVANS**—On 27 April this year, and that was just by a phone call, was it?

**Mr Sassella**—Actually there were several phone calls. I think the first one was to Centrelink from the Department of Health and Aged Care. I think the first we knew in Family and Community Services was a call from Centrelink to one of the deputy secretaries in Family and Community Services.

**Senator CHRIS EVANS**—Was that followed up by a more formal approach?

**Mr Sassella**—Yes, there was a letter from the Secretary to the Department of Health and Aged Care to the Secretary to Family and Community Services.

**Senator CHRIS EVANS**—Are you able to give us a copy of that letter?

**Mr Sassella**—I think we could.

**Senator CHRIS EVANS**—I appreciate that. Just before we move on, can I just get it clear in my own mind who has responsibility for the database, who owns the database, or who is in control of the database. Is it Centrelink or FACS?

**Mr Sassella**—The database is actually at all times in the custody of Centrelink. It is in the Centrelink computer system. People in the Department of Family and Community Services in specified positions may have access to that database through computers that are actually on their desk. There is a very limited number of people who actually have such open access to the database because the principle is whether they have a need to know in their day-to-day work, and not very many people in Family and Community Services do have such a need to know.

As to the responsibility for how the database is used and what is done with it, it is pretty clear from the material we have from the Privacy Commissioner's office in relation to the tax package mail-out last year that the view of the Privacy Commissioner is that both the Secretary to Family and Community Services and the Chief Executive Officer of Centrelink have coexistent responsibilities. In a sense, for any use to be made of that database, both the Secretary to Family and Community Services and the CEO have to agree that that should occur.

**Senator CHRIS EVANS**—So you got informal responses followed up by a letter to the secretary. What happened next?

**Mr Sassella**—Our secretary responded to the Secretary to the Department of Health and Aged Care, agreeing to provide the data but on certain conditions. They were conditions laid down by the Privacy Commissioner, and also one issue raised by the Government Solicitor as to how it might best be done.

**Senator CHRIS EVANS**—I would appreciate a copy of that letter if that could be made available also. This is obviously at the end of the process, so you did not formally respond to Health until you had been through this process of going to the AGS and the Privacy Commissioner.

**Mr Sassella**—That is correct.

**Senator CHRIS EVANS**—When you received this request, why did you go to the AGS?

**Mr Sassella**—We went to the AGS to confirm with external independent legal advisers that our understandings internally of the legal situation were in accord with the independent advice; so to get a second opinion really.

**Senator CHRIS EVANS**—What was your internal legal opinion?

**Mr Sassella**—Our internal legal opinion was that the specified parts of the database that Health were interested in receiving could be provided under paragraph 1314(1)(b) of the Social Security Act 1991.

**Senator CHRIS EVANS**—Refresh my memory what that paragraph says.

**Mr Sassella**—It is in a section that deals with information about social security customers as to when disclosures of protected information can occur. The second of those circumstances is laid out in paragraph (b) and that is where the Secretary to the Department of Family and Community Services decides to disclose that information to the secretary of another department of state or to the head of another Commonwealth agency for the purposes of that department

or agency. In this case it was a disclosure by our Secretary in Family and Community Services to the Secretary to Health and Aged Care for the purposes of the Department of Health and Aged Care. So it fitted squarely within the provisions of 1314(1)(b).

**Senator CHRIS EVANS**—So there is no suggestion that there was any FACS department interest in this matter.

**Mr Sassella**—No, it was not released on that basis.

**Senator CHRIS EVANS**—You then referred it off to the AGS solicitors. Did they provide you with written advice?

**Mr Sassella**—Yes, they did.

**Senator CHRIS EVANS**—What was that advice?

**Mr Sassella**—Their advice was that that interpretation of what could be done under paragraph 1314(1)(b) was correct. They took the opportunity though to remind us of earlier advice they had given us on the same paragraph, which was to the effect that when the data is handed over to the other department it should be given directly, personally to the head of that other department rather than to someone nominated by that other department head. It would be normal in these circumstances to give the tapes or, in this case, compact discs containing the information to someone in the systems or computer area in the Department of Health and Aged Care. But that was not done in this case. It was given directly to Mr Podger, the Secretary to Health and Aged Care and a written receipt was signed by Mr Podger for receipt of that information or of those compact discs. That was the main interest.

**Senator CHRIS EVANS**—So Dr Rosalky popped round with the discs in his hand, had a sherry and handed over the discs?

**Mr Sassella**—No. In fact, the way the provision works at our end is that an agent can do it on behalf of the secretary or the CEO.

**Senator CHRIS EVANS**—Someone physically went round and handed the discs to Mr Podger?

**Mr Sassella**—That is correct, yes.

**Senator CHRIS EVANS**—I am not sure how I will go with this, but I would like a copy of the AGS's advice if that could be made available.

**Mr Sassella**—We do not normally release—

**Senator CHRIS EVANS**—I know that. That is why I said it—more in hope than anything else. When the pressure is on, it is useful sometimes to release it.

**Senator Newman**—Senator MacGibbon and I were knocked back on that sort of thing for years, Senator. I think we will stick with the custom, the usual practice.

**CHAIR**—That is one of the lessons you learn in opposition!

**Senator CHRIS EVANS**—One of the lessons you learn is that, when it suits the government, it somehow becomes public; when it does not, it stays hidden! I am sure that is true of all governments of all political persuasions. You got your advice from your solicitor, from the AGS. What then happened? Given that your own view and the view of the AGS was that you were entitled to provide this information, why did you feel the need to go to the Privacy Commissioner?

**Mr Sassella**—Because of the Privacy Commissioner's central role in relation to the mail-out that related to the tax package in August last year and because the Privacy Commissioner looks

at things that are beyond the legal and has a brief to suggest options that we might consider in doing what we can do legally in order to better protect privacy concerns than might otherwise be the case. He made several suggestions in this instance that we adopted in doing the work we did.

**Senator CHRIS EVANS**—Did the Privacy Commissioner provide you with written advice?

**Mr Sassella**—Yes, he did.

**Senator CHRIS EVANS**—Are you able to share that with us?

**Mr Sassella**—Subject to the views of the minister and secretary.

**Senator CHRIS EVANS**—Maybe you would like to take that on notice.

**Senator Newman**—I will just have a look at that.

**Senator CHRIS EVANS**—That is fine. So the Privacy Commissioner gave you a tick but said, ‘There are some things you ought to observe’?

**Mr Sassella**—Some things we should bear in mind. I will go through those, if you like.

**Senator CHRIS EVANS**—Yes.

**Mr Sassella**—One was that we should give no more information to Health and Aged Care than is absolutely essential for the work they were to do. That would have been something we would have abided by in any event. The second was that the information, once provided to Health and Aged Care, should be either returned to Centrelink or to Family and Community Services as soon as they had used it for that purpose, or it ought to be destroyed by them so that there was no risk of its being used for any additional purposes. I think that was all.

**Senator CHRIS EVANS**—I think the Privacy Commissioner is a different person now than from the last time we did this?

**Mr Sassella**—Yes. The new Privacy Commissioner commenced about a month ago.

**Senator CHRIS EVANS**—Did they address the issues that were raised with you on the previous occasion about the concerns they had about this sort of process—for instance, the issue of the purpose for which information is used having to relate directly to the purpose for which the information was obtained?

**Mr Sassella**—Yes. Those issues are all subsumed under an exception that applies, where a disclosure or a use is authorised by another Commonwealth law. In this case, it was disclosure that was in question. It was us disclosing to the Department of Health and Aged Care. There is a specific provision in the Social Security Act that permits that. It is an express exception, so there was no difficulty on that score.

**Senator CHRIS EVANS**—There is no suggestion on your part that it meets that sort of criteria, merely that you have a right to be excluded?

**Mr Sassella**—I am not sure I understand the question.

**Senator CHRIS EVANS**—It seems to me on the face of it that the purpose for which the Department of Family and Community Services obtained the information is not directly related to the purpose for which Health wished to send out the information. You are not suggesting that a justification for what occurred is on that ground. It is merely that you have an exclusion from meeting that ground?

**Mr Sassella**—That is correct. Paragraph (b) of section 1314(1) specifically says it can be provided for the purposes of the other department or agency. That therefore is an exception to information privacy principle 10, on use.

**Senator CHRIS EVANS**—What about this issue of consent? It seems to me that the impact of the Privacy Commissioner's direction or opinion regarding the taxation reform package places a deal of emphasis on the need for this question of consent. What is your attitude to that?

**Mr Sassella**—To satisfy the privacy rules, the exceptions to the restrictions on use and the exceptions to the restrictions on disclosure are several in number and it is necessary to comply with only one of those. They do not have to be cumulative. If, for example, there was no law that authorised the disclosure—or the variant use, in this case—consent would have been important. It is important in another context and that is if we are actually publishing, for example, a letter like this in *Age Pension News*.

One of the issues that was of interest to the Privacy Commissioner was whether people receiving *Age Pension News*, which they receive personally because we have their names on the database, have consented to receive information about just Social Security Act issues or a broader range of issues that might be of interest to older people. Steps were taken, I think, in the February-March edition of *Age Pension News*, to obtain those consents. If this were published in *Age Pension News*, we would not have the problem that we had in the publication related to the tax package, which was in a publication that was a replacement at that time for *Age Pension News*. They are different issues really.

**Senator CHRIS EVANS**—That is right, but I would have thought the test for a personally addressed letter from a different minister was higher than the test for the *Age Pension News*. I would have thought the opposite of what you have just argued would have applied: that if you have a separate minister, with a completely separate policy issue, having a part of your constituency pulled out for a direct mail approach, the test would have been a bit higher rather than lower than is required in the *Age Pension News* example.

**Mr Sassella**—I cannot really explain the justification for the legal regime that applies. It is a legal regime. It has been there for longer than I have been active in this area. The legal regime has always permitted us to release customer information to other departments for their purposes. In the case of the tax package mail-out, there was no release to a different department, so different considerations came into play. You are right: in some respects we are more restricted on the use we can make within the portfolio of the customer database than is another portfolio that can get legal access to it.

**Senator CHRIS EVANS**—Yes. It seems to me that you are saying to me that there is a range of things that you think you cannot do, but you can give it to another department and they can do whatever they like.

**Mr Sassella**—The secretary does not have to give the information out if the secretary does not agree that the purpose to which it is going to be put by the other department is a legitimate one. We required the Department of Health and Aged Care to identify very clearly what the purposes were and why they were Commonwealth purposes. We did look closely at the purposes. We did not just give it to them to be used willy-nilly.

**Senator CHRIS EVANS**—Dr Rosalky, you then approved the provision of the database and wrote back to Mr Podger?

**Dr Rosalky**—Yes, I did.

**Senator CHRIS EVANS**—I think you have taken on notice my request to have a look at that letter. When were the discs formally handed over to the Department of Health and Aged Care?

**Mr Sassella**—My recollection is that it was 11 May, but I will just check the documents. Sorry, it was 10 May.

**Senator CHRIS EVANS**—What was the date of Dr Rosalky's letter to the department of health, agreeing to the proposition?

**Mr Sassella**—On 6 May.

**Senator CHRIS EVANS**—Thanks for that. Did you place any restrictions on their ability to identify people as clients of FACS or Centrelink?

**Mr Sassella**—Not really. The mere fact that they were included on the compact disc would mean that they were clients.

**Senator CHRIS EVANS**—Yes, Senator West raised with the department yesterday the fact that the envelope seemed to identify them as pensioners or Veterans' Affairs clients.

**Mr Sassella**—We had no involvement, unless Centrelink did. I do not think Centrelink did either. Mr Jongen might be able to help on that.

**Senator CHRIS EVANS**—As I understand it from the explanation given by the department of health yesterday—and you might like to take my inquiry about this on notice—there is a series of numbers and letters on each of the envelopes. The last two letters purport to identify the client base. On some it has PE for pensioners; on others it has VA for Veterans' Affairs. I just wanted to ask whether that was approved, whether that is common practice, and whether that is considered to be appropriate practice to have the identification of the client group on the envelope?

**Mr Sassella**—I think we had best take that on notice.

**Senator CHRIS EVANS**—There was no discussion with the department of health about the format or the way in which they present the information?

**Mr Sassella**—My recollection was that we saw a draft of the letter that was being sent out, but not the envelope. Again, it would be useful to find out what Centrelink know because they had their own discussions at that point.

**Senator CHRIS EVANS**—I will come to Centrelink in a second. Did you therefore have some approval process or role in the letter?

**Mr Sassella**—No. If we disagreed with something that was in the letter, we could have said. It was provided more as a courtesy than for a clearance as such.

**Senator CHRIS EVANS**—Did you make any changes to the letter?

**Mr Sassella**—No.

**Senator CHRIS EVANS**—Did you suggest anything about the process of how they might handle it?

**Mr Sassella**—Only the items that I talked about before.

**Senator CHRIS EVANS**—Which was no more than essential use.

**Mr Sassella**—Which went to the database, yes.

**Senator CHRIS EVANS**—So they had been returned or destroyed. What happened to the database?

**Mr Sassella**—It was destroyed after the letter had been used. We received written confirmation of that.

**Senator CHRIS EVANS**—You did not have to be present for that, Dr Rosalky?

**Dr Rosalky**—No, I did not, Senator.

**Senator CHRIS EVANS**—It is a Maxwell Smart sort of thing, isn't it—watching it being destroyed. What was Centrelink's involvement with this process?

**Ms Vardon**—I was required to make an independent judgment in relation to the exercise. I had drawn to my attention all of the letters that had been referred to. I did not have a copy of the letter in front of me and I said, 'Well, to make a full judgment on this I want to see the letter that's going out.' I called for a copy of the letter, made a judgment on it and all of the advice and said that we had no objections to the exercise.

**Senator CHRIS EVANS**—When did you do this, Ms Vardon?

**Ms Vardon**—It was well within the short period of time that has been identified. I do not know the exact date.

**Senator CHRIS EVANS**—You said that you had a look at all the letters. I presume this was towards the end of the process. You are talking about the Privacy Commissioner's letter and things like that?

**Ms Vardon**—Yes, 10 May, because once Family and Community Services were satisfied, then all that information came to me to satisfy myself independently.

**Senator CHRIS EVANS**—So you did not see this till 10 May?

**Ms Vardon**—I am told it was 10 May.

**Senator CHRIS EVANS**—By that stage they provided you with copies of the Privacy Commissioner's letter and legal advice, et cetera?

**Ms Vardon**—Yes. I have no record exactly in front of me, but I know that I had a lot of information at the time. I certainly had plenty of legal advice. I knew the Privacy Commissioner had approved it and I knew the conditions the Privacy Commissioner had put on it, but I was required to sit down and satisfy myself independently.

**Mr Jongen**—Senator, perhaps I could assist. As the person that was liaising with the Department of Family and Community Services, I can confirm that the letters and advice that you referred to were presented to Ms Vardon as part of her consideration.

**Senator CHRIS EVANS**—That included the AGS advice?

**Mr Jongen**—Yes, that is correct.

**Senator CHRIS EVANS**—That was on 10 May when Ms Vardon was given the opportunity to consider it.

**Mr Jongen**—Yes.

**Senator CHRIS EVANS**—Did that include the letter from Dr Rosalky to the department of health confirming his agreement?

**Mr Jongen**—Certainly I saw that letter. I assume I would have presented it. Yes, I did present that to Ms Vardon.

**Senator CHRIS EVANS**—Basically Dr Rosalky had completed his process and, Ms Vardon, you got the chance to do your part of the deal basically?

**Ms Vardon**—Yes.

**Senator CHRIS EVANS**—Did you then write to the secretary of the department of health as well?

**Ms Vardon**—No.

**Senator CHRIS EVANS**—How was your agreement to this process recorded?

**Ms Vardon**—I advised Mr Jongen.

**Mr Jongen**—I actually had a formal document prepared on which Ms Vardon indicated her agreement to the release of the data. That document in effect constituted a directive to me authorising the physical handover of the data.

**Senator CHRIS EVANS**—There is no correspondence between Ms Vardon and the other secretaries of departments about this issue?

**Mr Jongen**—No.

**Senator CHRIS EVANS**—Just a directive to you authorising you to hand the material over?

**Mr Jongen**—Yes, but I emphasise, on the basis of the advice that had been given to the portfolio secretary.

**Senator CHRIS EVANS**—Yes. The health department has obviously received a fair deal of feedback on this, some of which the minister has dealt with personally. Has the Department of FACS received complaints or feedback on the letter?

**Mr Sassella**—Not to my knowledge.

**Senator CHRIS EVANS**—Perhaps you would like to take that on notice.

**Mr Sassella**—Yes.

**Senator CHRIS EVANS**—I expect it would go to the department of health. Apart from the minister's parliamentary address, I think that is the only address on it. I have not checked this.

**Mr Sassella**—Could I just add something to one of Mr Jongen's answers to flesh it out a little. On 5 May I actually did send a package of the collected advices and correspondence to Ms Vardon with a cover sheet explaining what was next required of Centrelink and of her personally. There was actually some earlier material dated 5 May that did go to Centrelink.

**Senator CHRIS EVANS**—That is how they formally knew what was going to be required and requested?

**Mr Sassella**—That is correct.

**Senator CHRIS EVANS**—Ms Vardon, did you get a letter from the department of health formally requesting that you release it?

**Ms Vardon**—My memory is that I had a verbal request from my own staff that we were going to be asked to do it. I do not remember a letter.

**Senator CHRIS EVANS**—You might like to take that on notice so that we know for sure.

**Ms Vardon**—Yes.

**Senator CHRIS EVANS**—There was not even a department of health number on the letter. Have they been receiving feedback? Has Centrelink received any feedback on that mail-out?

**Ms Vardon**—No.

**Senator CHRIS EVANS**—None?

**Ms Vardon**—None.

**Senator CHRIS EVANS**—Thanks for that. I will leave it there.

**CHAIR**—There being no further questions on Centrelink, the committee stands adjourned and those Centrelink officers who will not be required this afternoon may depart and the committee will reconvene at 2 p.m. Thank you.

**Proceedings suspended from 1.00 p.m. to 2.03 p.m.**

**CHAIR**—I believe there is a Centrelink statement to be made.

**Mr Divett**—I would like to provide some additional information that explains the apparent conflict between two figures that we provided this morning. The portfolio budget statement at page 194 contains an estimate of \$51 million for restructuring costs for 1998-99. We also provided in evidence a figure of \$59 million for the redundancy costs to date. The second figure, the \$59 million figure, contains \$11 million in costs for annual leave payments that is not included in the \$51 million restructuring costs.

**CHAIR**—Thank you very much.

**Senator CHRIS EVANS**—Where is that annual leave cost reflected?

**Mr Divett**—It is not reflected.

**Senator CHRIS EVANS**—That is in the normal salary component?

**Mr Divett**—It is a cash component, not an operating statement component. That is the issue. It is the cash and accrual issue again.

**Senator CHRIS EVANS**—I knew you would be using that defence by the end of the day!

**Mr Divett**—I could not resist. That explains it.

**CHAIR**—That clears up Centrelink.

**Mr Divett**—Could I also table some of the documents that we offered to table this morning and pass those to the secretary?

**Mr Pacey**—Senator Evans, you asked for the letter of apology that was sent to the customers for the book debts. This is the letter. You asked for a figure of the total value of debt for all the letters.

**Senator CHRIS EVANS**—Yes.

**Mr Pacey**—It is \$17,178,470, roughly an average of \$1,000 for each recipient of the letter. You also asked for the *Centrelink—child care service reviews—Protocol*, which I am able to table now. I can tell you that these were developed in consultation with the Australian Federation of Child Care Associations. The other major peak body, the Australian Confederation of Child Care, have received a copy and have indicated their support. Senator Woodley was at the conference recently and also received a copy of the protocol.

**Senator CHRIS EVANS**—You will be in trouble with your colleagues, Mr Pacey, for providing information that quickly!

**CHAIR**—We now move to Section 3: Statement of budget and non-budget measures, which we will call on seriatim from page 95 to page 146. Are there any items on page 95?

**CHAIR**—Page 97, Senator Gibbs?

**Senator GIBBS**—Under the heading ‘Budget measure to tighten arrangements for unemployed people’, the second paragraph states that the commencement date has been deferred to September, resulting in a loss of savings. How much is the estimated loss in savings resulting from this measure, the 26-week deferment period? It is where they moved to lower employment prospects.

**Mr McWilliam**—Senator, if you turn to page 25, towards the bottom of that table where you see the page reference 97, you will get to ‘Tighten arrangements for unemployed people’. The loss of savings is shown there. So it is \$388,000 in 1999-2000, \$396,000 in 2000-01 and so on.

**Senator GIBBS**—This is not actual; this is accrual?

**Mr McWilliam**—These are accrual figures.

**Senator GIBBS**—So you plan to increase these savings. The figures go up and then go down. How does that work?

**Mr McWilliam**—The loss of saving is \$388,000 in that first year, 1999-2000; \$396,000 in 2000-01; and then they start to fall off a bit to be less, about \$355,000.

**Senator GIBBS**—Because of what? Do you think people will stop doing this?

**Mr McWilliam**—The customer numbers are starting to get back to closer to what they would have been otherwise.

**Senator GIBBS**—Thank you very much.

**CHAIR**—Page 106, Senator Evans?

**Senator CHRIS EVANS**—I wanted to ask about the budget initiative of respite care for carers of young people with disabilities. Could someone explain to me how that is going to be implemented?

**Mr Wight**—I will start the answer, and Ms Goren may well provide a little more detail. The intention is that the funds will be provided through the Commonwealth government’s carer respite centres—I think the number is slightly in excess of 70—that are currently funded through the aged care program. Funds will be provided for those services to extend the respite care that they provide to families caring for people with disabilities.

**Senator CHRIS EVANS**—Are you going to fund them? How will the funding mechanism work? Will you give each centre \$100,000 to continue their work or do you allocate it by the family?

**Ms Goren**—We have not come down to the detail of how we are going to implement it at this stage. We are looking at a number of options. Those options could be to make funds available through the Department of Health and Aged Care, but more likely through Family and Community Services. But we will need to talk to carer respite centres in order to establish exactly how the program will be implemented and, of course, to obtain ministerial agreement to that form of implementation.

**Senator CHRIS EVANS**—You must have some idea, though, as to how you are going to target those in need and the sort of mechanism that will be used. Have you identified the particular families or the cohort you are targeting?

**Ms Goren**—As my colleague Mr Wight explained a moment ago, it is targeted at carers of younger people with disabilities. No, we would not be the ones who would actually be identifying particular families to obtain this service; that would be a matter for the carer respite services. The care is for immediate and emergency care. As I say, the centres would be the ones to identify the people who needed those forms of care.

**Senator CHRIS EVANS**—Those carer respite services are spread around Australia?

**Ms Goren**—That is correct.

**Senator CHRIS EVANS**—There may be an even spread, but there must be areas where there are higher needs for families with disabled children. Do you have any macro data about where you are targeting this assistance? Do you know what I mean? Is each centre going to get the same amount of money? Is there a needs analysis that is driving this?

**Mr Wight**—Those issues have not yet been resolved. We will certainly have to look at the distribution of need. I would think that it would not be possible to provide a fixed allocation to each of the centres. We will have to look at what data is available. I am not aware of what data is available on the distribution of disabilities by area, but we would certainly be looking for material on people with profound disabilities and their distribution around the country and then making those allocations to the carer respite centres in some relation to that distribution mechanism, but I could not give you the detail at this stage.

**Senator CHRIS EVANS**—I will leave it at that. Could you give me an indication of when you think those funds would be actually flowing through, the time frame?

**Ms Goren**—The requirement in the actual measure is for the measure to commence from 1 September of this current year.

**Senator CHRIS EVANS**—Do you think you will have the time for the administrative arrangements to be in place to meet that target date?

**Ms Goren**—We are working on it right now. I would hope that that would be the case.

**CHAIR**—Next page?

**Senator CHRIS EVANS**—I would like to ask a question about the Continence Aids Assistance Scheme.

**CHAIR**—Page 107.

**Senator CHRIS EVANS**—Can someone just give me a brief description of the scheme and how many people it is servicing? I have had some concerns raised with me about the administrative arrangements for the scheme, particularly from Western Australia. Could I get a feel for how that is done?

**Ms Carmody**—The Continence Aids Assistance Scheme has been running for some time. It provides an annual allowance for eligible people to access continence products. It is administered through a national contractor. That national contractor basically keeps an account for each eligible person, and they draw down the products to the annual allocation of \$450.

**Senator CHRIS EVANS**—There is only one national contractor, is there?

**Ms Carmody**—Yes, there is a national contractor who uses a network in each state and territory.

**Senator CHRIS EVANS**—Who is the national contractor?

**Ms Carmody**—The national contractor is Paraquad in Queensland.

**Senator CHRIS EVANS**—So Paraquad in Queensland has the contract for the national program?

**Ms Carmody**—Yes, they do. They won it through a competitive process about 18 months ago. I would have to check on the date.

**Senator CHRIS EVANS**—One of the concerns that has been raised with me is the administration in Western Australia, and I am trying to find out who is responsible. What do they do for the other states?

**Ms Carmody**—Pardon?

**Senator CHRIS EVANS**—One of the concerns that has been raised with me and with lower house members in Western Australia is about the administration of the scheme and getting someone to take responsibility. I thought that in Western Australia Silver Chain Nursing Association had a role in this. Do they subcontract the contract?

**Ms Carmody**—Yes, they do. It involves quite substantial warehousing and freighting of goods. So they have an outlet in each state, but it is coordinated by a national contractor.

**Senator CHRIS EVANS**—So is there a formal subcontract of the contract in other states?

**Ms Carmody**—Yes, there is.

**Senator CHRIS EVANS**—Do you have a list of who the subcontractors are?

**Ms Carmody**—I would have to get that for you.

**Senator CHRIS EVANS**—Can you take that on notice? So the Western Australian subcontractor is the Silver Chain Nursing Association?

**Ms Carmody**—I would have to confirm that for you.

**Senator CHRIS EVANS**—From the correspondence I have had, I think they must be. What responsibilities fall to the subcontractor? I guess the question probably is more correctly: what responsibilities fall to the contractor and then are subcontracted to the subcontractor? What are they responsible for doing?

**Ms Carmody**—They administer the annual allocation for each participant. Those participants, once they have used their annual allocation, can continue to use the network to provide continence products direct to them over and above their allocation at their own expense. The contractor freights the goods to the door for the person who has ordered them, and they provide advice. In terms of administering that \$450 per year, there is a schedule of approved products, and there is also a capacity there for my position to approve exemptions to certain products in specific circumstances.

**Senator CHRIS EVANS**—Do you have the capacity to allow people to access more than the \$450 limit?

**Ms Carmody**—They can access more than the \$450 limit, but it is at their cost—the individual's cost—it is not at my cost. But what people are able to benefit from through that arrangement is that they can take advantage of the bulk purchasing power of Paraquad to access continence goods which are at a significantly reduced price on what you would pay over the counter with a chemist.

**Senator CHRIS EVANS**—But there is no capacity for people who have a high level of needs and consumption of these goods to have their level of assistance increased?

**Ms Carmody**—No, there is not. It is a limited fund. It has only ever been about contributing to the cost of continence.

**Senator CHRIS EVANS**—It is an employment linked fund, isn't it?

**Ms Carmody**—Its primary focus is about people of working age and that they should be participating in the work force. There is not an activity test linked to it.

**Senator CHRIS EVANS**—No, but it is essentially designed for people in employment or seeking employment to assist them?

**Ms Carmody**—Yes.

**Senator CHRIS EVANS**—So how do you qualify for assistance?

**Ms Carmody**—They have to be within the working age, and it is certain types of disabilities. It is substantially linked to the receipt of pensions. I would have to get the specific eligibility criteria to you.

**Senator CHRIS EVANS**—If you would not mind. Could you also get me any information you can on what the services provided in Western Australia are and whether that is by virtue of the contract?

**Ms Carmody**—Yes.

**Senator CHRIS EVANS**—The \$450 limit, is that an indexed amount? When did the \$450 come in?

**Ms Carmody**—The \$450 was introduced when the contract was moved from a state based contract to a national contract at the beginning of the Paraquad contract. So that was about 18 months ago.

**Senator CHRIS EVANS**—Is there an indexation figure?

**Ms Carmody**—No, it is a fixed amount.

**Senator CHRIS EVANS**—So is there any potential for the maximum figure to be altered?

**Ms Carmody**—There is no proposal at this stage to alter it.

**Senator Newman**—Keeping inflation down is a way of helping.

**Senator CHRIS EVANS**—I am just trying to ascertain the mechanism for changing the limit.

**Senator Newman**—But you need indexation if costs are rising. I do not know whether they are in this particular area.

**Senator CHRIS EVANS**—That was not the implication of my question. I am sorry you took it that way. There are concerns that there are a range of people who access this scheme and who pay a lot more for continence assistance than the \$450. I am sure that has always been the case.

**Ms Carmody**—It has.

**Senator CHRIS EVANS**—But clearly there are people who have high use and who are having difficulty meeting the costs. My first set of questions went to whether or not there was any exemption or ability for those with high needs to get extra assistance. That apparently is not the case. The questions really went to: when is it adjusted and how is it adjusted?

**Ms Carmody**—There is no mechanism in place to increase the amount for the current people or to change the amount in the confines of the Continence Aids Assistance Scheme, but the government has more broadly set up a working group under the staying at home package which is actually looking at the broader costs of continence. The actual cost to individuals flowing from continence will be considered within the context of the staying at home review that is under way.

**Senator CHRIS EVANS**—Almost by definition, staying at home has a bit of a different target to this, which is an employment program, isn't it? From a government point of view, how do you and when do you review the adequacy of the limit? At some stage you set it at \$450. How is that set and when is it reviewed?

**Mr Wight**—There is no automatic review. I guess it is just a matter of continually monitoring the program and, on a year-by-year basis in the budget context, developing options if and when it is seen appropriate to vary the scheme. There is no set arrangement for indexing

or increasing the amount or changing the amount. Could I add one extra point to something Ms Carmody said a little earlier? In some states there is also some assistance towards continence provided by state governments. While I cannot tell you the details of it, I know it varies widely across the country.

**Senator CHRIS EVANS**—Yes. In fact, I think there has been a report—a discussion paper—released in my own state by the Disability Services Commission about the whole issue of continence management recently. Is the department aware of that report?

**Ms Carmody**—No.

**Mr Wight**—No.

**Senator CHRIS EVANS**—So when does the contract with Queensland Paraquad expire?

**Ms Carmody**—It expires at the end of June this year. We are wanting to go through a retendering process. So it has been decided that we would extend it for a period because of significant warehousing involved with the contract. Two options are currently being discussed with the contractor, of six or 12 months, depending on what is feasible with their lease arrangements on warehousing around Australia.

**Senator CHRIS EVANS**—So is it intended to have another national contract? At one stage you had individual state contracts.

**Ms Carmody**—Yes, we did. There was an evaluation done of the state arrangements and a decision taken in light of that evaluation to move to a national program. One of the things we are currently doing before we go through the tender process is evaluating the effectiveness of the national contracting arrangement to inform the next tender round.

**Senator CHRIS EVANS**—So there is no in-principle decision that the next tender round would necessarily be a national tender?

**Ms Carmody**—It would be subject to that evaluation of whether or not the national contracting arrangement has been effective, yes.

**Senator CHRIS EVANS**—I am not actually arguing. I am just trying to ascertain whether that is an issue that is under review or not.

**Mr Wight**—As soon as we have had a look at the results of that evaluation, we will be putting some proposals to the minister to determine how the next contract should go.

**Senator GIBBS**—I know that this assistance is given to working people, but you said it had to be related or tied to some form of pension or benefit.

**Ms Carmody**—Yes. Mobility allowance or in receipt of disability pension.

**Senator GIBBS**—Somebody working in a factory, an office or somewhere and having a fairly decent income and never having had any sort of pension cannot benefit from—

**Ms Carmody**—Do these people have a disability?

**Senator GIBBS**—I would say this is a disability. If for some sort of medical reason it could not be fixed but they had no other form of a disability, then they would not be entitled to apply for this benefit?

**Ms Carmody**—If they are eligible for mobility allowance they are eligible to apply for this benefit.

**Senator GIBBS**—I was just wondering about the cost here. I take it I am on the right track. I am looking at this graph above, where we have 1,541. That applies to this, does it not? I am looking at page 107.

**Ms Carmody**—Yes.

**Senator GIBBS**—And then in 2000-2001 we go down somewhat and then we seem to go down somewhat for each year. If we are maintaining this allowance for people, why does it seem to go down so much?

**Mr Wight**—Firstly, this is the additional funding that is provided in this budget. There is a base amount for the continence contract, which from memory is about \$7 million. The demand increased last year and we have projected that additional demand will occur this year. So we have provided in the current estimates an additional \$1.54 million for the extra demand expected for this year.

We have not gone any further to project additional demand in following years at this stage. The reason it reduces in out years is that some people who are currently receiving the continence aids fall out of the system. So from that level of demand in this year or the number of people assisted there will be a reduction in the out years. If in turn there is an increased number seeking assistance and they are within the eligible category next year, then some additional assistance would be required to maintain the level in the out years.

**Senator CHRIS EVANS**—I refer to the new income support arrangements for separated parents sharing the care of a child. Could someone explain what the impact of the measure will be on both parents?

**Ms Winzar**—The reason behind this initiative is that we have a lot of parents who share care of children at the moment—both lone parents and in blended families. Under current arrangements, if one of them has 50 per cent care of the child they can claim parenting payment. In some cases where parents have shared care equally, the person who gets in and claims first gets a benefit because they get a higher rate of payment than the person who does not get in the Centrelink door and lodge a claim quickly. That second parent might have the same level of care, but they will find themselves on Newstart allowance and have to look for work as well. There was a lot of conflict and tension and a lot of complaints to us about the inequity in that treatment of parenting.

**Senator CHRIS EVANS**—What is the difference in payment between the parenting payment and, say, Newstart?

**Ms Winzar**—The difference is around \$15 a fortnight.

**Senator CHRIS EVANS**—And the other difference is the activity test, is it?

**Ms Winzar**—Yes. The rate for the person who is receiving parenting payment is about \$15 higher than Newstart. They will also get access to a pensioner concession card and they access the full range of assistance through the Jobs, Education and Training program. On the other hand, the parent who might have an equal share of the care but is on Newstart allowance has to meet their activity test requirements, does not get access to JET and so on.

**Senator CHRIS EVANS**—How do you qualify for the parenting payment?

**Ms Winzar**—Subject to other eligibility criteria, such as income and assets testing, the principal issue is whether you have care of a dependent child under the age of 16.

**Senator CHRIS EVANS**—And what proportion of care do you have to currently be responsible for?

**Ms Winzar**—At the moment it is a 50 per cent requirement. If you have care for less than 50 per cent of the time, you will not qualify for parenting payment.

**Senator CHRIS EVANS**—So currently if you have two parents in a share care arrangement and they are both at 50 per cent, you pay the parenting allowance to both?

**Ms Winzar**—No. We pay the parenting allowance to one of them.

**Senator CHRIS EVANS**—That is a clear case of first in best dressed, is it?

**Ms Winzar**—That is right.

**Senator CHRIS EVANS**—You do not make any assessment other than that?

**Ms Winzar**—Essentially that is the case.

**Senator CHRIS EVANS**—And in all other percentages of care, only one parent would be entitled; is that right?

**Ms Winzar**—To parenting payment, yes. The other person would be on another income support payment usually, if they need it.

**Senator CHRIS EVANS**—By definition, if you have 50 per cent plus of care to be eligible, if you are not on a 50/50 arrangement then one of the partners is not eligible, all other criteria being met?

**Ms Winzar**—Yes. If you had a parent with 70 per cent of care and the other with 30 per cent, again, the one with the larger amount of care may be on parenting payment. The other one would not be.

**Senator CHRIS EVANS**—So the only time this is an issue as to, if you like, a contest for the more beneficial provision is when there is equally shared parenting?

**Ms Winzar**—In a broad sense that is true. The difficulty for us is whether or not the share of the care is exactly equal. So where it is day and day about or week and week about, and particularly when parents aggregate blocks of care throughout the year—for example, over school holidays—it can get quite complicated to calculate.

**Senator CHRIS EVANS**—I accept that. I am just trying to get the theory straight. The theory is that you only have a problem in terms of allocating or granting a parenting payment to more than one parent on occasions when they have 50/50 share?

**Ms Winzar**—Yes.

**Senator CHRIS EVANS**—I am not trying to put words in your mouth. Is that right, or is that not right?

**Ms Winzar**—It is most pronounced in that case, of course, because the inequity is clearer when they have exactly the same amount of care but they are getting a different rate of payment. Then again, around the 45/55 per cent share arrangement we still have those sorts of problems.

**Senator CHRIS EVANS**—I thought you said to me that unless they had 50 per cent of care they could not qualify anyway.

**Ms Winzar**—Certainly, but if I have 55 per cent care and I am getting parenting payment and my ex-partner has 45 per cent care and is on Newstart, there is still an issue about whether or not those parents are being treated equally, because there is not that much difference in their circumstances.

**Senator CHRIS EVANS**—There might be an issue, but there is not an issue for the department, is there?

**Ms Winzar**—No, not in that sense. But it can lead to some situations where parents may want to argue to increase their share of care just that little bit extra so that they can get the

parenting payment instead. There was a recent court case—you may have seen some of the press clippings on the weekend—where both parents had claimed parenting payment, even though one of the parents said that he did not really need it. They both felt that on equity grounds, because they shared care equally, they should be entitled to the same rate of payment. This initiative will certainly make sure that both parents, if they have got between 40 per cent and 60 per cent of care, are treated the same.

**Senator CHRIS EVANS**—I did not see that in the press. I am just trying to get very clear in my mind what the current interpretation is. I am not trying to argue a case. In your assessment, if they do not have 50 per cent of care they are not eligible for parenting allowance, are they? Is that not the bottom line?

**Ms Winzar**—That is right.

**Senator CHRIS EVANS**—Unless they have 50 per cent of care they are not eligible? What is the change under the proposed system?

**Ms Winzar**—Under the new arrangements what is proposed is that if parents have between 40 per cent and 60 per cent of care they will be on Newstart allowance, with a modified activity test that will recognise their caring responsibilities, and they will also get access to assistance through the JET program.

**Senator CHRIS EVANS**—Let me get this clear: there is still a parenting payment, but that is paid only to people who have 60 per cent-plus care?

**Ms Winzar**—That is correct.

**Senator CHRIS EVANS**—If you have 60 per cent-plus care you get the parenting payment, whereas before it was 50 per cent? If you have got the parenting payment, you still get access to the pensioner concession card and JET?

**Ms Winzar**—That is correct.

**Senator CHRIS EVANS**—And you still have no requirement to meet the activity tests?

**Ms Winzar**—That is correct.

**Senator CHRIS EVANS**—Under the modified arrangements, what payment is this new group receiving and how are they being classified?

**Ms Winzar**—People who have between 40 per cent and 60 per cent care will be on Newstart, as I said, with a modified activity test.

**Senator CHRIS EVANS**—What do we call them?

**Ms Winzar**—We will call them 'Newstart recipients'.

**Senator CHRIS EVANS**—But they are Newstart recipients with a different set of entitlements from other Newstart recipients?

**Ms Winzar**—They have the same entitlements, except that they will get access to the JET program, which is normally not available to Newstart customers. That is normally available only to parenting payment recipients.

**Senator CHRIS EVANS**—What distinguishes these Newstart recipients who have between 40 per cent and 60 per cent care responsibility for children, other than their ability to participate in the JET scheme?

**Ms Winzar**—They will also have a modified activity test, which means that they will not be subject to the same stringent requirements for looking for work that other Newstart customers have. The arrangements that we will put in place are being considered at the

moment. We want to make sure that we explicitly recognise the caring responsibility of those customers and how that might influence their capacity to take up part-time or full-time work.

**Senator CHRIS EVANS**—So you have not yet drawn up that modified activity test?

**Ms Winzar**—No, we have not. We are consulting with customers who are sharing care and who are currently on unemployment payments to see what their expectations are at the moment. For example, although we would not require customers to put their kids into child care to take up work, it may be that some of them would be happy to do that. It may be that some of them would be happy to modify their care arrangements if employment opportunities come up. Because we do not know those things yet, we are going out to talk to them to find out what their aspirations are.

**Senator CHRIS EVANS**—But you have got until January 2001?

**Ms Winzar**—That is right.

**Senator Newman**—The modified activity test is pretty similar to what happens with some young people on youth allowance. They may have an agreement that they have so much part-time work and so much study time or they have so much study time and so much time looking for so many jobs. It is melded together by agreement as to what is the appropriate mixture of activities for their special personal circumstances. That is the sort of thing that I imagine we will take account of here—how many children you are caring for, the opportunity for part-time work, full-time work or child care.

**Senator CHRIS EVANS**—But all of this work is yet to be done, isn't it?

**Senator Newman**—Yes, but it will be able to be tailored to the individual circumstances of that family. We are trying to be very flexible and make it possible for parents to opt for sharing care. Nobody is making them share care. Essentially, it becomes a voluntary exercise. It is consistent with reforms that came into place in the Family Court in 1996 whereby the court is trying to encourage people to take on joint responsibility of their children post their separation. For kids it is much better if they can have a meaningful and realistic ongoing relationship with both parents. This is to help make sure that the social security system does not intrude on that and allows it to happen more easily, if parents are choosing to go for that route of shared care.

**Senator CHRIS EVANS**—Do you not have an acronym yet for this group?

**Senator Newman**—It is just Newstart.

**Senator CHRIS EVANS**—You have not sorted one out?

**Senator Newman**—Not yet, no.

**Senator CHRIS EVANS**—I am sure by the next time we meet we will have something. We keep referring to them as 'Newstart parents', do we? Why won't this start until January 2001?

**Ms Winzar**—That is a good question. I do not know the answer to that off the top of my head. There are some systems changes and training associated with this measure which would have to take place in Centrelink. The year 2001 is not really all that far away.

**Senator CHRIS EVANS**—That is an 18-month lead time, which is a long time. However, one could argue for Centrelink to be given a bit more lead time in dealing with some of these measures so that we do not run into the sorts of problems that we have had.

**Senator Newman**—We have a whole lot of things coming on board on the way. We have the Y2K and the family tax and family assistance office measures. I would think in that 12

months that we are talking about, from January to January, the portfolio will be very heavily engaged.

**Senator CHRIS EVANS**—Is that the reason?

**Senator Newman**—I do not know.

**Ms Winzar**—There are some legislative changes to be made, too. We need to allow a reasonable window for that to occur.

**Senator CHRIS EVANS**—You have given me the impact on the individual. Can someone take me through the impact on the department's budget?

**Ms Winzar**—About 3,000 fewer people are expected to take up parenting payment once this measure comes in. About 2,700 of those will move across to Newstart as their new payment. There are 300 or so who will not take up Newstart because the difference in the income tests between the parenting payment and Newstart means that they would not be qualified for Newstart itself.

**Senator CHRIS EVANS**—What will happen to that group?

**Ms Winzar**—They are people with income above the Newstart cut-off points but who would at the moment qualify for a small amount of parenting payment. They are in reasonably substantial employment as it is.

**Senator CHRIS EVANS**—So these are people who are in employment who are getting some assistance through the family payment but will lose their entitlement?

**Ms Winzar**—That is right.

**Senator CHRIS EVANS**—But they are not unemployed?

**Ms Winzar**—That is right. In addition to those customers who will swap payment types, there are currently about 5,300 customers on Newstart with children who will be able to access JET once these new measures come in.

**Senator CHRIS EVANS**—Take me through what this means for the budget?

**Ms Winzar**—In terms of the financial impacts, there are some savings of about \$1.2 million in the first year, moving up to about \$5.5 million in the third year out—that is, 2002-03. In relation to the departmental costs, the \$4.5 million in the first year includes, as I mentioned, the training costs, some systems costs for Centrelink, and some extra money for JET advisers in Centrelink. There will be about another 15 JET advisers in place to handle this group. In subsequent years, the running costs for departmental items drop away a little—\$2.8 million and then \$3.3 million in 2002-2003.

**Senator CHRIS EVANS**—So in the first year it is going to cost you \$4.5 million to save \$1.2 million?

**Ms Winzar**—That is right.

**Senator Newman**—One of the outcomes—I do not know whether you registered it as one of the best things the Labor government did—was to introduce JET. It does mean that you have very personalised service for people who need help. They are on their own usually and they may have been out of the work force for a bit having babies and they need assistance to get back into the work force. They have lost their confidence. JET advisers are invaluable in all that and in locating both training and child care for them. It is an intensive thing from the point of view of staffing.

**Senator CHRIS EVANS**—I know what JET is.

**Senator Newman**—I was just saying that that is why the costs are there.

**Senator CHRIS EVANS**—You can choose to expand JET, though, without this measure.

**Senator Newman**—We are expanding the eligibility for JET for a particular group of people who would not have been eligible in the past.

**Senator CHRIS EVANS**—Forgive me if I am wrong, but you could keep them on parenting payments and still make them eligible for JET, couldn't you?

**Senator Newman**—They are, but the other half of this equation, who are spending about half of their time raising Australia's kids, are not eligible for JET.

**Senator CHRIS EVANS**—But you could make them eligible for JET, couldn't you?

**Senator Newman**—You could, but under the current arrangements—

**Senator CHRIS EVANS**—All I am saying is that the two are not linked. You have linked them in this measure, but they are not inextricably linked, are they?

**Senator Newman**—Yes, they are in a sense. If you have somebody who is currently on Newstart and having to look for, say, eight jobs a fortnight or whatever, it is a pretty intensive activity test and there is not a great deal of opportunity for JET to be introduced into that scenario. But if they are on half time raising of children and have a lesser activity test, they are able to take advantage of the help that JET can provide. I think it is a different scenario for them.

**Senator CHRIS EVANS**—I do not see why taking \$15 off them is necessary to any of that happening, though. Do you see what I mean? I am not necessarily criticising the measure, but it just seems to me you have done them as part of one measure. That is your choice, but I do not see how they are necessarily linked. You can widen eligibility for JET—offer JET to a whole range of other people—if that is your policy.

**Senator Newman**—But you have to be free to take up the opportunity.

**Senator CHRIS EVANS**—Then you can also change the activity test in whatever way you choose to allow that to occur. I do not quite understand the link.

**Senator Newman**—All that you are saying there is that you like the current arrangement where one is treated differently from the other.

**Senator CHRIS EVANS**—I am trying to understand the link, that is all. What I asked when you then decided to join the conversation was why we were spending \$4.5 million to save \$1.2 million in the first year.

**Ms Winzar**—Perhaps I should point out that in year 1, existing customers on parenting payment will be grandfathered, which is in part the reason why the savings in the administered items of minus \$1.228 million are lower in that year than they are in the subsequent years.

**Senator CHRIS EVANS**—I see. They are grandfathered for how long?

**Ms Winzar**—Until they go off payment.

**Senator CHRIS EVANS**—So everybody who is on parenting payment at that time will stay on it until they go off?

**Ms Winzar**—That is right.

**Senator CHRIS EVANS**—So the grandfathering is about \$3 million worth a year, is it?

**Ms Winzar**—I have just had it pointed out to me that that first year from January to July is only a half year effect.

**Senator CHRIS EVANS**—Of course.

**Ms Winzar**—So perhaps it is \$1.5 million difference.

**Senator CHRIS EVANS**—Perhaps you could take on notice the cost of the grandfathering clause in the first year and estimates for out years. As you say, that is a bit confusing because it is only for six months. The ongoing expense to the department is the expense of the JET initiative, is it? Is that the majority of the ongoing expense?

**Ms Winzar**—In the out years in terms of the departmental cost?

**Senator CHRIS EVANS**—Yes.

**Ms Winzar**—Yes, it is the additional JET advisers. It would include some overall maintenance costs for the computer system and so on.

**Senator CHRIS EVANS**—But the bulk of it is the JET measure—allowing access to JET?

**Ms Winzar**—The bulk of that cost would be JET, yes.

**Senator CHRIS EVANS**—Could you take that on notice and just give me the breakdown of that?

**Ms Winzar**—Yes.

**CHAIR**—Next page.

**Senator GIBBS**—Could I just ask a few quick questions on youth homelessness?

**CHAIR**—Which page?

**Senator GIBBS**—Sorry, 109, the next page. I do not quite understand these figures. When will this program be implemented? Is this to start immediately or next year?

**Ms McKay**—This program will start from 1 July this year.

**Senator GIBBS**—Last year?

**Ms McKay**—This year.

**Senator GIBBS**—Good. It says here that, once it is fully operational, it will consist of approximately 100 services. I take it that is around Australia. That is an increase on the services we already have, I assume, that are looking after these people. How will they be placed? Will it be areas of most need, just in cities, or where? How will you work out where you will put the 100 centres when they finally eventuate?

**Ms McKay**—I will ask Jenny Bourne to answer that question. That is quite an elaborate process that is being gone through, a planning process, in order to place them.

**Ms Bourne**—We are consulting with the state and territory governments on those communities that have the highest need for these sorts of services. The prevention and early intervention side of it focuses on those young people who are at risk of homelessness. So they could still be at home or in the very early stages of home leaving—so within the first couple of weeks perhaps after they have left home. The program will also help young people who have perhaps drifted from the country to the cities to reconnect with their family. Even if they cannot live there, it will ensure that they can still function as a family unit and there can be support and other things like that.

**Senator GIBBS**—I know it is a problem with young people in the country if they do need to get out of home for whatever reason or all of the related problems. They do tend to go into the cities, don't they, because they really cannot stay in the country areas? Would you have more problems with those sort of young people—with the homelessness—being so isolated?

Obviously, they are trying to get away from their family but also leave the people they know and friends and come to the city where they have nobody except other kids on the streets whom I suppose they soon become friends with? Is that more of a problem?

**Ms McKay**—There are already a number of services that are provided in country areas. This program essentially builds on the youth homelessness pilots that were funded under the auspices of the Prime Minister's youth homelessness task force. A number of those pilots were located in country areas and there were a number of them also located in city areas, and obviously there was no restriction on access of kids from the country coming to city services. But those services were provided in both country and city areas.

**Senator GIBBS**—Thank you very much.

**CHAIR**—The next topic?

**Senator Newman**—Senator, if I can just tell you, I announced the first 30 communities today.

**Senator GIBBS**—The first 30?

**Senator Newman**—Yes.

**Senator GIBBS**—Whereabouts are they?

**Senator Newman**—I thought I had a piece of paper here with me that had them listed. I know Caloundra in Queensland was one of the four in Queensland.

**Senator GIBBS**—I have got it. Here we go.

**Senator Newman**—Ipswich, Gladstone, Gold Coast and Caloundra are the Queensland ones.

**Senator GIBBS**—My home town.

**Senator Newman**—There are 30 there. There will be 45 new ones announced later in the year and there will be another 25 next year. So that will bring us up to the 100.

**Senator GIBBS**—That is good. I am glad there is one in Ipswich. We have an awful lot of problems in that area.

**CHAIR**—Page 112?

**Senator CHRIS EVANS**—It is with some trepidation that I raise this question. I do not intend to have a taxation reform debate with you. So if you do not start, I will not start, so that the officers can all go home and see their families tonight. I did want to ask, without being provocative, what the status of this measure was, given the agreement with the Democrats to change the package. It is a straight factual question as to what the impact on the agreement with the Democrats is on this budget measure.

**Mr Tune**—These funds were announced in the context of the intergovernmental agreement. The announcement that was made last Friday is additional to that.

**Senator CHRIS EVANS**—So this measure reflects the state housing ministers' agreement with the federal housing minister; is that right?

**Mr Tune**—It was agreed within the wider context of the whole intergovernmental agreement on tax reform.

**Senator CHRIS EVANS**—What is the impact, then? You say that the agreement announced last Friday, if legislated, would add to these figures.

**Mr Tune**—The announcement made last Friday was that the Commonwealth would negotiate with the states to exclude the compensation package or quarantine it from the impact

on public housing rents. That process was only announced last Friday so we are just about to go through that process. It is a bit too early to tell where we are at on that second phase of it.

**Senator CHRIS EVANS**—I accept that you do not have the detail, but what in principle would that mean in terms of the funding?

**Senator Newman**—When pensioners get a pension rise, the states all come in and take their 25 per cent or whatever, so this is to try to prevent that happening.

**Senator CHRIS EVANS**—But no funds have been allocated for that at this time?

**Senator CHRIS EVANS**—You only did it for those in nursing homes; you did not do it for public housing?

**Mr Tune**—That is correct.

**Senator CHRIS EVANS**—I am just trying to conceptualise, Mr Tune, what that would mean in terms of Commonwealth outlays. Not the detail but conceptually, what does quarantining the public housing tenants from that impact mean? Does it mean that Commonwealth outlays to states would increase?

**Mr Tune**—No, not necessarily. At this stage, it is all subject to discussion with the states, so it is an open question at this point in time.

**Senator CHRIS EVANS**—Conceptually, what does it mean? What impact is there on Commonwealth revenue from that sort of agreement?

**Mr Tune**—On the face of it, none. It is a reduction in rent revenue for a state housing authority, if that occurs.

**Senator CHRIS EVANS**—So you are leaving the question of negotiations out of it, but the only direct impact prior to any political process is that the state housing commissions collect less revenue?

**Mr Tune**—Yes, that would be the impact of this. That is the first round effect.

**Senator CHRIS EVANS**—Thank you.

**Senator GIBBS**—This could be a typing error, but in the budget thing above, we have \$89.66 million. I take it that that is expenditure, and if we go over to page 64 there is a \$10 million discrepancy.

**Ms Paul**—It is a typo.

**Senator GIBBS**—I am glad about that.

**Ms Paul**—Fortunately, the totals earlier on at page 25 are also correct, so we know that 89 must be true.

**Senator GIBBS**—It is actually 89?

**Senator Newman**—It is.

**CHAIR**—The next page?

**Senator CHRIS EVANS**—Page 121. It was always anticipated, as I understand it, that the start of the new system would not be in until July 2000 in any event. Why is it expressed as a sort of supplementation for this coming financial year?

**Ms Raymond**—The reason to seek additional funding for this financial year was the result of a previous cabinet decision in the 1997 budget where it was proposed to pay all child care payments through Centrelink. That has not eventuated because of the deferral of that particular

decision, so we needed supplementation to continue paying HIC and Centrelink separately for the rebate and child-care assistance.

**Senator CHRIS EVANS**—So you say it was a 1997 budget decision?

**Ms Raymond**—I think it was 1997.

**Senator CHRIS EVANS**—But I thought that was contingent upon the move to the new—what do we call the allowance and the rebate being combined?

**Ms Raymond**—The child-care benefit. No, that decision was in relation to introducing a child-care card and payment in arrears.

**Senator CHRIS EVANS**—I see. So the move to—

**Ms Raymond**—To defer that decision?

**Senator CHRIS EVANS**—Yes, so there is no direct link with the legislative move to the benefit with this particular measure?

**Ms Raymond**—No.

**Senator CHRIS EVANS**—Thanks for that.

**CHAIR**—Turning to the next page, 127: gifting rules.

**Senator CHRIS EVANS**—What evidence underpinned this decision? I understand the effect of the decision. I was just trying to get an understanding of what caused the department to look at it and what evidence you are responding to in introducing the measure?

**Mr Mann**—In response to your question, the first thing is to look at the numbers who are affected by the measure, to give you an idea of the extent to which people do gift at the greater than \$5,000 level. The numbers affected in each year are 3,700. That actually grows each year by 3,700. That gives you an indication of the extent to which gifting is taking place at the moment.

**Senator CHRIS EVANS**—You are saying that 3,700 people are gifting at the moment or are gifting a certain amount?

**Mr Mann**—This is our estimate of the people who are gifting above \$5,000 a year. Perhaps a more direct answer to your question though is the extent to which gifting occurs. I guess a reason of concern for us is that financial advisers have been asked to develop plans to allow people to increase or maintain their pension. This has been a practice that had been growing for some years. Quite often a typical comment may be, 'If you can give away \$30,000 over 367 days and still maintain your pension, it will have no effect upon your pension.' That means that a person would, say, give \$10,000 the day before they claimed an age pension, they give another \$10,000 during the next year and they give another \$10,000 the day after the pension year is completed. That is not an uncommon practice and I guess it is one reason for looking at this area of gifting.

**Senator CHRIS EVANS**—Do you have any evidence of figures on that sort of activity, other than your broader figure that 3,700 is your estimate of those caught by a change in the limit?

**Mr Mann**—Certainly our observations and what we hear around the traps from financial advisers suggests that. Our data on the numbers who actually give between \$5,000 and \$10,000 is not very good. Therefore, we have relied upon the Department of Veterans' Affairs, whose data is rather better. They have numbers on people who give exactly \$10,000, including people who give exactly \$10,000 year after year. The latter group is quite small, but there is DVA

data showing that there are hundreds of people, which is quite a small population, of course, who do give at \$10,000 and particularly between \$5,000 and \$10,000 each year.

**Senator CHRIS EVANS**—But you do not have any hard information on who falls within the \$5,000 and \$10,000 cut-off in your data?

**Mr Mann**—No, not in our data, so for that group of \$5,000 to \$10,000 we have extrapolated from DVA data.

**Senator CHRIS EVANS**—What are you saying then? That you have done an estimate based on the DVA data?

**Mr Mann**—The two groups are fairly similar. The service pension and age pension groups have fairly similar characteristics, we have found in the past.

**Senator CHRIS EVANS**—Is that where you get that 3,700 figure from?

**Mr Mann**—No. Most of this is from our own data, because we know people who give in excess of \$10,000.

**Senator CHRIS EVANS**—Perhaps we should go back to the start. Can we just concentrate on your data and then I will get Senator Schacht to ask DVA themselves about their data. What you know from your data is that you have 3,700 people—is this an estimate or an actual figure?

**Mr Mann**—It is an estimate.

**Senator CHRIS EVANS**—Who are in receipt of pensions?

**Mr Mann**—Almost entirely pensions; mainly age pensions.

**Senator CHRIS EVANS**—Yes, and who gift more than \$5,000 per annum?

**Mr Mann**—Our data tells us only those who gift in excess of \$10,000. That is because the current rule is that you only—

**Senator CHRIS EVANS**—Sorry, could you say to me again, in your words, what your data tells you.

**Mr Mann**—Okay. We prepared the estimates on the basis of our data and Veterans' Affairs data. Just looking at our data, that tells us the numbers of people who have reported gifts in excess of \$10,000. That is what our data tells us.

**Senator CHRIS EVANS**—And what is that number?

**Mr Mann**—I do not have that here, all I have is the amalgam, but I have needed to get the Veterans' Affairs data to tell us about the people who gift between \$5,000 and \$10,000. Our estimate of the savings measure is a combination of those two sets.

**Senator CHRIS EVANS**—I am just trying to start with the primary source before we move on to the secondary source. Your data tells you a figure for those who gift more than \$10,000 a year and who are on age pensions?

**Mr Mann**—Yes.

**Senator CHRIS EVANS**—But you cannot tell me that today?

**Mr Mann**—No, I cannot, because my data combines the two sets, combines the—

**Senator CHRIS EVANS**—Your data—

**Mr Mann**—Just so I can explain, we are not trying to estimate here the numbers of veterans who are affected by this data; this is an estimate of our pensioners.

**Senator CHRIS EVANS**—That is what I am trying to get from you.

**Mr Mann**—That is right. In terms of our pensioners, we think that approximately 3,700 will be affected by this measure. That builds each year. So for the first year, it is 3,700 and we assume it accumulates over five years.

**Senator CHRIS EVANS**—I appreciate that and then we went on to discuss the basis for that data. Then you started telling me that it was Department of Veterans' Affairs data. So I wanted to be very clear what it is that you know from your data as the starting point.

**Mr Mann**—Yes, sure.

**Senator CHRIS EVANS**—You do not seem to be able to tell me what you know from your data but you will take that on notice; is that right?

**Mr Mann**—I shall. So will I go through that again as to why we need to rely to some extent on Veterans' Affairs to—

**Senator CHRIS EVANS**—No, I am happy to go to that as a second step. I just want to get it clear what we know from FACS data. Because your limit is currently \$10,000, what we know from FACS data is that you are able to identify those who gift above that amount.

**Mr Mann**—That is correct.

**Senator CHRIS EVANS**—So you have then gone to DVA and done some extrapolations from their data. Why do they have better data than you?

**Mr Mann**—Because they have kept better records. Their rules are the same as ours but they have kept records that allow them to have a reasonable estimate of people who actually gift less than \$10,000.

**Senator CHRIS EVANS**—And this figure of 3,700 is an extrapolation from what they know about who gifts between \$5,000 and \$10,000, in their experience, applied to your database; is that right?

**Mr Mann**—Yes.

**Senator CHRIS EVANS**—And so you, therefore, have done an estimate of 3,700 people a year. Is that individuals or family units?

**Mr Mann**—It would be pensioners. That is right, it is the number of pensioners who are affected by this. In some cases, they will be a couple, but the estimates are based on the numbers of individuals, 3,700.

**Senator CHRIS EVANS**—Sorry, what are the figures? Those who you estimate are affected by this measure? What does that mean? Who will continue to gift, or who would have gifted, to put it inelegantly?

**Mr Mann**—It could be either. It will be those who will lose some pension. There are two groups there, I guess. There are some who will continue the practice and, therefore, through the gifting rule with deprivation, we will reduce their pension, or they will not give away as much. Therefore, they will have more money in their bank account, let us say, which we will deem. So there is a combination there—

**Senator CHRIS EVANS**—You get them either way, you are telling me.

**Mr Mann**—What is that?

**Senator CHRIS EVANS**—You get them either way.

**Mr Mann**—We get them either way. That is right.

**Senator CHRIS EVANS**—So if they do not gift, you get them under the assets test and if they do gift—

**Mr Mann**—That is the test. Most of it will be deeming, because most of these people will not be tested under the assets test. Some will be.

**Senator CHRIS EVANS**—So the 3,700 is your calculation of those who will be caught by deeming, who would otherwise have given the money away? Just describe to me in your own words how you describe this 3,700. How are they affected?

**Mr Mann**—Let us take the two possibilities I mentioned. Let us say that the change in the rule does not change their behaviour at all. In that case, they still give the same gift. Therefore, we would hold against them the extra \$5,000. That would be deemed. Therefore, the income we impute against them increases. Therefore, they get less pension. So that is probably the predominant way. Another factor, though, would be if as a consequence of the changed rules they do change their behaviour; therefore they give away less and therefore they retain more moneys in their investments.

**Senator CHRIS EVANS**—Wouldn't you have got them under the deeming provision currently, anyway?

**Mr Mann**—We are assuming that these people would have given it away.

**Senator CHRIS EVANS**—Right.

**Mr Mann**—Under the original assumption that they give the money away, as a consequence of the change in rules, two things can happen: one, they continue with that practice or, secondly, they change their behaviour.

**Senator CHRIS EVANS**—So you assume that they have got \$5,000 more in their accounts and they, therefore, get deemed on that extra \$5,000?

**Mr Mann**—Something like that, yes.

**Senator CHRIS EVANS**—The budget figure is a combination of what you think you will get from the deeming and what you will save on pensions?

**Mr Mann**—It is pension savings. That is what the estimate is.

**Senator CHRIS EVANS**—It ends up being the same thing?

**Mr Mann**—Yes.

**Senator CHRIS EVANS**—Have you got a breakdown of those figures as to how much you expect to get from either method?

**Mr Mann**—No, I do not.

**Senator CHRIS EVANS**—Can you give us any rough calculation that you have done?

**Mr Mann**—I could find that out for you, yes.

**Senator CHRIS EVANS**—Perhaps you could take that on notice.

**Mr Mann**—Yes.

**Senator CHRIS EVANS**—I suppose this is all very much based on an anticipation of behaviour, isn't it?

**Mr Mann**—Yes, it has to be.

**Senator CHRIS EVANS**—What was the basis for your calculations there?

**Mr Mann**—Fundamentally, we are extrapolating from the past. We are saying, 'In the past, these number of people have given gifts.' So we are assuming that as a starting point. Then we overlay across that the changed rules and make assumptions about what will be the response to that.

**Senator CHRIS EVANS**—Can someone take me through the financial impact here, then? Do I take it that it is a cost, again, in the first year?

**Mr Mann**—A cost in the first year, yes. There are some savings against the administered items, that is the pensions—there are some savings of three-quarters of a million—but there are start-up costs, especially with Centrelink, in the first year, which more than offset the savings. Thereafter we have savings that grow on the program side.

**Senator CHRIS EVANS**—It is quite a large growth in savings in the fourth year. You say over \$4 million. Why?

**Mr Mann**—Remember, we hold the \$5,000 for five years. So the first cohort goes through; we have one year's saving. That group keeps going. That stays for five years. The second year we put in another group, another 3,700. So we double it. The third year, you have got another cohort; the fourth year, another cohort; the fifth year, another cohort; the sixth year, the first cohort drops off.

**Senator CHRIS EVANS**—Why is the cohort increasing each year?

**Mr Mann**—Because each year there are some 3,700 extra people who are affected by the measure. Once they are affected, we retain that \$5,000 figure, let us say.

**Senator CHRIS EVANS**—Why wouldn't it be a smaller amount, though, each year? Have you got a large cohort now and people will just be adding to that cohort?

**Mr Mann**—The same 3,700 would be maintained for five years. Some may lose pensions, some may die and so on but, approximately, that is what happens. In the second year, a new group, another 3,700, arrive.

**Senator CHRIS EVANS**—Why? Who are they?

**Mr Mann**—These are additional pensioners who, in the second year, have given money away.

**Senator CHRIS EVANS**—Why did they give money away the first year?

**Senator Newman**—They might not have been pensioners.

**Mr Mann**—They may not have been pensioners.

**Senator CHRIS EVANS**—That was my thinking. But that, I would have thought, was a much smaller group than what we were starting with. That is why I cannot understand the same number each year adding to it.

**Mr Mann**—Most of them would be already pensioners. But, as you know, people will give away money from year to year.

**Senator CHRIS EVANS**—I guess I am trying to understand why the cohort, if it was 3,700 in one year, increases by that number again every other year when we are dealing with a fairly stable population.

**Mr Mann**—Sorry, it is just another 3,700. Our history tells us that this is roughly the number who currently give this away now. Each year this happens—each year, now, currently. So we are just saying: project that forward. The same pattern is recurring. Of course, once you hold a person's \$5,000 in year one, you retain that for five years for that first cohort. The next year you have another group of people—in fact, they may be the same people—who have given away more money in the next year. And that builds up for five years until, at the end of five years, you no longer hold the asset against them; it is then forgotten. So the savings would plateau after five years.

**Senator CHRIS EVANS**—I think I will have to look at the *Hansard* to follow that. I am sure you explained it fine.

**Mr Mann**—I would be happy to draw you a diagram or something.

**Senator WEST**—I am like Senator Evans here. My synapses are not quite happening on this. How many new people come onto benefits each year?

**Mr Mann**—That is a very hard question. I would have to take that on notice. Probably hundreds of thousands. It is a very big figure.

**Senator Newman**—You mean onto pensions, don't you?

**Senator WEST**—Yes, that are going to be affected by this measure.

**Senator Newman**—We have a growing aged population and a growing number of age pensioners. I do not know what the number is, but inevitably we are getting more each year.

**Senator WEST**—Yes, I know that, Minister. But I am struggling with the same number of problems as Senator Evans was struggling with, and maybe if I knew that number as well it would help. But I am happy for it to go on notice, because obviously you are going to put the other stuff on notice, too, so we will probably have to have a revisit of this.

**Mr Mann**—So that is the numbers each year?

**Senator WEST**—Yes. I would have thought that would have had some impact on your estimation of the numbers that were going to be affected by this measure.

**Mr Mann**—This is a very small group.

**Senator WEST**—I know it is a very small group, but I am just wondering whether that is actually going to have some impact upon the numbers that are affected by this measure; that if the number coming onto pensions each year is rising, is this measure—because you have just given the same figure for five years—going to be affected?

**Mr Mann**—We could have increased it by one per cent or two per cent per year. We have not. There is an underlying growth in the number of age pensioners and even more so in disability pensions.

**Senator WEST**—Therefore, isn't there going to be an underlying growth in people—

**Mr Mann**—Age pensioners, which is the predominant—

**Senator CHRIS EVANS**—Let me clarify it for you. Are you saying that in the fifth year it will be 3,700 groups of five, therefore, 17,000 or 18,000 people?

**Mr Mann**—Yes.

**Mr Wight**—Yes.

**Senator CHRIS EVANS**—That is what I thought you were saying. That is what I cannot understand: why, in the first year, it is 3,700 and, in the fifth year, it is 18,000.

**Senator Newman**—You see, there may well be people who have not been gifting at all for a while, but as they are getting older and they can see that they are not going to live forever, they are more ready to give some of it away to those near and dear to them, and they might come on in each of those successive years.

**Senator CHRIS EVANS**—Not once they read about this measure.

**Senator WEST**—Is that the normal gifting pattern anyway? The few constituents I have had who have talked about it have tended to be the ones just going on, wanting to maximise their—

**Senator Newman**—I would think that, with human nature, you would probably have both. Some have a lot and do not want to miss out on their pension entitlements—and they are doing that from the beginning perhaps—but they have got quite a lot of assets; and others, who have not had so much, are prepared to whittle them down as they get older.

**Senator WEST**—Do you have any profile of what this group of people are like, or are you just making an assumption?

**Mr Mann**—We could certainly profile them. I do not have it here, but we could certainly identify from the last year or two's data the characteristics of these people who gift, yes.

**Senator WEST**—I will leave it on notice. I do not want to revisit what Senator Evans has already covered.

**CHAIR**—Next page, page 129.

**Senator GIBBS**—With this debt recovery, I see on page 129 we have the total here of \$1.275 million. So I take it that, with this program, it is actually costing us this much for next year, 1999-2000, and then we start making all of these savings; is that right?

**Mr Leeper**—Yes. The costs in 1999-2000 are running costs associated with the work required to undertake the rewrite of the Social Security Act to give effect to this measure. The savings, in effect, start to accrue from 1 July 2000, when the project becomes operational from a customer point of view.

**Senator GIBBS**—So apart from the issue that it is going to cost us, in that three-year period we are going to have a saving here of \$28.638 million. That is a lot of money, isn't it?

**Mr Leeper**—Yes.

**Senator GIBBS**—Does this mean that smaller amounts of debts accrued by individuals will be pursued, or does this mean that everybody who we find is overpaid or owes is going to be pursued? What I am trying to say is: will everybody be pursued because of this wonderful saving, or is there a cut-off? If somebody owes you \$50 or \$100, do you think, 'We won't worry about that because the administration costs would be too much,' or do you actually pursue every person?

**Mr Leeper**—The savings arise principally from a large number of very small debts. The average debt is about a fortnight's entitlement.

**Senator GIBBS**—How much would that be?

**Mr Leeper**—For a pensioner couple that might be around \$300. For a family allowance recipient that might be around \$100. The intention of the policy decision is to make those debts recoverable and to amend the act to make it clear that those debts are recoverable; whereas at the present time, particularly for smaller amounts of money, even though the person remains a customer, the debt may be finalised with no further action taken in relation to recovery.

The other part of your question relates, I think, to waiver. Where a person ceases to be a social security customer and they have an outstanding debt, there are established guidelines for waiving those debts. My understanding is that up to \$50 can be waived without any issue, and between \$50 and \$200 can be waived where a decision is made that it is not justifiable to pursue it. So that is one category, which is waiver. This is really about better recovery of debts that arise for people who remain customers.

**Senator GIBBS**—So we are going to recover everything from now on?

**Mr Leeper**—In effect, yes.

**Senator GIBBS**—That is basically what I wanted to know. If I owe you 5c, you are going to get it off me.

**CHAIR**—Next page.

**Senator WEST**—With strengthening debt recovery—and this might have been best to be asked with Centrelink; I am not sure—I have a concern that the figures we see about debt recovery may well contain debts that have been recovered from people whose overpayment is absolutely no fault of their own. Can you assure me, Minister, that within the debt recovery figures that we see published there are no figures that amount to amounts of money that are being recovered from individuals who have received an overpayment through no fault of their own—therefore, a problem within Centrelink or within the department? Maybe that needs to go on notice. I am not sure.

**Mr Pacey**—In the past, we have had discussions around this topic. If it is clear that there has been a mistake made—for example, on the rare occasions when there may be computer problems and we have paid people incorrectly—we have given an undertaking at that time that we would exclude any such figures from the report. In general, the figures that we would report for debts are those debts that have been incurred by errors, mistakes or misunderstandings on behalf of the customer or between the customer and the department. If it is clear that there has been an error made on behalf of the department, we remove the figures. But in respect of the others, for example, perhaps misunderstandings because they did not understand their obligations, clearly that money is still owed and the debt would be recovered and reported on.

**Senator WEST**—Where would we find figures that would indicate the number of overpayments brought about by mistakes on Centrelink's part?

**Mr Pacey**—I think we would have to define what you meant by 'mistakes on Centrelink's part'. Certainly, we will take that on notice.

**Senator WEST**—In relation to that group not included on the public notification of debt recovery, I want to know whether, because it was not their mistake, under the law they are still required to pay back the money? I want to know the amounts of money that they are being required to pay back and I want to know the numbers. Certainly, I would like the figure for this year so that I can get a handle on where we are going and what is happening in relation to that.

**Mr Pacey**—Certainly, we can give you that.

**CHAIR**—Next page, 130.

**Senator WEST**—All of this is within the guidelines of the Privacy Commissioner, is it?

**Mr Leeper**—On the range of compliance measures that are in the budget itself?

**Senator WEST**—Page 130.

**Mr Leeper**—Yes, consultation occurs with the Privacy Commissioner to make sure that that person is satisfied that these measures can be pursued.

**Senator WEST**—What about the next one, which relates to the stock exchange clearing house. How does that go with respect to privacy?

**Mr Leeper**—My understanding is that the department and Centrelink consult the Privacy Commissioner on a range of measures. If you want me to confirm particular ones, I will do that, but my understanding is that we consult on all of them to make sure that we have the ability to pursue the course of action proposed.

**Senator GIBBS**—Page 133: apparently we are making savings of \$0.9 million and \$0.2 million in the next two financial years. How are these savings calculated? Are they an estimate of potential savings minus set-up costs?

**Mr Leeper**—The savings in this measure are based on it being a pilot activity. It is expected that around 500 reviews will be undertaken and that those reviews will result in 36 cancellations of payments. The savings are quite modest. It is not being proposed as an ongoing program. It is really a pilot to test whether this is a feasible way of proceeding rather than asking the government to commit funds into the out years. We are testing it firstly to see whether it is effective.

**Senator WEST**—Page 134: can you explain to me what area we are dealing with here in relation to improved rent assistance compliance?

**Mr Ogborn**—You asked what area we are dealing with?

**Senator WEST**—We are dealing with rent assistance compliance, which is on page 134.

**Mr Ogborn**—Yes.

**Senator WEST**—What does this improve and how does it change the verification procedures?

**Mr Ogborn**—They will be changed in two main ways. The first is where people are renting informally they will be issued with a rent certificate, which is basically a form on which the details of their rent will be filled in. They will then be subject to a six-monthly review. Their rent will be checked every six months. After two years, people who have not yet got into the system will be sent a review form. Basically, there is not frequent but six-monthly checking of rent entitlements.

**Senator WEST**—What constitutes an informal rent situation?

**Mr Ogborn**—Basically, it is where there is not a formal lease. It is where people are renting from family, friends or are subtenants in a group house—that sort of situation.

**Senator WEST**—What about those people in boarding houses or lodging houses who are on basically a week-to-week situation?

**Mr Ogborn**—There are a number of groups that lie in the middle of that. People in emergency accommodation are another group. We are looking pretty closely at how we will deal with those groups. It is recognised as an issue.

**Senator WEST**—I do not know whether you have been around long enough to hear my views about people on rent assistance living in those rotten and horrible places in inner-metropolitan areas. Would they be classified as informal rental situations? They do not have a lease. It is a week-by-week, almost a day-by-day existence.

**Mr Ogborn**—As I said, this is one of the grey areas. Having been around a while, the last thing we want is a problem with the boarding houses. We do see it as an issue.

**Senator WEST**—We are about to put them back onto full rent assistance, aren't we?

**Mr Ogborn**—Yes.

**Senator WEST**—I would hate to see them hassled some more. Having to get the landlord's signature on occasions places greater stress and pressure on them. Some landlords are pretty nasty pieces of work.

**Mr Ogborn**—These are people in boarding houses?

**Senator WEST**—Yes, those revolting places. Will this require a legislative change?

**Mr Ogborn**—No.

**Senator WEST**—Does it require any regulation?

**Mr Ogborn**—No, it does not. We are conscious of all of the potential problems you are raising with respect to boarding houses. They are potential problems that we do not want to have. We will be looking at it very closely to make sure that we do not get a counterproductive result from this.

**Senator WEST**—I would like to know what you are going to end up doing and what the outcome will be for this group of people, because they are very much a marginalised group of people. They are often a group of people who have, say, a psychiatric illness or a disability. Will this measure be placing it beyond their capability to cope with that?

**Mr Ogborn**—Again, that is certainly not our intention. We are conscious of the issues that you are raising. It is something that we will be working on over the next few months.

**Senator WEST**—If there is some information that you can give me on notice, I will be happy to receive that. I will flag my interest at supplementaries. I want to know what you are doing with it and how it will work. As you well know, I have an interest in that particular group of people. I turn to page 136, data matching. Does this mean that we are going to have a national births and deaths register?

**Mr Pacey**—There is not one at present. The registries are all held separately by the states.

**Senator WEST**—I know.

**Mr Pacey**—We are negotiating with the states in a similar fashion to what we did in a previous initiative with respect to the deaths information.

**Senator WEST**—As someone who does family history, I find it a jolly nuisance that records are held in each state. You are negotiating at this stage?

**Mr Pacey**—We are doing a feasibility study. We are aware that different states have records which are computerised. It would appear that we can get records from each state, but we need to do the feasibility study to check the integrity of the records and the value of such matching.

**Senator WEST**—Do you mean you might find that there are babies that have been born that have not been registered?

**Senator Newman**—You will remember that last year we had a lady claiming for four babies that had never been born. This would have dealt with that more quickly perhaps.

**Senator CHRIS EVANS**—I want to ask about electronic service delivery, which is on page 142. Can the officers give us a bit more of an explanation of the budget papers and about what this actually means?

**Mr Leeper**—The measure is designed to provide funds through the department to Centrelink to allow it to trial automation technology. If you imagine in relation to call centres, sometimes you ring them up and you talk to people. Other times, for example, when you do your banking, you can ring up and, if you have a PIN number, you can actually do a lot of your banking on the phone without talking to anybody. The intention is to provide a trial facility by the end of this year which allows those customers who choose to take this up to do things such as inquire against Centrelink's mainframe computer about the amount of their last payments—just simple transactions that they can do for themselves.

There are a surprising number of phone calls, I am advised, to Centrelink that really are just, 'Is my money in the bank yet?' and, 'How much is my payment going to be this week or this fortnight?' So the intention is to provide a computer based facility that allows people to access

their own records. There is a requirement, of course, to have a PIN number, because otherwise Centrelink is not able to assure itself that the people calling are the ones who have the right to access a particular record and obtain that information.

**Senator CHRIS EVANS**—You mentioned a couple of examples. First of all, was, ‘Has the money gone into my bank account?’ I suspect you would ring the bank.

**Mr Leeper**—No, they do not. They ring Centrelink.

**Senator CHRIS EVANS**—But to get the answer to that question, I am not sure that Centrelink would give them the answer, would they?

**Mr Leeper**—Centrelink knows every morning which payments have made it to the financial institutions. If, for some reason, the banks have not paid, I think by 8.35, Centrelink can generally tell anybody that bank XYZ has not made its payments this morning, because the customers call Centrelink to find out where the payment has gone.

**Senator CHRIS EVANS**—I guess I was just using that to try to get a feel more specifically about what sort of information they would get from Centrelink in an automatic process.

**Mr Leeper**—My understanding is it is essentially inquiry based at this stage. There are obviously some issues that the department and Centrelink would need to talk about if we were providing access for a person to update their records over the phone. There are some issues that we need to look at in terms of the risk for that and how appropriate it was from a business point of view. So it is mainly inquiry functions. I think asking about the amount of the payment and whether it is been processed yet is probably the major one.

**Senator CHRIS EVANS**—The money allocated in the budget is mainly funds for the trial, is it?

**Mr Leeper**—Yes, that is right.

**Senator CHRIS EVANS**—What will that be used in? Developing the systems?

**Mr Leeper**—Without being too technical, at the moment when you call a call centre, you talk to a person who interrogates the mainframe computer while they hold your call on the line. This change means you have to put another piece of software in the middle around the mainframe computer that allows the phone system to make the inquiry that otherwise a customer service officer would make.

**Senator WEST**—You have it on file, haven’t you?

**Mr Leeper**—Yes, there are security issues that need to be looked at.

**Senator CHRIS EVANS**—You hope one day not to have anybody working at Centrelink?

**Mr Leeper**—No. There is nothing in here that swaps staff for this. This is additional functionality.

**Senator GIBBS**—This is going to be a telephone voice saying something like, ‘Your payment due on such and such was paid in today or paid in on such and such a date’?

**Mr Leeper**—Yes.

**Senator GIBBS**—Just like you talk to your bank account. Are you also going to have an area there where, if they do need to talk to a real person, they can press 1?

**Mr Leeper**—That is a design issue, but I am sure Centrelink would provide that facility, yes. In any other model that I have ever used myself, it has always been if you get stuck you can hit this button and you will be put through to a customer service person. I imagine that would be the case here as well.

**Senator WEST**—Some of those ones are very slow in telling you the number to get a real, live person.

**Senator GIBBS**—I think they are pretty fast.

**Mr Leeper**—I can take your question to the design centre, Senator, if you wish.

**CHAIR**—If there are no further questions, we will move to outcome 1.

[3.37 p.m.]

### **Outcome 1—Stronger families**

#### **Output Group 1.1—Family assistance**

**Senator GIBBS**—On page 32 we have this ‘revenue from other sources’. It goes from \$417,000 to \$1.147 million. Where does the revenue from other sources come? I could not match it up with anything else in here. It is in table 2.1.2 (A).

**CHAIR**—On page 32.

**Mr McWilliam**—It is essentially the increased revenues which we will get from interest as a result of devolved banking.

**Senator GIBBS**—Interest?

**Mr McWilliam**—That is right. As we move to devolved banking arrangements, which I described earlier today, under the section 31 arrangements we will receive some interest on the amounts held in the devolved banking arrangements. So we will get that interest, and that is the reason for the increase.

**Senator GIBBS**—I see. If you had put ‘interest’, I would know. Thank you. I have a question on page 36.

**CHAIR**—That is 1.1.

**Senator GIBBS**—It is only a small question. If we are in family support services, if you go down to the second last paragraph, it says:

Three million dollars has been provided to eleven Aboriginal and Islander Child Care Agencies that manage fostering, adoption and other family welfare services. . .

Are these agencies already existing or are they new?

**Ms Hambling**—The Aboriginal and Islander child-care agencies have been in existence for quite a long time.

**Senator GIBBS**—So this is not to set up new agencies?

**Ms Hambling**—No.

**Senator GIBBS**—Where are they situated?

**Ms Hambling**—They are in all states.

**Senator GIBBS**—So the \$3 million is for all the states? Okay.

**CHAIR**—Are there any more questions in group 1.1?

**Senator GIBBS**—I do not think so. No, I haven’t.

**CHAIR**—That is effectively up to page 43.

[3.42 p.m.]

**Output Group 1.2—Youth and student support**

**Senator GIBBS**—I have nothing.

**CHAIR**—Let us move to group 1.3.

[3.43 p.m.]

**Output Group 1.3—Child support**

**Senator GIBBS**—I have a quick question here on page 46. It says:

For the proposed implementation of the new tax system from 1 July 2000, FaCS expects to have separate purchaser-provider arrangements in place with Centrelink, the Health Insurance Commission and the Australian Taxation Office.

What progress, if any, has been made in establishing these new purchaser-provider arrangements?

**Mr Popple**—We are in the process at the moment of negotiating the various agreements. The one with Centrelink will form part of the head of agreement within the business partnership agreement for next financial year. We have similar agreements with HIC and also the Taxation Office.

**Senator GIBBS**—Does this mean that when this all comes together, it will create additional jobs or will—

**Mr Popple**—The Family Assistance Office itself?

**Senator GIBBS**—Yes.

**Mr Popple**—Yes, it will. There is extra funding that will be provided for the organisations and there are allowances in that for extra staffing.

**Senator GIBBS**—So the staff will not be taken from existing agencies now. How many new jobs do you think it might create?

**Mr Popple**—We are not quite certain. I provided an answer to Senator Evans when we did the bill which said that there would be around 700 in 1999-2000.

**Senator GIBBS**—Great. Thank you very much.

[3.46 p.m.]

**Outcome 2—Stronger communities**

**Output Group 2.1—Housing support**

**Senator GIBBS**—I have some questions on page 49, about housing support. I have received a letter from St Vincent's community service in Brisbane. Apparently, the AIRC recently agreed to the creation of the Crisis Assistance Supported Housing Queensland award, CASH, to cover the great majority of staff working in homeless hostels and women's refuges. The SAAP in Queensland is jointly funded by the Commonwealth and Queensland governments: 60 per cent Commonwealth funding and 40 per cent Queensland government funding. The Queensland government has already indicated that it will increase funding to meet the additional costs associated with the implementation of the CASH award. These particular people are wondering if the Commonwealth will also increase the award or increase the amount of money that they are given, because, if not, they are going to be in a bit of a pickle. I would imagine that you know about this award that has gone through and how it is affecting these people?

**Ms Paul**—Yes.

**Senator GIBBS**—I am sure it is going to affect a lot of other community housing centres.

**Ms Paul**—The budget measure described as the National Homelessness Strategy on page 111 goes to this. It actually provides funding from the Commonwealth that will match, in that 60:40 arrangement that you described, funding from Queensland to meet the increased costs on services due to that award.

**Senator GIBBS**—Great. So as soon as the Queensland government allocates the extra money, you will reciprocate, so it is still 60:40?

**Ms Paul**—Correct.

**Senator GIBBS**—That is terrific. I have a heap of questions here, but I do not need to ask them now because I am sure that will alleviate all of their problems. I will let them know. Thank you very much.

**CHAIR**—There being no further questions on 2.1, Housing support, we move to output 2.2, Community support, page 61. There being no questions, we will move on to outcome 3.

[3.50 p.m.]

### **Outcome 3—Economic and social participation**

#### **Output Group 3.1—Labour market assistance**

**Senator CHRIS EVANS**—My question does not deal specifically with page 65, but with output group 3.1. I think this is where we pick up the enhanced investigation initiative; is that right? Are we happy that we are in the right spot? I refer to the non-budget measure, the introduction of an enhanced investigation initiative, which I think is described at page 95 in the budget papers. Do we deal with that under output group 3.1?

**CHAIR**—It is a bit below the belt, I think. They might not know what you are talking about.

**Senator CHRIS EVANS**—It is page 95. We did discuss it once before.

**Senator Newman**—Do you have a question?

**Senator CHRIS EVANS**—Yes. You were all looking confused as if I had said the wrong thing or something.

**Senator Newman**—I have found page 95. I just do not know whether you have a question that somebody can answer.

**Dr Rosalky**—We think that this is something that Centrelink might be better placed to answer. I think the person who does have the knowledge has already left, thinking the questions were over. We could get him back if that were desirable.

**Senator CHRIS EVANS**—That is always the difficulty we have with this. I was not sure, but because it was listed there I thought it was the time to deal with it. Are you telling me that FACS itself does not have any involvement in that process?

**Dr Rosalky**—Only in the broad guidelines, but the actual application of it is done by Centrelink.

**Senator CHRIS EVANS**—I will put it on notice.

**Senator Newman**—It is really essentially what we were doing before.

**Senator CHRIS EVANS**—I have some specific questions about the people they have appointed and their methods of operation. I have had serious concerns raised with me, but I

will put them on notice. I have a question that relates to the non-budget amendment to the 1997-98 budget measure to pay all Department of Social Security payments fortnightly in arrears. I was going to ask about the experience of that, but I guess that is a Centrelink question, too, is it?

**Mr Leeper**—No, I can probably handle that.

**Senator CHRIS EVANS**—I really wanted to ask what the experience had been in relation to the paydays and, basically, what your experience with it was? When did it come into operation?

**Mr Leeper**—It starts on 1 July.

**Senator CHRIS EVANS**—So it has not commenced yet. I really wanted to get a feel for the commencement, from your earlier experience.

**Mr Leeper**—What I can tell you is that at the previous hearings we talked about the strategy that the department and Centrelink were pursuing to write out to people who were customers of banks that paid on Wednesdays. To date, about 45,000 people have elected to change their payday to the Wednesday, of whom about 35,000, I think, are Commonwealth Bank customers. The others are based in the other smaller banks.

**Senator CHRIS EVANS**—Were they by far the biggest of that—

**Mr Leeper**—Yes, they were.

**Senator CHRIS EVANS**—What did they have—about 500,000 pieces—

**Mr Leeper**—They pay one million people, one million accounts, on a pension Thursday. That is what goes through the Commonwealth Bank system.

**Senator CHRIS EVANS**—So does that mean that they have got one million pensioners?

**Mr Leeper**—972,000 pensions are paid, I think it is, on that payday Thursday, roughly.

**Senator CHRIS EVANS**—All to the Commonwealth?

**Mr Leeper**—Yes, just through that bank alone.

**Senator CHRIS EVANS**—I knew they had a big share of the market. So you have only at this stage got 45,000 of those to change?

**Mr Leeper**—Yes, but we are working closely with the bank. John Wadeson, the Centrelink General Manager and I, along with Andrew Herscovitch here, are discussing with the bank the best way to try to manage that customer group. We are working on some joint strategies. The initial mail-out was one of those. We will just try to keep active on it to make sure that people are aware of what is going to happen.

**Senator Newman**—There is another bit in the *Age Pension News*, which is due out in a couple of weeks' time, which will be reminding people, but it will also point out to them that there is no hurry, there is no time constraint on this. They can choose to change their payday at any time in the future.

**Senator CHRIS EVANS**—Yes, I was interested in that but also in what was going to be the behavioural response to the other measure, that is all, but I had forgotten that it did not start until 1 July.

**Senator Newman**—We expect it to be fairly gradual. It suits everybody for it not to all happen in bulk in one direction or another.

**Senator CHRIS EVANS**—Yes, although there were supposed to be some savings attached to it, weren't there? You do not want to be too gradual. Weren't there supposed to be some savings associated?

**Mr Leeper**—There were savings associated with getting people's paydays and the actual events affecting their payment closer together, yes.

**Senator CHRIS EVANS**—I had in my mind that it was 1 January.

**Mr Leeper**—No.

**Senator CHRIS EVANS**—So we will be interested in seeing how you are going with the pensioners later on but also the other measure. Thanks for that.

**CHAIR**—Any other questions on Output group 3.1?

[3.56 p.m.]

**Output group 3.2—Support for people with a disability**

**Senator CHRIS EVANS**—Can I ask about the Commonwealth-State Disability Agreement? Can someone just take me through the figures for that in real terms, not accrual terms, so I am clear I understand exactly what is happening? I think the table is at page 69.

**Mr Wight**—Senator, I will start the answer. The figures that are on page 69 against the Commonwealth-State Disability Agreement are the figures that are locked in for each year of the five-year Commonwealth-state agreement. There are three years remaining. So \$338 million was the Commonwealth's contribution to the states under the disability agreement for 1998-99 and \$355.8 million is the figure for 1999-2000. I heard an earlier question—

**Senator CHRIS EVANS**—Sorry, the figure for 1999-2000 is what?

**Mr Wight**—Is that \$355.801 million. That is the figure just for that year. I heard an earlier question that you were asking this morning about that there being a commitment to provide figures in the following two years, because there are three years of the agreement remaining. I think we could provide you with those figures, if that is what you are looking for in the two out years.

**Senator CHRIS EVANS**—That would be useful just so I know and the accrual system does not completely beat me.

**Mr Wight**—It is \$376.1 million in the year 2000-01, and \$394.35 million in the year 2001-02.

**Senator CHRIS EVANS**—Are those increases based on a CPI increase, or what is the basis for that?

**Mr Wight**—Ms Goren might be able to give the detail of them, but there is some indexation and there is some real increase in figures. They were all announced as part of the five-year agreement at the time the agreement was signed.

**Senator CHRIS EVANS**—So it is all fixed in advance?

**Mr Wight**—It is all fixed in advance. It has been fixed for the five years of the agreement and there is a mixture of things that make up—

**Senator CHRIS EVANS**—So there is no room for adjustment once the agreement is signed? There might be for extraordinary events but in terms of the normal funding.

**Mr Wight**—No, the Commonwealth's contribution is locked in each year of the five years of the agreement.

**Senator CHRIS EVANS**—Are you able to tell me what percentage is CPI and what is real growth in those figures?

**Mr Wight**—I could take that on notice. I do not have that available.

**Senator CHRIS EVANS**—That is fine. I just wanted to have that for my records. Do you have the breakdown by state and territory for those figures? Could you give that to me?

**Mr Wight**—Yes, we do have that. We certainly could provide that.

**Senator CHRIS EVANS**—Could I have that on notice? Thank you very much.

**Senator GIBBS**—With regard to advocacy programs, how much money out of the budget each year is allocated to advocacy agencies with regard to disabilities?

**Ms Goren**—The amount that has been allocated in the past three years is around \$10.2 million.

**Senator GIBBS**—That is Australia-wide, I take it?

**Ms Goren**—That is correct.

**Senator GIBBS**—Was there any money in this budget for advocacy groups? I could not find it.

**Ms Goren**—Senator, the funding for advocacy groups comes under the appropriation which is on page 69, the second one in the third box down, 'Employment assistance and other services'. It is a component of that particular appropriation.

**Senator GIBBS**—What other agencies would be in there?

**Ms Goren**—Funding for employment services would be included in that appropriation. We also have a small program for print disability services—they are organisations that produce audio tapes and braille and so on for people who are blind—and, as I say, advocacy as well. So there are three major big groups that are funded out of that particular appropriation.

**Mr Wight**—Just to put some scale on that, out of the dollars that are available for specialist disability employment services in that item of \$277 million, approximately \$200 million to \$205 million is for disability employment services to assist people with disabilities into employment. I guess that, while Ms Goren indicated that there were two or three areas, the vast bulk of it is employment assistance.

**Senator GIBBS**—I can understand that, but the advocacy groups have been telling me for quite a while now—ever since I took up my position—that there just does not seem to be enough money in their area. They feel that maybe people and the government do not realise what an enormously important job they do advocating for people with a disability. For quite a while they have been asking whether there is any likelihood of them receiving any more money. I know everybody wants more money, but they feel that \$10 million spread over all of the agencies in Australia is not quite enough.

**Mr Wight**—Senator, there is no provision for increased funding for advocacy under the appropriations that we are now discussing. It is of the order, as has already been stated, of \$10.2 million in the next financial year.

**Senator CHRIS EVANS**—Haven't we been having an internal review for the last three years?

**Mr Wight**—Yes, there is an internal review. If I could just complete the previous answer to the previous question, Senator?

**Senator CHRIS EVANS**—Sorry.

**Mr Wight**—I was just going to say one extra thing: advocacy is one area under the Commonwealth-State Disability Agreement that the Commonwealth and states both agreed to fund, so it is an area of clear Commonwealth and state responsibility. It is not allocated, like employment is, to the Commonwealth and accommodation services to the state. It is one area of joint involvement.

**Senator CHRIS EVANS**—I have asked about this before, but we have a sort of permanent review going on of disability advocacy services, have we not? Is that likely to come to some fruition? There was a suggestion put to me the other day that it has sort of sunk beneath the waves and been abandoned. Is that right?

**Mr Wight**—Not correct, Senator. The review of advocacy that, as you mentioned, has been going on for a couple of years was finalised. A draft was finalised in the last few months. A final draft was put out about September of last year for community comment. Comments were received. The steering committee finalised a final report, which was forwarded to the minister about a month ago. It is currently with the minister for his consideration.

**Senator CHRIS EVANS**—For his consideration?

**Mr Wight**—Well, he has a report from the—

**Senator CHRIS EVANS**—Which minister has it gone to?

**Mr Wight**—Minister Truss, advocacy being a service that is provided that is the responsibility of Minister Truss. Sorry.

**Senator CHRIS EVANS**—I was trying to ask why it had not gone to Senator Newman, that is all. Then I thought it might be Mrs Bishop. She is a she, too, so I was trying to work out who it was.

**Mr Wight**—It is Minister Truss.

**Senator CHRIS EVANS**—So the report has been finalised by the steering group?

**Mr Wight**—Yes.

**Senator CHRIS EVANS**—And has gone to the minister? It obviously has not been made public then, yet?

**Mr Wight**—Not yet. That will be a decision by the minister.

**Senator Newman**—The advocacy groups were writing to me asking for an extension of time at about Christmas time or just after Christmas, for the right to put their views on the draft report. That was one reason it has taken a bit longer.

**Senator CHRIS EVANS**—I think, Minister, though, to be fair, that is because nothing had happened for a while and then it came out with a fairly short time frame. Nothing had happened for a year or more.

**Senator Newman**—That is right. And we said, yes, we would extend that time.

**Senator CHRIS EVANS**—But I do not think that is a fair explanation of the delay.

**Senator Newman**—No. That was only one bit.

**Senator CHRIS EVANS**—It is now with the minister's office. Is he going to make it public? I guess we do not know that yet.

**Mr Wight**—That would be a judgment for the minister to make.

**Senator CHRIS EVANS**—Yesterday I raised with Health a concern about an action they took in effectively ending the funding for an aged disability centre in Alice Springs, and I

suggested they might like to move in with the disability advocacy group in Alice Springs, given that they had just cut their funds. Is there any departmental policy or program to amalgamate aged and disability sector advocacy groups, particularly in the smaller states? I am told that in the ACT, for instance, that is a current arrangement. I am just trying to see what the policy objective here is.

**Mr Wight**—There is not a specific policy. Certainly I can speak from the disability perspective on advocacy organisations. However, we would certainly support that if there were efficiencies or economies to be achieved and perhaps if the same level of funding could be driven further in terms of increased levels of advocacy. We certainly would not be opposed to it, but we do not have a strong policy position one way or the other.

**Senator CHRIS EVANS**—I would have thought your policy position was a waiting list review that was occurring.

**Mr Wight**—That is very much the case. I guess there have been some concerns in advocacy organisations about where the review might take them into the future. But we are not pushing a particular direction at this stage.

**Senator CHRIS EVANS**—Are you aware of this concern about what is happening with the aged advocacy service in Alice Springs and the suggestion that they might amalgamate with the disability service?

**Mr Wight**—I am certainly aware at the very general level, but I know since there was interest in the last couple of days that we have we pursued the concerns.

**Ms Goren**—We became aware of it only this morning, and the advice we have from people in the Northern Territory is that negotiations are ongoing at the moment and discussions are taking place about the possibility of some amalgamation. But, as Mr Wight pointed out, we would not be supporting something which decreased the availability of disability advocacy. We would have to look into it in a fair amount of detail.

**Senator CHRIS EVANS**—So until this morning you were not aware of it? I presume that means you were not making any changes to your funding or your administrative arrangements for the disability advocacy group in Alice Springs? I do not know their formal name.

**Ms Goren**—That is correct. It is called the Disability Advocacy Service, DAS.

**Senator CHRIS EVANS**—Were you aware of the Department of Health and Aged Care's suggestion that DAS might amalgamate with the aged care advocacy sector there?

**Ms Goren**—I was not personally aware of it, no.

**Senator CHRIS EVANS**—So there has been no consultation from the Department of Health and Aged Care with your department about their ideas on it?

**Ms Goren**—I do not think that is quite correct, in the sense that the funding and administration of these services is handled by our state and territory offices. I understand that our people in the Northern Territory were aware of the suggestion.

**Senator CHRIS EVANS**—Do you know when they became aware of that?

**Ms Goren**—I do not know.

**Senator CHRIS EVANS**—Could you take that on notice for me?

**Ms Goren**—Certainly.

**Senator CHRIS EVANS**—Have you or your people in the Northern Territory informed the Alice Springs DAS of those overtures, those suggestions?

**Ms Goren**—I would have to find out what discussions had taken place.

**Senator CHRIS EVANS**—Perhaps you could take that on notice.

**Senator GIBBS**—How is the Commonwealth-State Disability Agreement worked out? Is it dollar for dollar or 60-40, or what?

**Mr Wight**—There is no such formula. The first Commonwealth-State Disability Agreement, which was signed in 1991, split responsibilities between the Commonwealth and the state with the Commonwealth taking sole responsibility for employment services and the state assuming responsibility for accommodation services. At that time, the Commonwealth was providing some funding for accommodation and the states were providing a fairly small amount of money to assist people into employment. When the first agreement was signed, the states agreed to a transfer. I am not sure whether the money actually changed hands or whether it was book entries. They agreed that the state contribution to employment would be transferred to the Commonwealth and the Commonwealth expenditure that was happening at that time in accommodation would be transferred to the state.

I answered a question earlier that says there was some indexation and there was a small real increase provided by the Commonwealth in this budget. It really reflects those sorts of increases on the amount that was originally transferred to the states in 1991, which I think was of the order of \$200 million. Since then it has just been indexed or with some slight increase and the states have got prime responsibility for increasing their effort in the accommodation area, and the Commonwealth picked up sole responsibility for employment. So there is no direct formula arrangement.

**Senator GIBBS**—The Queensland government put in an extra \$30 million starting from 1996-97 for three years, but states can basically put in what they like?

**Mr Wight**—Yes, they can, because they will be putting it into their area of responsibility under the act.

**Senator GIBBS**—And if they matched dollar for dollar—

**Mr Wight**—There is no matching. I think in round figures the total state contribution for accommodation is of the order of a billion dollars and the Commonwealth transferred to the states of the order of \$350 million, which was part of that agreement.

**Senator Newman**—They do not make any contribution to the disability employment services, which we take full responsibility for.

**Senator WEST**—Does the Commonwealth have any idea about the waiting times or the number of people on the waiting lists for residential services across the country?

**Mr Wight**—There is some information and data available. The most recent report on that sort of information was a report done by the Australian Institute of Health and Welfare on unmet need for accommodation services in 1996. So that is publicly available and, yes, the Commonwealth has access to that.

**Senator WEST**—But you have not done anything since then?

**Mr Wight**—No.

**Senator WEST**—I am certainly getting a lot of complaints about the lack of appropriate residential care for people. I also wanted to talk about doctors approving or getting approved the paperwork for disability pensions. Is this the right area here—output group 3.2?

**Mr Wight**—Yes.

**Senator WEST**—Can you give me some indication of how many doctors are allowed to do or are approved to do the paperwork to approve disability pensions? It used to be the old Commonwealth medical officer, didn't it? Is it still that?

**Mr Herscovitch**—The process is that a person will bring to Centrelink a treating doctor's report—usually their own doctor. So if a person is a qualified medical practitioner, they can complete that report. There is no certified list, as it were, of medical practitioners—as long as they are qualified. The process then is that if it is clear that the person is qualified for a disability support pension at the time they go to Centrelink, then it will be granted. If there is any doubt about that, then the applicant would normally be referred to Health Services Australia, which is the old Commonwealth medical officer, and then a decision would be made by Centrelink on the basis of the report that comes from Health Services Australia.

**Senator WEST**—Where are Health Services Australia doctors situated?

**Mr Herscovitch**—The majority are located in the state capitals, but they do have some regional services, as well.

**Senator WEST**—One of my colleagues—and once I get into this I am sure Senator Newman will be able to guess who—has had concerns expressed to her because, in a part of north-western Tasmania, a doctor gets flown across from Melbourne every two months to see patients.

**Senator Newman**—We have been having some delays, and we have been putting measures in place to try to deal with that.

**Senator WEST**—The doctor comes across only every two months or eight weeks.

**Senator Newman**—I am sure that Mr Herscovitch will be happy to tell you.

**Senator WEST**—Yes. I would like some details of this fly in from Melbourne activity on the north-west coast of Tasmania.

**Mr Fisher**—Centrelink actually contracts HSA, or Health Services Australia, to undertake the medical assessments as part of the processing of the disability support pensions. We are aware that Health Services Australia have had some problems in Tasmania recently, particularly in northern Tasmania, and we have had a number of meetings with the management of Health Services Australia, and they have now given us some undertakings about increasing the number of clinics there. What has happened is that Health Services Australia only had about four or five doctors employed in the state, and over a very short period three of them resigned. So that presented a problem for them. They have gone about replenishing their number of doctors in two ways. They have gone through some recruitment, but in addition to that, in order to ensure that services can be provided, they have been flying doctors from the Melbourne office over to north-western Tasmania. But that is an interim measure on their part until they can fully recruit and train some more doctors.

**Senator WEST**—What is the waiting list of patients on the north-west coast waiting for this doctor who gets flown across from Melbourne?

**Mr Fisher**—I was given some information just very recently, but I do not have it written down here. It was extensive a few weeks ago. That was when we started to have some heavy discussions with HSA. It has been brought back to a fairly reasonable level, and we have undertakings from HSA that all the backlogs will be finalised by the end of this month, the end of June, I think it is.

**Senator WEST**—I am told that, when the doctor went across every two months, they were only seeing patients for eight hours; they were there for only eight hours. I am also told that

when this person last checked, there were eight people who had been waiting two months or more to see the doctor. Would that be about the same as your figures, or are your figures worse than that?

**Mr Fisher**—That is about right. Under the contract we have with HSA, they are required to have 80 per cent of the examinations and reports filed to us within 25 business days. So that is their requirement: 25 business days and to achieve 80 per cent. In northern Tasmania, obviously, they have not been meeting that, so we have been talking to them in relation to the contract.

**Senator WEST**—What are the penalties for not meeting it—apart from some very upset and disadvantaged patients?

**Senator Newman**—Excuse me, but it is not quite right to say that they are disadvantaged. It is frustrating for them. I understand that. But if they have applied and they are being assessed, then their pension will date from the time of their application, if they are accepted for their disability. But they may also be on another payment already while they are waiting, anyway. So either way they are not disadvantaged. I am just checking you on the use of that word, that is all. I think it is frustrating. I am not arguing with that.

**Senator WEST**—It might be frustrating, and it might be disadvantaging them, in that if they are barely coping because they are not well, the last thing they need is to be having to hassle around and—

**Senator Newman**—No, it is not good. I am not defending it.

**Senator WEST**—So what is the penalty?

**Mr Fisher**—There is a range of performance measures in the contract, and through a formula they come together. So if there is non-achievement in a number of areas, like quality and timeliness, there is a penalty. I think it is one per cent of the contract amount. But I think the important thing to note is that HSA is very much aware of the problem. We are aware of it, and lots of effort is being put into having that particular one fixed up. There are also a few other areas around the country that are pressure points at the moment, as well.

**Senator WEST**—Where are they? You had better take that on notice and tell me.

**Mr Fisher**—I am just trying to put it into context.

**Senator WEST**—You have just given me a whole line of more questions, Mr Fisher. Keep it up. You are doing well.

**Senator CHRIS EVANS**—I am sure that the department is more interested in fixing the one in northern Tasmania.

**Senator WEST**—And I am more interested now in learning where the other pressure points are, too.

**Senator Newman**—The one that Senator West will be most interested in is, in fact, in Far North Queensland, where there is not ready availability of doctors at every small place, as you would realise.

**Senator WEST**—I am more interested in western New South Wales.

**Senator Newman**—But are you aware of the fact that the Blue Nursing Service has been contracted as a pilot program to have those bush nurses do the assessment? I thought you would be interested in that.

**Senator WEST**—I am very interested in that.

**Senator Newman**—It has not been without complaint from some doctors.

**Senator WEST**—I can imagine.

**Senator CHRIS EVANS**—I suggest you have a look at the *Hansard* from yesterday and Senator Herron's response to a similar suggestion.

**Senator Newman**—Really?

**Senator CHRIS EVANS**—He made it very clear that he did not want nurses doing that sort of thing.

**Senator Newman**—Centrelink signed a pilot agreement some 12 months ago, I think.

**Senator WEST**—I would like to know on notice—and I do not expect you to have it here—the number of people who are waiting and what the waiting times are in north-western Tasmania. And now that Pandora's box has been opened and there are some other pressure points, I would like those identified. I would like the numbers of patients we are talking about identified, and I would like their waiting times identified.

**Mr Fisher**—Right.

**Senator WEST**—I would also like some more details on this Blue Nursing Service proposal that the minister is talking about, because this seems to me to be a nice sneaky way of getting nurse practitioners in without actually telling a lot of other people. Maybe that is the way we will go in New South Wales when the doctors stop going feral about the proposals there.

**Senator Newman**—You do have to look at innovative service delivery in very low populated areas. Those nurses are providing all the care already.

**Senator WEST**—I do not disagree. In some cases, I probably have more expertise on how—

**Senator Newman**—I thought you might have that view.

**Senator WEST**—You said HSA has a commitment to—or part of their tender contract is that they have to provide—80 per cent approval—

**Mr Fisher**—Eighty per cent of the cases referred to them have to be completed and the reports given to us within 25 business days.

**Senator WEST**—Given that the north-west coast could take out a very small percentage of the HSA's workload, they could, in fact, say, 'Our total contract is for, say, 200 people and you've only got eight or 10 in the north-west coast who are disadvantaged, but everywhere else they are fairly close to the mark.' They could also slide out from under it by saying, 'No, we have ticked off our 80 per cent because in toto we have met it.' In respect of pockets where it is not being met, does the contract cover that?

**Mr Fisher**—It does not specifically, but we have identified that as an issue. In the contracts that are applying from 1 July we are looking at timeliness standards based on a Centrelink customer service centre area. So we are doing that.

**Senator WEST**—Also out on the north-west coast, in respect of children with disabilities, how readily accessible are paediatricians to get the necessary assessments done?

**Mr Fisher**—I am not qualified to comment on that.

**Senator WEST**—Can somebody tell me? Do you have a figure somewhere?

**Mr Herscovitch**—If you are referring to the child disability allowance, in the normal course of events those assessments do not go to Health Services Australia. The vast majority of those assessments are made by the treating doctor. I honestly do not know whether there is an issue in north-west Tasmania about that. But I just make the observation that there would not be

the same need for Health Services Australia to be involved, certainly not on the same scale, anyway.

**Senator WEST**—Perhaps I can leave that with you—to assess whether there is a problem that can be identified in north-west Tasmania, because of the lack of paediatricians, and maybe elsewhere in Australia, in enabling parents of children with disabilities to access the support benefits that they would be eligible for if they had better access to a paediatrician?

**Mr Herscovitch**—Yes.

**Senator WEST**—I think that will do.

**CHAIR**—Is there anything further on output group 3.2?

**Senator CHRIS EVANS**—While we are here I might ask about the child disability allowance. We might as well do that while you are at the table. How is the review of the child disability allowance tool going?

**Mr Herscovitch**—We have established a reference group and we have received quite a number of submissions already. I could not give you a figure, but the due date was Monday this week. Quite a few have been crossing my desk already. So we have obviously attracted a good deal of interest from the community. We would be expecting to report to the minister in around September. That is about all I can report at the moment in terms of the process.

**Senator CHRIS EVANS**—Has there been any movement on the question of, prior to that review, acting on a number of the conditions that have attracted the most attention as not being on the automatic provision?

**Mr Herscovitch**—No. We are really waiting until the review is complete before we invite the minister to make decisions on those.

**Senator CHRIS EVANS**—Are there terms of reference for that child disability assessment tool review?

**Mr Herscovitch**—Yes, there are.

**Senator CHRIS EVANS**—Have they been published?

**Mr Herscovitch**—They have gone out. We have gone out to people who in the last 12 months or so have made representations to the minister or the department about child disability tool. We have invited them to make submissions to the review. With the correspondence we have sent out copies of the terms of reference as well.

**Senator CHRIS EVANS**—Are you able to give me any updated figures on the breakdown of the conditions that have been assessed and granted under the review?

**Mr Herscovitch**—No, we are not. I think we discussed that at the supplementary additional estimates hearing a few weeks ago, and we have no updated figures since then.

**Senator CHRIS EVANS**—Have you had any complaints from health professionals about the difficulty in completing the form?

**Mr Herscovitch**—Not to my knowledge. There have been some concerns about the content of the assessment rules. We have had a number of submissions from individual professionals on that issue—not a great number but enough—

**Senator CHRIS EVANS**—Going to what sorts of issues?

**Mr Herscovitch**—Mainly, it has been about the manifest list again—the same issue. There are some concerns that conditions which are not on the manifest list should be, and also some

which were never on the manifest list but which ought to be treated differently. I could not give you a considered account of their concerns. It is clearly quite complex.

**Senator CHRIS EVANS**—Some people have raised the concern with me that the form does not permit an adequate description of the special needs of some groups. Is that part of the review?

**Mr Herscovitch**—Yes, that is part of the review. I may be wrong about this, but I am certainly aware that some of the submissions that we have received do make that point. Most of those have come from individuals who have applied for the allowance rather than from professional groups. That is our recollection of it.

**Senator CHRIS EVANS**—Are there professional groups on the list of people you are consulting with and encouraging submissions from?

**Mr Herscovitch**—Yes.

**Senator WEST**—Who is bearing the cost of flying them from Melbourne?

**Mr Fisher**—Health Services Australia. We have a contract with the organisation that provides for a fixed fee for each examination.

**Senator WEST**—So that is its cost?

**Mr Fisher**—Yes.

**Senator WEST**—What is the medical cost of assessments and reviews per capita in Tasmania only? I will leave it at that. I am happy for that to be taken on notice, too.

**Mr Fisher**—Do you mean the cost that we pay Health Services Australia?

**Senator WEST**—Yes.

**Mr Fisher**—There is a competitive arrangement between Health Services Australia and the other providers in other areas. I am not sure whether I can hand up the fees, because it is a market.

**Senator WEST**—I want to get some handle on how much it is costing you—how much you are paying—so that I can look at the expenditure of taxpayers' money. With that in mind, can you look at what you can give us?

**Mr Fisher**—Yes.

**Senator WEST**—If I want to fight you, I will fight you at supplementaries.

[4.31 p.m.]

#### **Output Group 3.3—Support for carers**

**Senator CHRIS EVANS**—I have a couple of questions about applications for the carer payments and the proportion that have been rejected. Do we have any figures on rejections of applications for carers payments—success rates, failure rates, rejection rates or information on why they have been rejected?

**Mr Herscovitch**—Are you talking about the measure for children with profound disabilities, or are you talking more generally about the carer payment?

**Senator CHRIS EVANS**—I am talking about applications for the carer payment—whether people have been successful, how many have been rejected, and what is going on in that process? I have had a few issues raised with me.

**Mr Herscovitch**—I have some monthly figures here from July 1998 to April 1999. Unfortunately, they are not aggregated. The success rate for the applications ranges from 67 per cent to 72 per cent over that period.

**Senator CHRIS EVANS**—If you could table a copy of that, that would be useful, rather than taking us through all of the figures now.

**Mr Herscovitch**—Okay. That is really all there is to say. The number of grants ranges from 1,300 per month down to about 1,100 per month. But I am happy to give you the figures.

**Senator CHRIS EVANS**—Rather than your reading them out, I am happy to take that as an indication of what is happening. Did that include anything on appeals against rejection?

**Mr Herscovitch**—No. The grants would include those who are finally granted on appeal. I do not have appeal figures with me.

**Senator CHRIS EVANS**—Are you able to give me a picture of what is happening with respect to appeal figures?

**Mr Herscovitch**—We could do that.

**Senator CHRIS EVANS**—Could you take that on notice?

**Mr Herscovitch**—Sure.

**Senator CHRIS EVANS**—Do you have an explanation for why people have been rejected? What is the evidence for people being rejected?

**Mr Herscovitch**—Again, I will have to take it on notice and give you the precise figures.

**Senator CHRIS EVANS**—I was not after precise figures. I wanted a feel for the basis on which they have been rejected, mainly.

**Mr Herscovitch**—Normally the level of care provided does not meet the required level of severity. That is the main reason for rejection. There are cases, of course, where people are rejected on income or assets grounds, but the majority of cases turn on the level of care provided.

**Senator CHRIS EVANS**—Before they apply they have checked the income and assets test, so it is a bit more a question of whether the needs assessment is high enough?

**Mr Herscovitch**—That is normally the case.

**Senator CHRIS EVANS**—There was a Centrelink disability and carers team survey, was there not? Do you have any involvement with that?

**Mr Fisher**—I do.

**Senator CHRIS EVANS**—Can you tell me something about that?

**Mr Fisher**—It was a survey that was undertaken between, I think, August and December last year. The results of that survey were provided to a number of the disability peak organisations and in answer to a question that was asked two additional estimates ago, I think it was. So there should be the record—

**Senator CHRIS EVANS**—I thought it was a fairly recent survey. Has it only just been released?

**Mr Fisher**—It was only recently released. The actual survey was conducted in that period. I think it was about September.

**Senator CHRIS EVANS**—But it appeared publicly recently, did it not?

**Mr Fisher**—Publicly in the sense that it was sent out to the peak groups.

**Senator CHRIS EVANS**—So it is a publicly available document?

**Mr Fisher**—Yes.

**Senator CHRIS EVANS**—Were there recommendations coming out of the survey or was it just for information?

**Mr Fisher**—It was a very passive survey, really. It looked at, effectively, the number of Centrelink offices that have access to the specialised services of a disability officer. So it is just a presentation of the results of that within Centrelink.

**Senator CHRIS EVANS**—What is going to flow from the survey? Is the department preparing a response or are you just using it to inform your general activities?

**Mr Fisher**—I think it came about because it is in the agreement that Centrelink has with Family and Community Services. It is one of the performance measures. We simply fulfilled that by providing the information. We are now looking at perhaps other ways to try to achieve a similar sort of thing to what this was trying to achieve. We are looking at ways just to be able to measure whether Centrelink is able to provide the expert quality service to customers.

**Senator CHRIS EVANS**—So your policy response is more directed at whether or not you have got the measures right, though, rather than it being any other policy response?

**Mr Fisher**—We are just in some discussions at the moment with the department about appropriate measures. So we may not do that survey again. It was simply a snapshot.

**Senator CHRIS EVANS**—The policy response may come from Centrelink if you think they are not actually providing what they have contracted to provide?

**Mr Fisher**—That would be the case. It is just a theoretical thing. If we had found that there was not 100 per cent coverage of disability officers through our offices, we would need to respond to that and fix it.

**Senator CHRIS EVANS**—Is there anything of concern arising out of the survey, from your point of view?

**Mr Fisher**—No, there is not.

**Mr Herscovitch**—Could I just go back to the carer payment question? I can give you the aggregate figures, if you would like those.

**Senator CHRIS EVANS**—Good.

**Mr Herscovitch**—13,953 claims were granted in the last 10 months and 6,432 were rejected. That gives a grant rate of just under 70 per cent.

**Senator CHRIS EVANS**—Is that in line with expectations?

**Mr Herscovitch**—There has been a slight upward trend in grant rates over that period. It is not far off the sorts of estimates we had at the beginning of the year.

**Senator CHRIS EVANS**—I would like to ask some questions about employment assistance. I do not know a lot about disability employment assistance, but could I get someone to take me through, first of all, the budget figures so that I am clear what it is we are spending in real dollars this year, next year and in the out years? Then I wanted to ask a series of questions about what programs that has been applied to and how those work.

**Mr Wight**—I can give you the figures on outlays. The expenditure on employment assistance in 1998-99 was approximately \$204 million. In 1999-2000, as I mentioned in answer to an earlier question, it is \$205.5 million. In 2000-01, it is \$218.5 million and in 2001-02 it is \$224.6 million.

**Senator CHRIS EVANS**—Why are there the differences? Particularly, there seems to be a large jump from 1999-2000 to 2000-01. Is that an efficiency dividend type application or is there an explanation for that?

**Mr Wight**—There is a growth in the figures. The difference between 1998-99 and 1999-2000 is complicated by some underexpenditure and some rollover but in the out years there is basically a two per cent per year growth in the allocation for employment services.

**Senator CHRIS EVANS**—Two per cent real growth in each of the out years?

**Ms Carmody**—Yes, there is. There is two per cent growth in the appropriation for each year. In 1998-99 that growth has been held over to 1999-2000 to be used in the case based funding trial which is being planned for the coming financial year.

**Senator CHRIS EVANS**—I was trying to figure out what that \$10 million was about. That is money from this financial year?

**Ms Carmody**—No. There is two per cent each year. We get around \$3 million in the first year of the two per cent growth. In the immediate year following that, that equates to a \$5 million full-year effect. So every year we get the \$3 million. The following year that translates to \$5 million. That allows for the gradual take-up of new services and new places in the industry. The \$3 million from last year has moved into the next financial year because we have held that over to be able to apply that to our case based funding trial.

**Mr Wight**—So two years' worth of growth money is being used in the one year, 1999-2000, and it is going to be directed to developing these case based funding trials.

**Senator CHRIS EVANS**—This is the \$10 million?

**Ms Carmody**—In a full year, and it is recurrent from then on. It appears in each year out from then on.

**Senator CHRIS EVANS**—I think I understand that. So you have saved the money from 1998-99 and 1999-2000, which adds up to \$10 million?

**Ms Carmody**—In a full year it adds up to \$10 million, yes.

**Senator CHRIS EVANS**—So in a full year the savings from two full years adds up to \$10 million?

**Ms Carmody**—Yes.

**Senator CHRIS EVANS**—And that then will be spent in which year?

**Ms Carmody**—In 1999-2000 we will have the case based funding trial fully up and running.

**Senator CHRIS EVANS**—And then in future years \$10 million per year for that program is new money?

**Mr Wight**—No, it stays there.

**Ms Carmody**—It is already committed. In giving us the growth, the money is then put in to the appropriation lines for every year from then on. It continues through the forward estimates.

**Senator CHRIS EVANS**—So in which years is it additional money?

**Mr Wight**—One year was additional money, for 1998-99, but we did not spend it so we have got it available for next year. Then we have the new lot of money, which becomes available for 1999-2000. We are adding those two lots together. So we have got two lots of new money, but we have concentrated it into one year.

**Senator CHRIS EVANS**—But it is \$5 million a year?

**Mr Wight**—Yes.

**Senator CHRIS EVANS**—You are saying the \$5 million a year is applicable for each of the out years?

**Mr Wight**—Yes.

**Senator CHRIS EVANS**—Not \$10 million a year?

**Ms Carmody**—It is \$5 million from 1998-99 and \$5 million from 1999-2000. You add those both together and spend them both in 1999-2000. I have \$10 million in 1999-2000 and \$10 million the year after and \$10 million the year after. So it just keeps going on.

**Senator CHRIS EVANS**—And that explains why you go from a total budget of \$205 million in 1999-2000 to a total budget of \$218 million in 2000-01, does it?

**Ms Carmody**—That explains the bulk of it, yes.

**Mr Wight**—Because in that year 2000-01, there will be another two per cent that comes in—there is two per cent per year as well.

**Senator CHRIS EVANS**—But the bulk of it is actually the \$10 million added to the base?

**Ms Carmody**—The bulk in the first year, 1999-2000, is the \$10 million coming into effect, yes.

**Senator CHRIS EVANS**—The difference between 1999-2000 and 2000-01 is about \$13 million, from what you told me. So are you telling me it is the two per cent plus the \$10 million?

**Ms Carmody**—In the year after?

**Senator CHRIS EVANS**—Yes.

**Mr Wight**—Yes.

**Senator CHRIS EVANS**—So that explains why there is quite a large jump there. All right. But that is for a trial. Is the trial to be ongoing?

**Ms Carmody**—It is trialling a new funding model. And that trial will remain in place until the government makes decisions about whether to change the funding model for the entire employment assistance appropriation.

**Senator CHRIS EVANS**—So what, in real tangible terms, will that money be spent on this year?

**Ms Carmody**—The two per cent growth each year equates to just under 1,000 new places a year. So it is 1,000 people being helped into employment. So services can do whatever is necessary to be done to get that person with disabilities into employment.

**Senator CHRIS EVANS**—I am sorry, I meant the new trial arrangements for disability employment assistance. What is the new trial? What, in tangible terms, does the new trial mean?

**Mr Wight**—Growth money is available to add to the current stock of employment places helping people into work. They are currently funded by providing a block grant to services, and that gets added. At the moment, the block grants are increased by this two per cent per year. In the next year, we are still going to allocate to services new places, but we are going to allocate them on a different funding basis. They are going to be funded on a case by case or an individual basis. So there will still be the same number of places created overall, as in

previous years, but they will be funded on a different basis to try to improve the efficiency of the program, and the money that is available for new places will be more directly linked with the needs of individuals. So at the moment, instead of giving a service, let's say, \$10,000 and saying, 'Do two programs for two individuals to assist them into work,' we will say, 'We have assessed the needs of two individuals, and the assessment says that case is worth'—if I can use that word—'\$3,000 and this case is worth \$7,000.' So the dollars will be linked to individuals; hence the term 'case based'. There will be a case based allocation to a service. That is quite different from, at the moment, them getting a large block grant and just simply allocating, as they see fit, an amount of money to client A and client B or customer A and customer B.

**Senator CHRIS EVANS**—I understand the difference. We have been through this with the Job Network and the various client bases. What I want to know is: what is the \$10 million going to buy you?

**Ms Carmody**—In terms of quantum of places?

**Mr Wight**—No, services.

**Ms Carmody**—Services? Okay. It can buy any prevocational or vocational training that is necessary to get that person ready for a job. Those services can then help in finding the job for the person.

**Senator CHRIS EVANS**—I guess I am not putting this very clearly. We have the same number of people—putting the growth to one side—being helped. What has the \$10 million been spent on, and why is it costing us \$10 million to trial the new method?

**Ms Carmody**—All we have done is taken the growth, and we are going to distribute that \$10 million on a different basis from how it would have been distributed previously. So if we were not doing this trial, we would have increased block grants around Australia in specific areas of high need. Under this arrangement, what we will do is identify the areas of high need. And the people who come to Centrelink, put up their hand and say, 'I would like to have a go at work,' will be directed to services, and money will flow with those people to those services.

**Mr Wight**—The extra thing that will come from all these dollars, in the way that Ms Carmody has just explained, will be that 1,000 additional people will be supported over and above what the current block grants support.

**Ms Carmody**—Can support.

**Senator CHRIS EVANS**—But that is coming out of the \$2 million of growth money?

**Mr Wight**—That is coming out of this \$10 million, which is growth money. The growth is in the number of people who are supported.

**Senator CHRIS EVANS**—Didn't you tell me you would have got that from the two per cent anyway, though?

**Ms Carmody**—The two per cent and the \$10 million are one and the same thing—the growth funds and the two per cent.

**Mr Wight**—We would have got the same number of people supported into employment. What we are trialling is trying to get an increased number by funding on an individual basis—on a case basis—rather than just simply putting it into services and saying, 'See what you can do in terms of increased outcomes.'

**Senator CHRIS EVANS**—How are you going to select those particular participants?

**Mr Wight**—It will be all new participants that come in in those years, because all of our growth money is going to be allocated to particular services. So all the new people who come to those new services will use these dollars to test the new system—the new funding basis.

**Senator CHRIS EVANS**—So all new clients will be choosing that way; is that right?

**Mr Wight**—Only those who participate in the pilot. Those who go to those services that participate in the pilot.

**Senator CHRIS EVANS**—How do you select the services then?

**Ms Carmody**—We will be identifying areas of high need. We have data to inform those decisions. Each year I have a replacement capacity of about 27,000 people. So each year I have a turnover within my industry of 27,000 people. So I can put 27,000 people into the system through the existing block grant capacity each year. In addition to that, I have the approximately 2,000, which will be in the trial. So the 27,000 are in the block grant, and they are distributed around Australia. Some are in places where we may not need new growth. We will identify new growth areas, and those 2,000 new places with the new funding approach will be targeted to those areas. If people say, 'I want to go to service A,' that service will then get the additional funding.

**Senator CHRIS EVANS**—So services will be providing client assistance using both methods. You are not actually selecting particular service providers to trial the new arrangements?

**Ms Carmody**—No, we are selecting areas. The participation in the trial will be voluntary, and services that want to participate can participate in two ways: in real terms, in actually having new dollars for new clients that go to their services; and the other way they can participate is in a virtual way, in which they pretend that they are receiving the new funding model for their entire client base. So services can volunteer to participate in either way.

**Mr Wight**—Under what was described as the virtual trial, they will actually attribute the amount they spend to each individual, and we will incorporate that data in the evaluation of the trial. That is what we mean by a virtual trial. They will still get their block grants, and there will be an attribution.

**Ms Carmody**—It enables us to collect broader data on the impact of the new funding model on services and also to capture data on the actual services that are currently being provided to clients. I suppose that one of the key things we have not brought out in terms of what is different with the new funding arrangement is that the current block grants system is highly inequitable. You have unit rates ranging from about \$750 per head through to \$32,000 per head. So the actual unit rate per person in current block grants is dramatically different. So the standard of service that someone can expect from a service is going to be dramatically affected by the generosity of their block grant in the current system.

**Senator CHRIS EVANS**—Their level of need would be quite different, too, wouldn't it?

**Ms Carmody**—Yes, but there is no guarantee that there is a relationship under the block grants system—that need is linked to the different unit rate in the block grant.

**Senator Newman**—Which is one of the drivers for looking to see if there is a better way to do it. There has been quite a lot of consultation with the sector to try to look at better ways of funding the need. You can have somebody getting, say, for the sake of argument, \$11,000 to help a particular person, and you might have another organisation getting only about \$4,000 to support a person, and there is no rationale for the difference. They may both have the same level of need. So something needs to be done to try to get a better way of doing this.

**Mr Wight**—Just adding to what the minister said, under the current system or the current arrangement, the distribution of the block grant between clients that come to a particular service is done by the service. Under a case based funding trial, they will be done independently and, if it was extended, they will be done by a national assessment process so that individuals in different locations should get a consistent treatment. They clearly do not under the present arrangement.

**Senator CHRIS EVANS**—Could I ask about the intersection with Centrelink? What is your assessment of how that is working for people with disabilities?

**Ms Carmody**—How the streaming process is working?

**Senator CHRIS EVANS**—Yes. I guess the questions are: are they all accessing services they require? Is there a delay? Are the services available inadequate?

**Ms Carmody**—The adequacy of services that you are talking about—is it employment services?

**Senator CHRIS EVANS**—Yes, I am talking about employment services generally at the moment.

**Ms Carmody**—I will start from the beginning and say that the employment services appropriation has never been about meeting demand fully. It is a limited appropriation and only has the 2 per cent growth each year. There will always be people who will not be able to have their needs met, so there is no change there with the involvement of Centrelink in that process. There is no actual change to the capacity of the system because of the Centrelink involvement. The effectiveness of the streaming process through Centrelink is subject to the disability reference group process, and they are due to report at the end of June. That is a report to Senator Newman for her consideration. That is about how well the streaming process is working and whether or not the WATs workability table seems to work as an effective streaming tool.

**Senator CHRIS EVANS**—Has there been any public consultation on that, or is that an internal working group?

**Ms Carmody**—Yes, there has. We have received submissions over a period of time. It has been working since October last year, I think. It has received submissions. The industry reference group has representatives from across the industry and from academics. We are currently in the middle of a consultancy which is actually analysing the effectiveness of the WATs instrument of the streaming tool, and that has involved both quantitative and qualitative research data.

**Senator CHRIS EVANS**—Is that consultancy reporting to the working group or to the—

**Ms Carmody**—To the reference group, yes.

**Senator CHRIS EVANS**—That will form part of their report, will it?

**Ms Carmody**—Yes, it will.

**Senator CHRIS EVANS**—Who is the consultancy?

**Ms Carmody**—Monash University, I think it is. Can I take that on notice?

**Senator CHRIS EVANS**—Yes, that is fine. You have a consultant producing the hard data?

**Ms Carmody**—He is collecting, through focus groups and interviews, the qualitative data about people's experience with the streaming process and he is also doing the analysis of Centrelink data.

**Mr Wight**—Can I just add that as part of that process we have interchanged between us and the consultant doing this. All of that work is feeding in to this independent assessment done by this disability industry reference group, which the minister set up. So they are actually getting all this data. I guess in due course we will get to make our own departmental assessment, but it is all input to this independent body that will provide advice to the minister on how effectively they see the streaming tools and the assessment tools working.

**Senator CHRIS EVANS**—Will that give us the overall view on how people with disabilities have gone under the Job Network system, or will it be more limited than that?

**Ms Carmody**—No, it is about the specialist facility employment market, rather than the Job Network market. We sit side by side. What they are actually looking at is whether or not the streaming process is disadvantaging any specific disability group. So it looks at that intersection but will not give you substantial information on the workings of the Job Network market.

**Senator CHRIS EVANS**—What feedback are we getting on how they are faring in terms of the Job Network situation? What measures do we have? What performance indicators and what information do we have?

**Ms Carmody**—The Job Network market is the responsibility of DEWRSB, another department. We meet regularly and discuss the interaction of our two markets. Our initial assessment is that it is working well. But I do not have any data, really, available on the Job Network market that I could release to you.

**Senator CHRIS EVANS**—What do you get from them, though, about how people with disabilities are faring?

**Ms Carmody**—In their side of the market?

**Senator CHRIS EVANS**—Do you get any feedback on numbers of referrals, for instance, from Centrelink? What data do you get?

**Ms Carmody**—We know that approximately 20 per cent of people with mild disabilities are referred into the Job Network market and about 80 per cent are coming into my market.

**Senator CHRIS EVANS**—How is that assessment made? Is that made by Centrelink?

**Ms Carmody**—That assessment is done on what score they receive on the workability table. If you score under 50, you are streamed into the Job Network market. If you score 50 or over you are streamed into the specialist disability employment market.

**Mr Wight**—Part of the key evaluation of this being done by the disability industry reference group is to see whether appropriate people are being streamed to the specialist disability market and vice versa—that appropriate people are being streamed to the job market—or whether there is a mismatch and some people who ought to be or could be better served in the Job Network are being streamed to the specialist disability market.

**Senator CHRIS EVANS**—Isn't part of that assessment how those people in the Job Network market are faring?

**Ms Carmody**—No.

**Senator CHRIS EVANS**—It was not so much a question about whether that is part of the review, but it is a more general question: isn't that part of a proper assessment?

**Ms Carmody**—The process that we are going through is not looking at whether or not the 20 per cent of people with disabilities are being supported effectively in the Job Network market. That is beyond our brief.

**Senator CHRIS EVANS**—No, I accept that. From a sort of broader role of government view, though, isn't that part of a proper assessment of how all this is working? Is DEETYA or someone looking at that?

**Ms Carmody**—I think the question is probably better directed at DEWRSB. However, you could read from the changes that they have flagged with their new tender round, which will enable specialist providers in intensive assistance to meet a perceived need, that maybe they do need specific providers, but DEWRSB really should be—

**Senator CHRIS EVANS**—DEWRSB is the old DEETYA, is it? Is that the new acronym for the old DEETYA?

**Ms Carmody**—Yes. It is the Department of Employment, Workplace Relations and Small Business.

**Senator CHRIS EVANS**—They will have to issue us with a guide. What is happening with the moving on project?

**Ms Carmody**—I am sorry, I do not have that information.

**Senator CHRIS EVANS**—I thought that this was part of the post-school options. Is it out of your area of responsibility?

**Ms Carmody**—Post-school options fall within our appropriation. It depends on what state you are talking about. Is it Western Australia?

**Senator CHRIS EVANS**—That is a purely state based program, is it?

**Ms Carmody**—No. In some states we jointly fund a service unit that helps the transition of kids from school into either accommodation or day services or onto employment services.

**Mr Wight**—Of course, if their plans to move on are into employment, then we are involved, but the states have their own programs for moving people out of the school system into further education, accommodation or day services. Hence, there is a joint involvement in post-school options, but once the option has been chosen by an individual, whatever they are looking for, then the assistance to achieve that option splits between the Commonwealth and the state.

**Senator CHRIS EVANS**—Can you tell me anything about what is happening with MIFS, which I gather stands for 'more intensive and flexible services'? Has there been a move to defund that program?

**Mr Wight**—The pilot has now been completed and we will evaluate the pilot.

**Mr Herscovitch**—There is funding in 1999-2000 for the completion of the pilot. There is about \$2.5 million to complete the pilot and to give us the opportunity to do a proper evaluation.

**Senator CHRIS EVANS**—When did that pilot start?

**Mr Herscovitch**—The middle of 1996.

**Senator CHRIS EVANS**—Is the pilot continuing in the same form next year?

**Mr Herscovitch**—Yes. The pilot is continuing as it is, except that we will have to make a decision in the near future as to when we stop taking referrals.

**Senator CHRIS EVANS**—Because the pilot funding runs out in the next financial year?

**Mr Herscovitch**—Yes.

**Senator CHRIS EVANS**—Where is the pilot operating?

**Mr Herscovitch**—In two states, Victoria and Queensland, in Centrelink area east and Centrelink area Brisbane, which actually goes a fair way out of Brisbane. I should make that point. It actually goes into non-metropolitan Queensland as well. That is true of Victoria, too, of course, as area east takes in a number of non-metropolitan areas.

**Senator CHRIS EVANS**—Are there any alterations to how that pilot is operating from this year to the next?

**Mr Herscovitch**—I am not quite sure what you mean.

**Senator CHRIS EVANS**—Is there a reduction in the funding or is the funding at the same sort of level?

**Mr Herscovitch**—I have the figures here, actually. The funding for 1999-2000 is \$2.552 million and in 1998-99 it is \$2.842 million.

**Senator CHRIS EVANS**—So there is a slight reduction.

**Mr Herscovitch**—There is a slight reduction, and that reflects the fact that at some point during the coming months there will be no further referrals, but the people who are in the program will continue in the program one way or another until the program is completed.

**Senator CHRIS EVANS**—So there will be a partial run-down of the program this year, will there not?

**Mr Herscovitch**—That is right.

**Senator CHRIS EVANS**—When does the evaluation occur?

**Mr Herscovitch**—There was a preliminary evaluation some time ago and we will be doing a full evaluation in the next 12 months.

**Senator CHRIS EVANS**—I assume that the earlier evaluation must have been relatively positive or you would not still be funding it?

**Mr Herscovitch**—It was relatively positive, yes.

**Senator CHRIS EVANS**—So it is almost implicit in what you are saying about running the program down that the evaluation will not allow the program to continue; is that right?

**Mr Herscovitch**—No. The intention is to draw some lessons from the pilot program to see what we can do with them in the new arrangements that will be coming into operation. There will be quite significant changes occurring in specialist disability employment services over the coming years and the lessons from the pilot can be taken into that context.

**Senator CHRIS EVANS**—But are you saying to me that the services provided in the format that they are under the pilot will not continue beyond the next financial year?

**Mr Herscovitch**—Not as part of the pilot. It is an open question as to—we would have to await the results of the full evaluation—whether some similar sort of service will be incorporated in the larger changes.

**Senator CHRIS EVANS**—But with the way it is working, when the evaluation is done the funding decisions mean that effectively those pilots will close?

**Mr Herscovitch**—The pilots themselves will close, yes, but it does not mean that they have not worked and it does not mean that they have. We want to try to do a proper evaluation of it. There was certainly enough promise in what we saw in the earlier evaluation to continue the pilot at the time.

**Mr Wight**—A significant number of the pilots—I think it is something like 80 per cent—are currently operating out of the specialist disability employment services that we were talking

about earlier and they receive a block grant. There is no impediment for people who are eligible for a pilot that is terminating from being funded out a block grant of any of the existing services in the area. There is no impediment to people being placed in those existing services. No individual will miss out as part of the end of the pilot. As we have said, we are looking at new funding arrangements, case based funding and so forth, and in future they will be picked up in different sorts of funding arrangements, but they can already be picked up in existing services.

**Senator CHRIS EVANS**—Thank you for that.

**CHAIR**—Are there further questions on output group 3.3?

**Senator CHRIS EVANS**—Can someone tell me what the figures at page 70 for the wife pension, the second line under ‘special appropriations’, represent?

**Mr Herscovitch**—Do you mean the \$533 million, et cetera?

**Senator CHRIS EVANS**—Yes.

**Mr Herscovitch**—The reason those dollars are going down is because the program was closed in 1995, but people who were already receiving a wife pension at that date have been allowed to continue on that payment. There are no new grants and people are obviously transferring to other payments or dropping off the wife pension for whatever reason, so the numbers are falling.

**Senator CHRIS EVANS**—So it is a natural fall off in participation in the scheme, rather than any change in the funding of the scheme?

**Mr Herscovitch**—That is right.

**Senator CHRIS EVANS**—When is the program due to expire altogether?

**Mr Herscovitch**—It has no end date on it. As people leave the wife pension, for that individual the program ends, but it is open ended until all people have left the program. That could take many years because some pensioners on that program have a fair way to go before they reach the age pension age.

**Senator WEST**—I am confused with the PBS. I want to ask a question about computers. Where do I ask that? I cannot see anything that relates to that.

**Dr Rosalky**—On what aspect?

**Senator WEST**—Y2K.

**Dr Rosalky**—It is an issue that crosses all outputs because it is part of the whole support system. We will take the questions.

**Senator WEST**—There was an article in the *Sydney Morning Herald* of 16 April headed, ‘Y2K bug creeping up on Feds’, and it said:

Five Federal Government agencies, including the Department of Family and Community Services, have zero compliance for the Y2K computer bug, a report released yesterday has revealed.

What is the validity of that article?

**Mr Leeper**—I guess it shows what a great thing there is in headlines. The Department of Family and Community Services has three mission critical systems which need to be remediated for the year 2000 problem. None of those three in February has been done to the stage where they can be reported as having been remediated and back online and compliant. So therefore the figure was zero per cent; none out of three.

**Senator WEST**—That is not very good.

**Mr Leeper**—Our current figures, which will be published by the government later this month, will show that we are 67 per cent compliant, because we have got two of them over the line and we are working on the third one. So zero per cent made a great headline, but it was nowhere near the facts.

**Senator WEST**—Right. So what now is compliant? What are the figures?

**Mr Leeper**—Two out of the three systems are, to our satisfaction, compliant and the third one is close to being so as well.

**Senator WEST**—Which systems are now compliant?

**Mr Leeper**—One is called Tardis, which I understand is a payment system for disability services, and the other one is to do with child care operations.

**Senator WEST**—Right. What is the third one?

**Mr Leeper**—The third one is our replacement infrastructure for the new department, which we have put in place to enable us to have organisational flexibility between our offices based in Tuggeranong and Woden.

**Senator WEST**—When is that likely to be compliant?

**Mr Leeper**—That is in place. It is operating. We are just now in the process of certifying it and making sure that it meets the year 2000 tests. That should be done either this month or next month.

**Senator WEST**—Right. Is the interface between your computers and the other computers that you have got to talk to going to be Y2K compliant? You are not going to have any problems with that?

**Mr Leeper**—The testing, I understand, involves interface testing. So we are no longer exposed to any other agency that works across levels of government and with the private sector.

**Senator WEST**—So you will be meeting the deadline?

**Mr Leeper**—As far as we are aware, yes.

**Senator WEST**—What do you classify as the deadline?

**Mr Leeper**—The Office of Government Online reporting deadline is 31 July. Any systems that are not fully remediated past that point will begin to attract a high risk rating. We expect our three systems in the department itself will be fixed by then. There are other portfolio agencies. I could go through the figures, but they are working through it as well.

**Senator WEST**—And you think that your department and all your agencies will be compliant by 31 July?

**Mr Leeper**—No, there are a couple of systems where we still need to do remediation work, but I am confident that that work will be done in time to make sure that there are no unanticipated problems on 1 January.

**Senator WEST**—What about 9 September?

**Mr Leeper**—I am not aware that there is a separate testing strategy for that day. I understand the point you are making, which is—

**Senator WEST**—So there are fingers crossed for 9/9/99, are there?

**Mr Leeper**—I believe so.

**Mr Lansdowne**—The 9/9/99 issue is not typically involved in a lot of our systems. Our testing does look at all of those issues as well, but we do not think it is a high risk.

**Senator WEST**—Right. You said that you thought that there were two areas that you might not be compliant in by the end of July. What are those two areas?

**Mr Leeper**—One of them is remediation of the child support systems.

**Senator WEST**—The Child Support Agency?

**Mr Leeper**—Yes, the payments processing system. The issue there is that part of the remediation strategy was to replace the existing system with a new one and that has not been able to be done. So the existing system is being remediated. It will not be a major problem, because that system already contains date fields which are robust for the year 2000 problem. It already carries a four-year date code. So that remediation will not be a major thing, but it is just the risk, because the timetable for that now extends past 31 July. We are keeping a very close eye on that. The other thing is—which, I think, may not be within the OGO reporting guidelines—we are also implementing a replacement personnel and financial management system based on the SAP product set, which will be done by September. Obviously, we will not finish implementing that by 31 July. So that is another area that we are keeping an eye on.

**Senator WEST**—What has the cost been for the Child Support Agency one where you have not been able to introduce the new system and you have had—

**Mr Leeper**—I do not have those figures, I am sorry. When I went to ask them, the officers were not here any longer.

**Senator WEST**—Thank you. I will leave it at that. It was a good headline.

**Mr Leeper**—It was a great test of mathematics, that one. We went from zero to 67 per cent in the course of a couple of weeks.

**CHAIR**—Any further questions on output group 3.3? As there are no questions on output group 3.4, we will move to output group 3.5.

[5.16 p.m.]

#### **Output Group 3.5—Childcare support**

**Senator CHRIS EVANS**—You list your outputs on page 89. Your outputs include a range of things, including the ratio of child-care places provided to the number of places required by age cohort and the ratio of child-care places provided in rural and remote areas to places required. I just wondered how you are going to measure those outputs.

**Ms Corbett**—As part of the national planning framework, we are monitoring the available data on both demand and supply for child-care places. We are certainly interested in monitoring that by regions so that we will pick up both rural and remote areas and metropolitan area differences. We are doing that for each of the sectors of child-care services.

**Senator CHRIS EVANS**—What mechanism do you have for monitoring the demand? That is the key. It is easy enough to monitor the supply, although I have a bit of a complaint about how recent the figures are on some of that sort of stuff. How do you actually go about measuring the demand?

**Ms Corbett**—We do have a demand-supply model within the department, but we put that through quite a process of reality testing with the support of the planning advisory committees at the state and territory level. The planning advisory committees involve the federal government, the state government, local government and local industry representatives and

they give us their own assessment to weigh against what we find from our model to give us an indication of supply that we use for planning purposes.

**Senator CHRIS EVANS**—They tell me that the reality testing can be quite helpful but that some of the initial stuff they get does not fit with the real world assessment of it.

**Ms Corbett**—Exactly.

**Senator CHRIS EVANS**—How accurate is that? How do you get the original demand stuff? What format is it in? Do you think that it is a good measure or not?

**Ms Corbett**—We believe that the reliability of the data that the planning advisory committees are working with is improving as they become more familiar with this process, and we are continually improving our own model within the department. But we figured that this is in fact the best way to get data for this sector, because there are local factors that vary quite significantly across the country.

**Senator CHRIS EVANS**—I do not disagree with that. I think the reality testing, as you call it, is obviously a very useful thing, but I am more interested in the original data. How do you collect that? What is it?

**Ms Corbett**—It would take into account the existing number of places in particular regions, labour force participation patterns, demographics and any major industry adjustments of which we are aware in that area.

**Senator CHRIS EVANS**—So the department pulls together what it finds from other sources and turns that into some sort of assessment. Is that a fair way to describe it?

**Ms Corbett**—That is right. It is a specialised model for this purpose. It takes into account data from ABS and other portfolios.

**Senator CHRIS EVANS**—So it is a mathematical model?

**Ms Corbett**—That is right.

**Senator CHRIS EVANS**—Can you give me a copy of that on notice?

**Ms Corbett**—We can give you a detailed briefing on it, yes.

**Senator CHRIS EVANS**—As you said, you get different feedback from some of the people involved on the planning groups about how useful or accurate it is. That seems to vary a bit, from what I have heard in terms of feedback. In terms of us assessing that, you do not tend to publish the demand stuff, do you?

**Ms Corbett**—The assessment of the high needs areas is published as part of the national planning process, and we put a reasonable amount of detail also in our annual report.

**Senator CHRIS EVANS**—If we are looking for the measure to assess your outputs, we would look at the annual report's description of demand?

**Ms Corbett**—That would be certainly one of the important sources.

**Senator CHRIS EVANS**—You said you have published it in some other format as well?

**Ms Corbett**—No, I referred to the advertising of the high needs areas that is a part of the national planning process. The planning advisory committees make some information available to interested players in the industry, and we advertise an overview of what we found in relation to demand and supply patterns in that process.

**Senator CHRIS EVANS**—Child care is only listed as contributing to one outcome—economic and social participation—in this year's budget papers: is that right?

**Ms McKay**—That is how it is grouped, although a number of the programs within FACS contribute to several outcomes. It is actually grouped under the economic and social participation outcome, but it contributes quite substantially to the community and locational outcome and to the family capabilities one as well.

**Senator CHRIS EVANS**—It is not listed as an outcome for children or anything. It seems a bit restrictive. I guess this is part of the feature of this new way of doing things.

**Ms Raymond**—I think this was the easiest way to report. If it were across all three outcomes it would be very difficult to report against. It must be remembered that the primary focus of the child-care program is to enable labour force participation of families.

**Senator CHRIS EVANS**—How are we going on the question of the benchmark for affordability?

**Ms Raymond**—Can I just check that benchmark. What page is that on?

**Senator CHRIS EVANS**—You told me last year you were developing a benchmark for affordability. You said it is now one of the measures by which you assess outputs.

**Ms Raymond**—The benchmark that we are using at the moment is looking at the out-of-pocket costs of child care as a proportion of weekly disposable income. We are looking at that before and after the child-care subsidies. We are looking at the difference that the amount of government assistance makes in terms of the affordability of child care for families.

**Senator CHRIS EVANS**—Is that interchangeable with what you used to talk about as being the benchmark for affordability?

**Ms Raymond**—Yes.

**Senator CHRIS EVANS**—How are you going to publish that output?

**Ms Raymond**—In the annual report again.

**Senator CHRIS EVANS**—Do you have some up-to-date figures on that output currently?

**Ms Raymond**—Yes, I do. I can table those figures if you would like them.

**Senator CHRIS EVANS**—I would appreciate that.

**Ms Raymond**—They are current figures as of about March this year.

**Senator CHRIS EVANS**—The Commonwealth Child Care Advisory Council was expected to report to the government in about April. Has that happened?

**Ms Corbett**—Could you clarify in relation to which matter?

**Senator CHRIS EVANS**—I thought one of the issues that you referred to was affordability. It was to provide a series of reports; is that right?

**Ms McKay**—The Commonwealth Child Care Advisory Council reports to the minister on a fairly regular basis. I think it reported to the minister in February. If the question is ‘Has it reported in a way that is public?’, the answer is no, not yet.

**Senator CHRIS EVANS**—Just so I get the process clear: it provides update reports to the minister? I thought it was doing some work on particular issues for the minister. From the last time I spoke to you about it, I thought a report was due in about April?

**Ms McKay**—They make progress reports to the minister on their work on a regular basis, and they have a couple of specific references that they are working on which they are continuing to report to the minister.

**Senator CHRIS EVANS**—Are you able to give me the current references they are working on?

**Ms Corbett**—Currently, the advisory council is working on the review of the quality assurance system for long day care. That has been a major review. Recently, it has commenced looking at future demand issues—for example, trying to project the impacts on the child-care industry to the year 2000.

**Senator CHRIS EVANS**—To the year 2000?

**Ms Corbett**—Up to and beyond the year 2000. They are also looking into some specific issues of need within the sector that the minister has expressed a concern about, including care for sick children. They may well review funding and charging practices, but that is something that needs to take into account the implementation of the child-care benefit. That is something that would probably be a longer term review process.

**Senator CHRIS EVANS**—They had a reference on funding charges, didn't they?

**Ms Corbett**—Yes, they did. They did some initial work. But the impact of the child-care benefit changes the parameters significantly, and that work is to be reconsidered.

**Senator CHRIS EVANS**—Recently, I received your figures on closures and openings of child-care centres. That was very useful for providing an up-to-date assessment of what is going on in the industry.

**Senator Newman**—Was that answer just on community-based child-care centres or was that across the board?

**Senator CHRIS EVANS**—No.

**Senator Newman**—I saw that one answer was just community based.

**Senator CHRIS EVANS**—No, I got both sectors—or 'the' sector. I was interested in whether or not the department had done any work on analysing where those openings and closings were and whether there were any other conclusions or information to draw from that. I think I have raised my concern with you before that my impression from Perth and some other places was that there was a preponderance of closures in lower socioeconomic areas and quite strong growth in some areas. I was interested in whether you have done any work on any patterns or information that we could glean from what was happening with that. Based on the figures for openings and closures in Australia that you gave me, there is still a lot of movement and a shake-up going on in the industry. Have you done any work to analyse the trends and draw some conclusions from that?

**Ms Corbett**—At this point, we have looked at the analysis on a state by state basis. We have not done the sort of analysis that you referred to at this point. But it is possible that we will need to do that. In fact, we anticipate that the council may want us to report to it on some of those matters.

**Ms McKay**—We will do that more detailed work on the impact on localities. It is an obvious question to ask. For a program that has a community impact, it is important to understand that impact. It is fairly detailed work and it will take a little while.

**Senator CHRIS EVANS**—One of the points I would make to you is that there has been a shake-up in the industry for some while. We might argue sometimes about why that is and what the causes are. However, there is no doubt that there is still a lot of movement. From what the industry tells me, there is more to come. A few people tell me that the July turnover date will have quite an impact in some of these centres. In fact, on some of those centres, we

might see more of a shake-out in some of the centres. Has there been any work done to analyse what is going on in the industry and whether or not there needs to be some response to that?

**Senator Newman**—I have just been observing what has been happening in Tasmania. It has been quite interesting, because some of the community based ones that have closed down have been started up again by another community organisation, and in other parts of Tasmania community based ones that were closing have actually been taken over in one form or another by the private sector. So there has been a change of ownership, which must be showing up as closures and openings which are not necessarily providing much of a change in numbers.

**Senator CHRIS EVANS**—I agree. That is why I think the data we have got is inadequate in explaining what is going on in the industry.

**Senator Newman**—We had a higher proportion of community based centres than I think most states—a very small private ownership before. Now there is a bit of growth in the—

**Senator CHRIS EVANS**—The only thing I really learnt about child care in the last year or so is that you do not make judgments on one state. It seems to me—

**Senator Newman**—We were different before and now we are catching up.

**Senator CHRIS EVANS**—I gather you changed your babies to staff ratio in Tasmania fairly recently and that that is changing the occupancy and use. So each state's regulations also impact on what is happening in the sector.

**Senator Newman**—One of the things used to be that the community based centres, for instance, were where families on very low incomes tended to go for child care and also where people with babies under two years old went for child care. That has now changed in the last few years. The affordability is greater for people on low incomes in the private sector, and more of the private sector is providing for babies as well. So there are two measurements that have changed quite a lot.

**Senator CHRIS EVANS**—One of the reasons for that is that the state regulations on the staff ratio for babies changed. I think it made it a more competitive market, didn't it? I think you had the highest baby—

**Senator Newman**—I am not just talking about Tasmania now; I am talking about Australia wide.

**Senator CHRIS EVANS**—I have difficulty drawing conclusions Australia wide because what is happening seems to be different in each state.

**Senator Newman**—The thing is that you notice it by looking at the child-care assistance figures. Child-care assistance which is focused more on the low to middle income families used to be much more heavily prevalent in the community based centres. Now you see higher proportions of child-care assistance, in fact, in the private sector. So that is how the department can keep an eye on that aspect. You were asking about low income families. They have tended to move where the cost is a little bit less and also where there are more opportunities for babies.

**Senator CHRIS EVANS**—Yes, but I would also be interested in a more thorough analysis of what is going on in terms of socioeconomic groups, because I think you will find also that some of the closures of private centres have been in those areas, for the same reasons of affordability.

**Senator Newman**—The private sector has not grown as fast in costs.

**Senator CHRIS EVANS**—But from the parents' point of view, it is just an equation for them. I am not trying to explain it. I would actually like to have a proper analysis of what is happening, because there is still this shake-up in the industry; there are still closures and quite a lot of churning going on, it seems to me.

**Senator Newman**—The industry tells me that the introduction of the national planning scheme has been the best thing because it actually is not encouraging people to set up in an area where there is an oversupply and they are likely to have trouble with viability. It has been fairer to the families who need it.

**Senator CHRIS EVANS**—I think that has helped, but I am not sure that it is—

**Ms McKay**—Openings and closures are counted twice, even where there is a change of ownership. So the data that we have and that we have given you is really not complete in terms of giving you a picture of where there is actual impact on families and communities and people working. That is why we really need to have a close look at that data. The net effect is that there are more openings than closures. What we do not know is whether all of those closures are, in fact, shifting the supply into a different area. It is unlikely—but we are not going to assume that that is the case—that a closure results in an opening in exactly the same place, although the infrastructure is such that it is likely.

**Senator CHRIS EVANS**—That is the point. Shouldn't you be able to work out from your data which of the openings are, in fact, just replacements of closures?

**Ms McKay**—Yes, we need to do the analysis.

**Senator Newman**—The discrepancy between the numbers is something like 500 and 300.

**Senator CHRIS EVANS**—I know what the figures are, but I am saying that the department is just saying to me they cannot tell which of the openings are, in fact, openings of the old closures. So that means we do not actually have a very good picture of what is happening. The point I am trying to make and the complaint I am making is that we do not have good information, it seems to me, about what is happening in the child-care industry. I am asking whether or not we could get better information?

**Ms McKay**—We could and we will.

**Senator CHRIS EVANS**—How is that going to be achieved?

**Ms McKay**—We will be doing the analysis on the data that we have to establish its distributional impact. It will be available when we have done it, which should not be too far off.

**Senator CHRIS EVANS**—That is encouraging. Can I ask about the disadvantaged area subsidy? What is happening with the funding of that? Does that end at the end of this year or next year?

**Ms Corbett**—No, the disadvantaged area subsidy continues. It is an ongoing program.

**Senator CHRIS EVANS**—So what is the budget for next financial year?

**Ms Corbett**—\$6.8 million, including \$4.1 million in outside school hours care, and the rest is in long day care.

**Senator CHRIS EVANS**—So the majority of it is in outside school hours care?

**Ms Raymond**—My recollection is that it is \$6.8 million for long day care and then an additional \$4.1 million for outside school hours care.

**Senator CHRIS EVANS**—Is that a consensus?

**Ms Corbett**—Yes, we have a consensus.

**Senator CHRIS EVANS**—So there is \$6.8 million this coming financial year for long day care and \$4.1 million for outside school hours care? Is there funding in the out years for that program?

**Ms Corbett**—There is indeed.

**Senator CHRIS EVANS**—Was this year's budget fully expended?

**Ms Corbett**—This year's budget was not fully expended. It was close. Of course, we have not got quite to the end of this financial year. We think it will be slightly underexpended.

**Senator CHRIS EVANS**—My recollection was that it was a bit of a transitional thing, but it has been decided to keep it operating; is that right?

**Ms Corbett**—Yes, at this stage it is an ongoing program, and we will be reviewing it.

**Senator CHRIS EVANS**—What are the criteria for seeking assistance under the program?

**Ms Corbett**—The criteria for outside school hours care are based on location. In effect, all of the outside school hours care services that are in rural and regional areas or remote areas are eligible. Some in the urban fringe areas are eligible. For long day care, the criteria are different, and those ones are primarily in rural and remote areas.

**Senator CHRIS EVANS**—There is no ability for long day care in metropolitan or outer suburban areas to access this fund; is that right?

**Ms Corbett**—That is correct at this point.

**Senator CHRIS EVANS**—Has any consideration been given to changing those guidelines?

**Ms Corbett**—The matter has been raised with us. I understand it has been a concern in South Australia, and our South Australian office has been looking at it in particular. But there has been no decision on that.

**Senator CHRIS EVANS**—So at the moment it will only apply to rural and regional areas. Do you have a waiting list of people seeking assistance?

**Ms Corbett**—No, we do not with the disadvantaged area subsidy at this point. In fact, the reason we think it might be slightly underexpended is that there are not as many services out there as we would like to see. That is a priority in our national planning process: to see more services in those areas.

**Senator CHRIS EVANS**—So you are actually helping them set up as well as helping those in trouble?

**Ms Corbett**—Yes, we are.

**Senator CHRIS EVANS**—Is that only going to community based services, or is it going to private services as well?

**Ms Corbett**—At this point the disadvantaged area subsidy is just for community based services.

**Senator CHRIS EVANS**—What will you fund under that program? Will you fund renovations or will you just fund ongoing needs or capital works?

**Ms Corbett**—There are other programs to assist new services to establish, particularly in rural and remote areas, including capital support and various other sources of support, and some establishment grants. The disadvantaged area subsidy, however, is ongoing subsidy

support in recognition of the cost factors and the variations in utilisation patterns that those services experience.

**Senator CHRIS EVANS**—So they cannot apply for capital funds under that program?

**Ms Corbett**—They cannot apply for capital funds under the disadvantaged area subsidy. That is correct.

**Senator CHRIS EVANS**—So it is only for basically supplementing their running costs, is it—to sort of keep them going?

**Ms Corbett**—That is correct.

**Senator CHRIS EVANS**—And what is the average sort of grant they get?

**Ms Corbett**—The establishment grant? I could not tell you that accurately at the moment.

**Senator CHRIS EVANS**—Maybe you could take that on notice. What about in terms of those centres that are having a bit of trouble maintaining themselves? What sort of money do you allocate?

**Ms Corbett**—There is a range of programs that we can bring into play to assist services that are having trouble. A very well-supported one has been the support for financial management for outside school hours care, for instance. One-to-one assistance has been provided using appropriately skilled financial management expertise—

**Senator CHRIS EVANS**—Is this under the disadvantaged area subsidy program?

**Ms Corbett**—No. This is a separate program.

**Senator CHRIS EVANS**—I just asked a question about the disadvantaged areas subsidy. I was just trying to get a feel for what you are funding under that program—what the sort of activities are, what your average spend is. What are you doing under the long day care program?

**Ms Corbett**—I would prefer to give you a more detailed briefing on notice, if that is acceptable.

**Senator CHRIS EVANS**—All right. But you obviously have quite a reasonable amount of money for that, ongoing. What about capital works for existing centres? What program funds can they access?

**Ms Corbett**—There are capital replacement and upgrading funds, in the main. There are various purposes that services can call on those resources for.

**Senator CHRIS EVANS**—What budget is in that program?

**Ms Corbett**—Capital replacement and upgrading for the current financial year was \$5.7 million.

**Senator CHRIS EVANS**—Is that for 1998-99 or 1999-2000?

**Ms Corbett**—1998-99.

**Senator CHRIS EVANS**—What about for next year's budget?

**Ms Corbett**—It is determined within a broad band of funds. Our expectation is that the figure will be in a similar range.

**Senator CHRIS EVANS**—What are the other allocations as part of that broad band?

**Ms Corbett**—Could I suggest that I provide you with a list on notice? There is a large number of subcomponents.

**Senator CHRIS EVANS**—I did not realise there were quite so many programs. We are trying to get a handle on what funds are available. There seems to be a lot directed at rural and regional, which I am happy to support. What about urban centres? Can they access the capital funding?

**Ms Corbett**—Yes. There is some capital support in the urban centres, certainly, for the community based centres and, again, capital upgrading and replacement, particularly for the older services.

**Senator CHRIS EVANS**—What about capital funding for new community based services in urban areas? Is there a program they can access?

**Ms Corbett**—The establishment grants do cover that sort of expense—capital as well as other forms of establishment, salary for an incoming director and various others.

**Senator CHRIS EVANS**—Perhaps you could give me a breakdown of the various subprograms—there are obviously a few more subprograms than I thought—their funding for this year and next year and the sort of broad criteria for accessing those funds. And if you have an average grant figure, that might help—just so that I have a feel for whether under that program you give someone \$250,000 or \$50,000, so that I have got a feel for what it is you provide.

**Ms Corbett**—Certainly.

**Senator CHRIS EVANS**—Where are we at with the child care census?

**Ms Raymond**—The census has just been conducted. We are getting truck loads of forms returned from it now.

**Senator CHRIS EVANS**—When was the last one published?

**Ms Raymond**—The last one has not yet been published. The data is available and I have just cleared the introduction for publication. So it will be published very shortly.

**Senator CHRIS EVANS**—So the 1997 census will be published in 1999?

**Ms Raymond**—Yes, that is right.

**Senator CHRIS EVANS**—I guess there is always a bit of a problem with censuses, but this is a slightly smaller exercise. Is there any concern about the time lag between collection and—

**Ms Raymond**—There is a concern and we are trying to speed up the process this year so that we will have preliminary data from the May census in about August. That is what we are expecting. We are hoping to have the census results published by the end of this year. We are concerned about the delay with the last one.

**Senator CHRIS EVANS**—I think there is a demand for information out there because of the changes in the industry. That would be very helpful. We would expect to see the published data for the 1997 one shortly. How can people access that data, if they wish to, before the publication? Is it available?

**Ms Raymond**—Absolutely. We can make it available. The minister has cleared it for release. They can make a phone call to the department.

**Senator CHRIS EVANS**—I gather that the New South Wales government Office of Child Care is doing some research on multicare arrangements. Have you had any involvement with that or have you done any work on this trend towards multicare arrangements?

**Ms Corbett**—Not that specific initiative. Our state office may well know more than I could currently tell you about it. Is it about integrated service models or is it more—

**Senator CHRIS EVANS**—It is about the trend towards parents relying on different care arrangements—a combination, multiple care arrangements. I just wondered if you had any information, not only on what is happening in New South Wales in terms of that but also whether you had done any work on that sort of issue, whether you had any information.

**Senator Newman**—Can I ask a bit more about what you are referring to in New South Wales? We are doing some things in South Australia.

**Senator CHRIS EVANS**—I understand that the New South Wales government has commissioned some research.

**Senator Newman**—Yes, but we are doing some pilots in South Australia for more remote areas. I would describe them as a sort of a multipurpose facility where you have some kindergarten places, which are state government funded, and you have some child-care places, long day care places and some out of school—

**Senator CHRIS EVANS**—We are at cross-purposes, I think. I am talking about analysing the trend towards parents accessing multiple or different types of care arrangements for the care of their children in the same week or fortnight—formal long day child care, family day care, grandmother—trying to analyse what is happening in terms of societal trends, I suppose.

**Ms Raymond**—We will be really interested in the New South Wales results. The only available information we have on that is the ABS child-care survey. The last one was undertaken in 1996. There is one about to be undertaken in June this year. We would certainly be looking at that to see if there has been a big difference between 1996 and 1999. But we have not undertaken that research ourselves. We will be very interested in the New South Wales results.

**Senator CHRIS EVANS**—Who does the ABS survey in that survey?

**Ms Raymond**—Parents of children using child care.

**Senator CHRIS EVANS**—So it is not a census?

**Ms Raymond**—Sorry, it is parents. They do not have to be using child care. We actually get a spectrum of the types of care used—whether the parents themselves are looking after the children or whether it is relatives—and how many types of care they use during the week, et cetera.

**Senator CHRIS EVANS**—That is the national survey?

**Ms Raymond**—Yes.

**Senator CHRIS EVANS**—Are there any plans to extend the quality improvement accreditation system to family day care and outside school hours care?

**Ms Corbett**—Yes. We are working collaboratively with some of the peak organisations on the development of quality assurance systems for both of those sectors. We are at a quite early stage of the development of those systems. We are very interested in the review of the quality assurance system for long day care in order that we can drive some consistency in the approaches taken with the three sectors.

**Senator CHRIS EVANS**—Is there any money for that purpose in this year's budget allocations?

**Ms Corbett**—No. There has been no budget allocation. We are absorbing the development work in departmental resources.

**Senator CHRIS EVANS**—So have we got any sense for time lines in the development of quality improvement accreditations for those sectors?

**Ms Corbett**—Not at this point.

**Senator CHRIS EVANS**—Do you have target dates?

**Ms Corbett**—We have a range of opinions on the subject, but no, we do not have a target date at this point.

**Senator CHRIS EVANS**—Just more generally, have you done any work on utilisation and utilisation rates?

**Ms Raymond**—The most useful information on utilisation is, of course, the child-care census. We have analysed utilisation. However, if you want to define it, there are many ways of defining utilisation. We have looked at what happened between 1995 and 1997, but it will be really critical to look again at the 1999 data when it becomes available.

**Senator CHRIS EVANS**—Can you give me an overview of what you think is happening?

**Ms Raymond**—Certainly, there has been a falling off in utilisation. Whereas in 1995 there was almost 100 per cent capacity in your long day care centres with waiting lists, by 1997 there had been a falling off. So there were very few centres that had waiting lists in 1997.

**Senator CHRIS EVANS**—What do you think is happening in terms of the utilisation for places for young children—babies, effectively?

**Ms Raymond**—For babies? I am sorry, I have no information on that. My expectation on that is that the demand is still quite high for baby places. That is another area of high need. So I suspect that there is very little spare capacity in terms of centres that have baby places.

**Senator CHRIS EVANS**—My impression, though, is that it is not as bad as it was five years ago.

**Ms Raymond**—That is quite likely, yes. But again, we can look at that specifically.

**Senator CHRIS EVANS**—Have you done any work on what the impact of this move to four-year-old education, part education, pre-primary, et cetera, is having on the child-care sector?

**Ms Raymond**—That is specifically in WA?

**Senator CHRIS EVANS**—I am getting complaints from Queensland. The various state systems and private school systems are doing various things.

**Ms Raymond**—We suspect that is having an impact on the utilisation. That is one of the factors affecting that. But again, that is one of the things that we will be looking at very closely in terms of the 1999 census, because the changes are just having their full impact now.

**Senator CHRIS EVANS**—They do not have five-year-olds or even four-year-olds in a lot of child-care centres in Western Australia any longer. They have gone into the pre-primary. And, of course, the private schools are offering cheaper services—enrol your child in the pre-primary and they will stay in for grade 1 and all that sort of stuff. So there is quite a shift going on.

**Ms Raymond**—Yes. We are actually working quite closely with state administrators and looking at the interface between child care and preschools, so that we are talking to each other in terms of the impact that the changes are making.

**Senator CHRIS EVANS**—Can you tell me out of which grant the Darwin Mitchell Street Child Care Centre got some capital refurbishment moneys?

**Ms Corbett**—I would like to check this for you, Senator, but I am pretty sure it was under the capital replacement and upgrading funds.

**Senator CHRIS EVANS**—Perhaps you could take it on notice to give me the amount and the program. It was just raised with me, and I was not sure which program it was, so I would appreciate that.

**Senator WEST**—Can you tell me what assistance is available to child-care centres that have children with disabilities attending their centres?

**Ms Corbett**—The main programs are the Supplementary Services Program and the Special Needs Subsidy Scheme. They have slightly different purposes. The first of those two programs aims to assist the service in developing a general inclusion strategy. It may give some assistance with provision of capital support or suitable toilets or some minor adjustments that are required. The Special Needs Subsidy Scheme works more directly with individuals and provides support to the services in integrating and working with the needs of individuals.

**Senator WEST**—The special needs one: is it attached to the centre or to the child?

**Ms Corbett**—The funding is generated by the child, and the assessment of need is based on the child's need. The funding is then available to the centre or the service.

**Senator WEST**—The problem I have had put to me is: a country area, the middle of the year, mum and dad move to the area, have a child with a disability—fairly severe; moderate to severe—the child has been in child care where they moved from, but in the middle of the year they have moved to a new town—a new centre—and that centre is not able to access its funding until the beginning of the next calendar year. That means that that centre either takes the child and cannot give it the support or gives it the support and has to sacrifice that by either putting extra people on and out of their surpluses or at a cost to some extent to the other kids.

**Ms Corbett**—I can understand that that could happen.

**Senator WEST**—What is happening about correcting that position?

**Ms Corbett**—We are looking at restructuring that program altogether and creating some improved flexibilities in it.

**Senator WEST**—What about the SUPS one? When is the funding called for that?

**Ms Corbett**—The same is true of the SUPS program, in that we are reviewing the two of them jointly in the hope that we can create something more flexible.

**Senator WEST**—They are up for review, are they?

**Ms Corbett**—We are internally in the department having a review of them, yes, in consultation with our state officers at this point.

**Senator WEST**—How accessible are these programs to for-profit privately owned child-care centres?

**Ms Corbett**—They are accessible to the private centres, certainly. In fact, I understand that they are reasonably well supported in the private centres.

**Senator WEST**—As easily as for the not-for-profit sector?

**Ms Corbett**—I think I had better check that one for you. I might have made an error there.

**Senator WEST**—I would appreciate that.

**Ms Corbett**—Could we confirm that one for you?

**Senator WEST**—I would appreciate that, because I have had complaints from two child-care centres in a regional town—one for-profit and one not-for-profit. Both are complaining about the special needs criteria, because it is a town which actually has a population growth, and it is growing in the younger families area. Over the past couple of years, both have had families come in with children with disabilities, and they have had difficulties accessing special needs because the kids have come in in the middle of the year. One of them has also had difficulty getting access to SUPS, because if they could actually access SUPS, they would actually be able to have more children with disabilities in the centre. It is a bit of a chicken and egg situation that access to it is a bit difficult. They have also made the comment that they are not sure that they, as a private centre, are not below the not-for-profits in the pecking order, as well.

**Senator Newman**—Senator, you might like to write to me about that, because I would be very happy to take up those comments. I am trying to get greater flexibility in these, and also better awareness, because I have struck one centre that knew about SUPS but did not seem to know about SNSS. We managed to put the right people together on this occasion, so there is a child now getting SNSS.

**Senator WEST**—These two both know about what is available. The person who runs the private one—

**Senator Newman**—But there are some rigidities in the system that I think it is good to try to get rid of. If you want to write to me about that, we can follow up the detail and see if any immediate help can be given and anything that needs to be done more in a structural sense to the program.

**Senator WEST**—The private one was able to get around some of the problems because the owner is actually an RN. She is working at the hospital as well as running this. She was able to be there enough times for that to be included on their staff cover and things—and expertise. But she was having real problems with having a disagreement as well, because there are not adequate occupational therapist services in that town for the occupational therapist on the part of either the SUPS or special needs to actually visit the child in a private centre. Is that part of your coverage, or is that under the state regulations?

**Ms McKay**—It would be a lot easier if we had the details of the cases and could look at that.

**Senator Newman**—We will see if we can do anything about those particular circumstances, and also to see that these things are prevented in the future.

**Senator WEST**—I would appreciate it—on notice—if you could give us a brief on what the SUPS are and who is eligible and that sort of thing, and the same for special needs, please. I cannot think of anything more. That will do me.

**CHAIR**—There are no further questions then. We have received some questions on notice from Senators Harradine, Evans and West. So if there are no further questions from the committee, I thank the minister, the secretary, the officers of the department and the committee for being so efficient and forthright.

**Committee adjourned at 6.01 p.m.**