



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION  
COMMITTEE

ESTIMATES

**(Supplementary Budget Estimates)**

TUESDAY, 20 OCTOBER 2009

CANBERRA

BY AUTHORITY OF THE SENATE



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**SENATE FINANCE AND PUBLIC ADMINISTRATION**

**LEGISLATION COMMITTEE**

**Tuesday, 20 October 2009**

**Members:** Senator Jacinta Collins (*Chair*), Senator Bernardi (*Deputy Chair*), Senators Cameron, Polley, Ryan and Siewert

**Participating members:** Senators Abetz, Adams, Back, Barnett, Bilyk, Birmingham, Mark Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cash, Colbeck, Coonan, Cormann, Crossin, Eggleston, Farrell, Feeney, Ferguson, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Furner, Hanson-Young, Heffernan, Humphries, Hurley, Hutchins, Johnston, Joyce, Kroger, Ludlam, Lundy, Ian Macdonald, McEwen, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Moore, Nash, O'Brien, Parry, Payne, Pratt, Ronaldson, Scullion, Sterle, Troeth, Trood, Williams, Wortley and Xenophon

**Senators in attendance:** Senators Abetz, Bernardi, Boswell, Boyce, Cameron, Collins, Coonan, Cormann, Eggleston, Farrell, Feeney, Ferguson, Fielding, Fifield, Forshaw, Heffernan, Humphries, Ludlam, Moore, Parry, Ronaldson, Ryan and Scullion

**Committee met at 9.02 am**

**FINANCE AND DEREGULATION PORTFOLIO**

**In Attendance**

Senator Nick Sherry, Assistant Treasurer

**Department of Finance and Deregulation**

**Executive**

Mr David Tune, Secretary

**General Questions**

Ms Jan Mason, General Manager, Corporate and Parliamentary Services

Mr Colin Plowman, Division Manager, Corporate Services

Mr David Yarra, Chief Audit Executive

Mr Michael Burton, General Manager, Financial and e-Solutions Group

Mr Brett Quester, Branch Manager IT Services Branch

**Outcome 1**

Ms Kathryn Campbell, General Manager, Budget Group

Mr John Ignatius, Division Manager, Social Welfare Division

Mr David Nicol, Division Manager, Budget Policy and Coordination Division

Mr Brendan Sargeant, Division Manager, Government and Defence Division

Mr Peter Saunders, Division Manager, Budget Review Division

Mr David Weiss, Division Manager, Industry, Education and Infrastructure Division

Mr David de Carvalho, Branch Manager, Health and Ageing Branch

Mr Paul Dworjanyn, Acting Branch Manager, Budget Coordination Branch

Mr Stephen Miners, Branch Manager, Budget Analysis Branch

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Mr Geoff Painton, Branch Manager, Central Agencies Branch  
Dr Arthur Camilleri, Branch Manager, Long Term Budget Policy Branch  
Mr Paul Emery, Branch Manager, Environment and Agriculture Branch  
Mr Paul McNamara, Branch Manager, Education, Science and Industry Branch  
Mr Tim Youngberry, Acting General Manager, Financial Management Group  
Mr Alan Greenslade, Division Manager, Funds and Superannuation  
Mr Lembit Suur, Division Manager, Financial Framework  
Ms Susan Page, General Manager, Deregulation Group  
Mr Peter McCray, Division Manager, Deregulation Policy Division  
Mr Jason McNamara, Executive Director, Office of Best Practice Regulation

**Outcome 2**

Mr Simon Lewis, General Manager, Asset Management Group  
Mr John Grant, Division Manager, Procurement Division  
Mr Rick Scott-Murphy, Division Manager, Property and Construction Division  
Ms Stacie Hall, Acting Division Manager, Government Business, Special Claims and Land Policy  
Ms Ann Steward, General Manager, Australian Government Information Management Office  
Mr John Sheridan, Division Manager, Business Improvement and Agency Services Divisions  
Mr Graham Fry, Division Manager, Policy and Planning Division.

**Outcome 3**

Mr Michael Burton, General Manager, Financial and e-Solutions Group  
Mr Brett Quester, Branch Manager IT Services Branch  
Ms Jan Mason, General Manager, Corporate and Parliamentary Services  
Ms Kim Clarke, Division Manager, Ministerial and Parliamentary Services  
Ms Suzanne Pitson, Branch Manager, Entitlements Policy  
Mr Greg Miles, Branch Manager, Entitlements Management  
Mrs Kim Baker, Acting Branch Manager, Client Services  
Mr Wally Stopp, Acting National Manager, COMCAR  
Mr Stephen Taylor, Branch Manager, Legal Services  
Ms Carolyn Hughes, Branch Manager, Parliamentary Entitlements Review Committee Secretariat

**Australian Electoral Commission**

Mr Ed Killesteyn, Electoral Commissioner  
Mr Paul Dacey, Deputy Electoral Commissioner  
Ms Barbara Davis, First Assistant Commissioner  
Mr Kevin Kitson, First Assistant Commissioner  
Mr Paul Pirani, Chief Legal Officer  
Mr Doug Orr, Assistant Commissioner, Elections  
Mr Pablo Carpay, Assistant Commissioner, Roll Management  
Ms Rachel Harris, Chief Finance Officer  
Ms Kathy Mitchell, Acting Assistant Commissioner, Education and Communications  
Mr Neal Mason, Assistant Commissioner, People Services

Mr Michael Cuddihy, Acting Assistant Commissioner, Information Technology

Mr Michael Maley, Acting Assistant Commissioner, Strategic Capability

**ComSuper**

Mr Leo Bator, Chief Executive Officer

Ms Cindy Briscoe, Deputy Chief Executive Officer

Mr Chris Ramsden, Acting Chief Financial Officer

**Future Fund Management Agency**

Mr Paul Costello, General Manager, Future Fund Management Agency

**Medibank Private Ltd**

Mr George Savvides, Managing Director, Medibank Private

Mr Michael Sammells, Chief Financial Officer, Medibank Private

**CHAIR (Senator Jacinta Collins)**—I declare open this supplementary budget estimates hearing of the Senate Finance and Public Administration Legislation Committee. The Senate has referred to the committee the particulars of proposed expenditure and related documents for 2009-10 for the parliamentary departments and for the Prime Minister and cabinet, finance and deregulation and human services portfolios. The committee has set Friday, 4 December 2009 as the date by which answers to questions on notice are to be returned.

Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. Officers and senators are familiar with the rules of the Senate governing estimates hearings, such as parliamentary privilege, the test of relevance and giving opinions on matters of policy. If you need assistance, the secretariat has copies of the rules. I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised, which I now incorporate in *Hansard*.

*The extract read as follows—*

**Public interest immunity claims**

That the Senate—

- (a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;
- (b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;
- (c) orders that the following operate as an order of continuing effect:
  - (1) If:
    - (a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and
    - (b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

- (2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.
- (3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.
- (4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.
- (5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.
- (6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.
- (7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).
- (8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(Extract, Senate Standing Orders, pp 124-125)

The committee has before it a list of the outcomes relating to matters which senators have indicated that they wish to raise at this hearing for the finance and deregulation and human services portfolios. The committee will begin today's proceedings with Medibank Private and then follow the order as set out in the program. I welcome the Assistant Treasurer, Senator the Hon. Nick Sherry; the new Secretary of the Department of Finance and Deregulation, Mr David Tune; Medibank Private's Managing Director, Mr Savvides, and other representatives of Medibank Private and of the Department of Finance and Deregulation. Minister, would you like to make an opening statement?

**Senator Sherry**—I would not. Mr Tune is here but he is waiting because we will be dealing with Medibank Private first. He may wish to make an opening statement when we get to the department proper.

[9.04 am]

#### **Medibank Private Ltd**

**Senator CORMANN**—Mr Savvides, good morning. Perhaps we can start off with our traditional opening question. Since we last met, how have things been going with Medibank Private?



**Mr Savvides**—Since we last met we have posted our annual results and distributed those in parliament with their disclosures. The first quarter of the new financial year has been a good quarter. Underwriting has remained strong and growing. Membership growth is stable. The better news overall is that investment returns are much stronger in the first quarter of this year than they were 12 months ago, given that last year was such a volatile year for investment performance.

**Senator CORMANN**—You mentioned membership growth. It has been reported that you have been hit by a slowdown in membership growth. Can you talk us through the extent of that and some of the causes?

**Mr Savvides**—The cooling economy last year and concerns around jobs and the uncertainty from that resulted in a slowdown in the membership growth rate from just over five per cent to just over two per cent. The good news for us was that the lapse rate was much more contained than we expected. We have not seen a spike in lapse. It has come up but to nothing like we feared. Lapse is directly related to unemployment or job insecurity because it is existing membership deciding to leave for financial reasons. That has been quite muted and the net change is still a growing membership, coming up to 3.7 million lives. This is quite a sound base for us going forward.

**Senator CORMANN**—This time last year the parliament legislated for a change in the Medicare levy surcharge thresholds. You had anticipated a certain impact in terms of fewer members of Medibank Private than would have been the case in the absence of that legislation. To what extent has that worked itself through the system and has there been any experienced post the first tax return period?

**Mr Savvides**—We are still in the middle of that tax return period. People who use agents can go right up to February next year to process their tax for FY09. As people are informed, we expect that some of them may choose to drop their cover if they are informed about the fact that they are no longer required to have cover and will not be penalised if they do not have cover. That said, our forecast numbers from the impact of MLS are lower than we expected but about a one per cent hospital loss and a 1.5 per cent ancillary loss. We are still holding to those numbers in our forecast, but they are much lower than we expected from our original understanding of MLS impacts some time ago. I think that is because it is not a laboratory where you can separate forces. You know that the economy is a big player in this; it is not just the regulatory mechanism of MLS. I suspect that it is the economy that is making the bigger play in our business these days; that is, it is turning, it is more positive and most of our PHI policyholders are enjoying lower interest rates on their mortgages and, because unemployment is not as high as people anticipated, I suspect that our private health insurance policyholders have a little more cash in their pockets now than they did a year or 18 months ago when interest rates were higher.

**Senator CORMANN**—As you were saying, this is the first tax return period since the change was legislated by the parliament.

**Mr Savvides**—It is, yes.

**Senator CORMANN**—In terms of membership trends over the past year, are you performing above or below the industry average?

**Mr Savvides**—A little bit above; we are still growing our market share.

**Senator CORMANN**—So you have experienced a slowdown in membership growth which is less than the slowdown of the industry overall?

**Mr Savvides**—Yes, that is correct.

**Senator CORMANN**—Moving forward, what are your expectations in membership trends? Do you expect membership growth to continue to slow down or are you expecting it to start accelerating again?

**Mr Savvides**—I think that if it stayed at just over two per cent, as it is now, for the year ahead we would be happy with that. Is the global economic recovery shaped as a V or a W? We think it is a V, so we expect a slower return to stability. To think that we will go back to five per cent seems too optimistic. Five cent was in the roaring days of the peak of the markets, the peak of employment, and we do not see that in our sights, in our three-year outlook.

**Senator CORMANN**—Are you expecting to continue to take market share? That is, are you expecting to continue to outperform the industry average in terms of membership trends?

**Mr Savvides**—We certainly aim to do that.

**Senator CORMANN**—In terms of your membership compared to population growth, what is the expectation there? Are you expecting that the proportion of the population that will have private health insurance or will have private health insurance with Medibank will remain the same or do you expect that to drop off?

**Mr Savvides**—That has sort of surprised us, hasn't it? It has stayed high. I am not sure whether it is because people are not so happy with performance in the public health system when the reports come through about waiting lists. Obviously our product offering is very strong in elective surgery and waiting lists are the alternative in public hospitals for elective surgery. I suspect that landscape is that consumers who can afford it will pay for the convenience of quick access and amenity. That dynamic has not diluted in the marketplace; it remains a strong offer.

**Senator CORMANN**—You mentioned investment income, and of course we all understand what has happened to that over the last 12 to 18 months across the economy. Just looking at your operating margins, how have they been tracking over the past two years?

**Mr Savvides**—Again, if you go back to the peak of the cycle, I think the whole sector was up in the high four per cent and five per cent underwriting margins. It is very hard for the sector. It has a long-term average of around 2½ per cent. In the last look at the industry numbers I had the industry average was down to under three. So it has come down from five to three in the last couple of years. So it has come down quickly. In dollars, \$1.2 billion was the underwriting profit several years ago. It is now down to \$300 million to \$400 million. So that has come down quite a lot. The sector, I suspect, is reflecting the financial economy.

**Senator CORMANN**—Are you expecting that trend to continue moving forward or are you expecting the operating margins to start picking up?

**Mr Savvides**—The challenge for all health funds is to control their costs, negotiate well with the providers and have affordable rate changes, which obviously is a regulatory issue because rate is approved by the department of health through the health minister. So, going forward, it is really a challenge for the management of those funds as to whether their margins will improve. I think every fund is in a different space. You would have seen some results in the last two months. We have seen funds with significant losses; we have seen funds with good performance as well. It is a bit of a mixed bag. I suspect that the strategies will be different depending on the circumstances that each fund finds itself in.

**Senator CORMANN**—Yes, and I will be asking some questions of PHIAC in relation to that. When we last met you were still representing a publicly owned, not-for-profit fund. As of 1 October you are now a publicly owned, for-profit fund. Can you just talk us through the process since we last met, because there were still a few uncertainties when we last met where you did not quite know how it was going to play out moving forward.

**Mr Savvides**—It was absolutely seamless. 1 October was a very uninteresting day. Nothing really happened. We converted to for-profit on the day. All of our members were notified in writing, as we are required to do. PHIAC, the regulator, approves the transition, having a look at our forecast and prudential position and making sure that there is no issue there. I have never received a complaint from a member. There are 3.7 million lives out there and there may have been some noise in the call centres and questions from some of our customers but I actually do not have a letter addressed to George Savvides complaining about a conversion to for-profit.

**Senator CORMANN**—That is very good. Have there been any discussions between Medibank and the federal government about a future sale of Medibank since we last met?

**Mr Savvides**—No, none at all.

**Senator CORMANN**—There has been speculation in the media after a reference to opposing the sale of Medibank was removed from a revised draft ALP policy platform. Did the government talk with Medibank at all to clarify the position of the government one way or the other?

**Mr Savvides**—No.

**Senator CORMANN**—So it was not even discussed?

**Mr Savvides**—No. The ownership of Medibank is a shareholder issue. It has nothing to do with—

**Senator CORMANN**—But you would have seen those reports at the time.

**Mr Savvides**—The speculation is exactly as you have described, yes.

**Senator CORMANN**—Does Medibank have a position on remaining a publicly owned entity?

**Mr Savvides**—The instructions and strategy that we pursue, as I often say in commentary to my staff, is that we should never get distracted about who holds our shares. Our mission is to do our job, pursue our strategic plan and look after our customers. Who owns the shares has nothing to do with the mission that we are pursuing as an organisation. We know what we are

there for. We know what we are trying to achieve. We have plenty on our plate. We are very excited about the future. The ownership of our shares does not get in the way of the way we run our business, and it should not get in the way.

**Senator CORMANN**—From your description, there are from your point of view no advantages or disadvantages of Medibank being publicly owned?

**Mr Savvides**—I do not know—it would be speculating. What I can say to you, Senator, is that we are pursuing everything we desire to do that is strategically valuable for the organisation and its customers. We do not feel constrained in any way. Obviously we have checks and balances and we are governed appropriately, but there is no sense of containment, restriction or suppression. The business is enjoying a very exciting period of growth. It has acquired two businesses this year and integrated them well. It is expanding into the health impact side, which we are very excited about. This is a very successful organisation.

**Senator CORMANN**—You are saying that whether there is public ownership or private ownership does not matter?

**Mr Savvides**—No, it does not and it should not.

**Senator CORMANN**—Have there been any changes in the formal arrangements between Medibank and the shareholder as a result of the conversion to a for-profit fund?

**Mr Savvides**—No, it is business as usual for shareholder oversight of our organisation.

**Senator CORMANN**—Presumably you would have had to reach an agreement about how dividend arrangements are handled in the future?

**Mr Savvides**—We have written to the minister and we are waiting for his reply about what instructions he has for dividends. We have not received that yet.

**Senator CORMANN**—So you are not currently aware what the government's intentions are in relation to future dividend payments?

**Mr Savvides**—We have a base plan that we have modelled, but we are waiting for instructions.

**Senator CORMANN**—Have you finalised your corporate plan?

**Mr Savvides**—Yes, we have.

**Senator CORMANN**—In your corporate plan, is there a requirement that you sort out what your dividend arrangements are?

**Mr Savvides**—Yes.

**Senator CORMANN**—What does it say in your corporate plan about your dividend payments?

**Mr Savvides**—The corporate plan is a sensitive commercial document. All I can say is that there are conventions relating to how much of after-tax profit is paid out in dividends and we have modelled around convention, but it is up to the shareholder to determine the dividend policy of the business that it owns.

**Senator CORMANN**—I am not asking you to give me a percentage figure or a dollar figure. You have made provision?

**Mr Savvides**—Of course.

**Senator CORMANN**—You have made provision in your budget for your dividend payments and your corporate plan covers how you are going to handle dividend payments to the government. What you are saying is that it is according to normal convention?

**Mr Savvides**—Correct.

**Senator CORMANN**—Have the government given any indication to you that they would expect a dividend payment funded out of your surplus capital reserves?

**Mr Savvides**—No, there has not been any instruction about the dividend payment other than the assumption in our corporate plan, which is a conventional assumption.

**Senator CORMANN**—What does ‘conventional assumption’ mean? Does that mean it comes out of your profits?

**Mr Savvides**—Yes, a percentage of your after-tax profits is issued in dividends.

**Senator CORMANN**—We talked about this next issue when we last met. On budget night, the minister put out a press release which said:

The Medibank Private board has provided written assurances to the Government that these changes—which include paying dividends—will not lead to premium increases.

It also said:

Any future dividends paid to the Government—will—

have no impact on the premiums that Medibank Private members pay.

You would remember the discussion we had—I still find that very difficult to understand. The wording has changed somewhat in the minister’s press release of 1 October announcing the conversion coming into effect. It now says:

Medibank Private has assured the Government that the conversion will not affect its members and more importantly, the conversion itself will not put upward pressure on premiums.

That seems to be a much more restricted and narrow reassurance to your members that the payment of dividends is not going to impact premiums, doesn’t it?

**Mr Savvides**—You are interpreting what the minister wrote.

**Senator CORMANN**—No, I am interpreting what you wrote to the government. The minister relies on communications from the Medibank Private board. When you say the conversion itself will not put upward pressure on premiums, why are you so specific and why have you narrowed it down so much?

**Mr Savvides**—Our view is that, being a converted organisation, paying tax and dividends will not change the premium experience of our members. The overwhelming impact of premium change is not the percentage of after-tax profit paid in dividends—it is a very small number in the overall scheme of things—but the \$3 billion we paid out last year in claims,

and the management of that \$3 billion is what drives premiums in the following year and the year after. It is not the very small component of post tax profit.

**Senator CORMANN**—But if you did not have to pay taxes in premiums you would be able to use those funds either to lower premiums or to increase your capital reserves?

**Mr Savvides**—That assumption only works if you have no threshold beyond your minimum capital requirements. We have a very substantial surplus beyond that. The other thing, which is a technical issue, is that the formula for your prudential requirements, as a forward tax organisation, requires slightly less capital than it does as a non-tax-paying organisation, so at the end of the day it actually neutralises.

**Senator CORMANN**—When you say you have a surplus beyond that, what you are really saying is that your premium increases are more than what is required to maintain your capital adequacy amid your claims obligations. You are nodding. Hansard cannot record a nod. Is that a yes?

**Mr Savvides**—Sorry—the surplus?

**Senator CORMANN**—What you are saying is that your premium increases are higher than they need to be to cover your capital adequacy requirements and your claims obligations?

**Mr Savvides**—The minimum requirement to run the health fund and meet its obligations in terms of claims drives the formula for rate change. The fact that we have capital in excess of that means that any other cost burdens that exist within the business are well and truly absorbed by that. But we use our capital base to provide long-term assurance around rate change. You will find that Medibank's rate change in the most recent period—I have been there eight years—in the last five, has become a very stable number. We can deliver stability in rate because of the strong balance sheet. We do not have to next year fix all of the problems of last year. We can actually run a longer term agenda.

**Senator CORMANN**—I understand all that, Mr Savvides, but the fact still remains that, if you did not have to pay dividends and if you did not have to pay taxes to the government, those funds would remain within Medibank and either further add to the capital reserves or be drawn on to reduce premiums or keep premium increases lower than they otherwise would be. That is an undeniable fact, is it not?

**Mr Savvides**—No, it is not, unfortunately. Again, I have to go back to where the costs are—the drive premiums. It is the claims. What we do with our balance sheet, as we have this year, is invest in businesses. We have moved from an organisation that had 30 health professionals last year to an organisation that has over 1,000 this year through the two acquisitions we made this year. We used our balance sheet to do that. Why did we do that? Because those health professionals are directed to service the needs of our members who have chronic disease or significant case management needs. By servicing them with that extra capacity, we lower our cost and hence our rate change becomes a more affordable outcome. To just say in an isolated sense that tax and dividends work to undermine rate, being a taxpayer means that we can be a commercial organisation, we can engage in M and A activity in a way that is consistent with the marketplace—that is, to be competitively neutral.

**Senator CORMANN**—But you were doing these things before you became a for-profit fund. You were investing in AHM then. You were using your balance sheet which was built up by your member contributions for investments before you became for-profit. I think you told us before that you were priding yourself on the efficiencies you have achieved over the years that you were there, and there are always more efficiencies to be gained. But the reality is that, if you gain further efficiencies and if you invest in future business ventures that provide a return, if you have to pay a dividend and you have to pay tax, you will not be able to deploy that additional revenue or those efficiencies to lower premiums or increase your capital reserves further.

**Mr Savvides**—The capital requirements for a tax health fund are prudentially lower than the requirements for a not-for-profit fund.

**Senator CORMANN**—So what you are saying is that your premium increases are going to be lower as a result of being a for-profit fund?

**Mr Savvides**—No. I am just saying that what you deem to be a cost burden on the fund—tax and dividends—is in part offset by a lower amount of prudential requirements in the PHIAC regulatory formula.

**Senator CORMANN**—Yes, but only while you are going through the transition. Once you have hit your new level, moving forward, you will not be able to use your additional revenue or your additional efficiencies to lower premiums and increase your capital reserves because it has got to go into taxes and payments of dividends. That is logical, I would have thought.

**Mr Savvides**—All I can say is that the size is very different. If we made \$100 million profit and we paid out \$50 million in tax and dividends, as an example, that stands alongside a \$3 billion claims outlay. It is a \$3 billion claims outlay that drives premium changes, not the \$50 million tax and dividends payment.

**Senator CORMANN**—What is your capital in excess of your regulatory requirement at present?

**Mr Savvides**—It is in excess of a billion dollars.

**Senator CORMANN**—In excess of a billion dollars. You have just said your regulatory capital requirements have lowered as a result of becoming a for-profit fund. Does that take that into account?

**Mr Savvides**—Yes, it does.

**Senator CORMANN**—Moving on to another area, cataract surgery rebates: according to the budget, the government is moving to halve the rebate for cataract surgery, and it has been reported that Medibank Private will be following the government's lead and will cut the rebate for cataract surgery in half as well. Can you confirm that? If it is so, why?

**Mr Savvides**—I do not have the full details on that yet, but we did not want to not follow the government reimbursement position and basically end up paying an extra charge for the provider by not reflecting the MBS. Our job is to reflect the MBS and try to negotiate a co-pay arrangement that is affordable to members. If the government has deemed that the technology has now changed and the value of that service is at a lower cost—and obviously the evidence indicates that it is—we should reflect that in our reimbursements as well.

**Senator CORMANN**—That is a bit different from the explanation that was given by the Medibank spokesperson. The Medibank spokesperson said that it was just the application of a standard formula which essentially is applied by Medibank Private across the MBS. Are you suggesting that Medibank did some specific research to assess the cost drivers and the fee structures?

**Mr Savvides**—I am just saying that we are following the MBS. The formula is to reflect in the reimbursement that the MBS is an 80 per cent component of what we pay and, if the MBS component has come down, we want to adjust our reimbursement to reflect the change of base.

**Senator CORMANN**—But we are talking about the reimbursement on top of your 25 per cent.

**Mr Savvides**—Correct.

**Senator CORMANN**—So can you confirm for me that what is happening to the Medibank rebate is a direct result of the government's decision to cut the rebate? It is not based on an assessment that you have done internally as to the cost structures and the fee structures moving forward for cataract surgery?

**Mr Savvides**—I am not sure whether we have done any research internally. I can take that on notice and check that, because we may have done that as well. I am not sure.

**Senator CORMANN**—But if you have done that as well then I would be very interested if you could provide us with a copy of your findings.

**Mr Savvides**—We can have a look at that, sure.

**Senator CORMANN**—Has the government ever discussed its decision on the cataract rebate with you?

**Mr Savvides**—No. It does not do that.

**Senator CORMANN**—Are you aware of what the average out-of-pocket expense is going to be for your members who will access cataract surgery?

**Mr Savvides**—No. I do not have that on me. I can get that for you.

**Senator CORMANN**—That would be great.

**Mr Savvides**—Okay.

**Senator CORMANN**—We will be having a debate about this in the Senate next week, so it will be useful, if it is possible, to get that information by the end of the week. I know that normally there are longer periods for answers, but I would really appreciate it. The government is cutting the rebate by about \$310. It is reported that you are cutting it by about \$290, so that is an increase in cost for private patients of about \$600. Are you concerned that increasing out-of-pockets will make access to this type of surgery unaffordable for many of your members?

**Mr Savvides**—I am concerned about out-of-pockets for our members full stop. We work hard to negotiate with providers to either remove out-of-pockets entirely or keep them at a



rate which we believe is competitive and affordable. On this particular item, I will do some work on it, have a look and come back and answer your question.

**Senator CORMANN**—Medibank Private members who access cataract surgery in the public system as public patients will continue to get access to this service free of charge, won't they?

**Mr Savvides**—I assume that that is correct. I will have to check that.

**Senator CORMANN**—Would you expect that, if there is a significant increase in out-of-pocket expenses for privately insured patients accessing the service in the private system and it is available free of charge in the public system, there will be a shift from the private to the public system as a result?

**Mr Savvides**—Assuming that there is no waiting, yes.

**Senator CORMANN**—There is a waiting list, as it happens. Do you think that some members would take the wait into account if it is free rather than to cop a \$600 increase in out-of-pocket expenses?

**Mr Savvides**—Maybe to move into a larger category: with major joint replacements, hips and knees, in the private sector there is a co-pay experience for many members who go in the private system but they are serviced within two or three weeks of the specialist requesting that work to be done rather than waiting up to 18 months in some jurisdictions. People will and have chosen to cover themselves for faster access and improved amenity.

**Senator CORMANN**—If they can afford it.

**Mr Savvides**—Well 50 per cent of the population is in this product and they choose to do that.

**Senator CORMANN**—But are increasing out-of-pocket expenses a disincentive for people?

**Mr Savvides**—Absolutely. In all of our customer satisfaction experience surveys, out-of-pocket expenses are a high-noise item.

**Senator CORMANN**—Are you as a health fund able to directly control the fees that a specialist charges for a service?

**Mr Savvides**—No, we cannot. We negotiate wherever we can either a known-gap, so we can inform well, or a no-gap experience, but we cannot control the entire provider sector to have that outcome.

**Senator CORMANN**—Can the government control the doctors fees?

**Mr Savvides**—I think you will have to ask the government.

**Senator CORMANN**—I think you know the answer to that, don't you? It impacts on you as a fund, doesn't it, whether the government can or cannot? If the government could control the fees, it would help you provide a no-gap experience to your members, wouldn't it?

**Mr Savvides**—Yes. The provider community is not a salaried community towards government health delivery, is it?

**Senator CORMANN**—So the short answer is that the reason why there are gaps is that doctors are free to set their fees and essentially the out-of-pocket expenses come out as the difference between the fee charged and the rebate that one of your members get either through Medicare or through a combination of Medicare and Medibank Private, is that right?

**Mr Savvides**—Yes, that is right, but there is a broader conversation, as you know, right at this time. The MBS component is being debated in other circles as to its adequacy and timeliness in terms of indexation.

**Senator CORMANN**—Are you aware that the opposition, together with Senators Fielding and Xenophon, have announced that we will move to disallow the cut in the rebate for cataract surgery?

**Mr Savvides**—No, I am not up-to-date with that.

**Senator CORMANN**—If the Senate were to disallow the cut in rebate—and it would go back to the original rebate—using your standard formula, would that mean that your Medibank Private rebate would increase again by \$290?

**Mr Savvides**—In other words, would it go back to what it used to be?

**Senator CORMANN**—Yes.

**Mr Savvides**—I assume it would, but I would have to take that on notice and investigate that for you.

**Senator CORMANN**—Thank you very much. I want to ask you a few things about Medicare Select, but before I do I want to ask you some specific questions on the dividends that I forgot to ask. Has the government given any undertaking to you, formally or informally, not to take dividends from capital reserves or to divest the entity of any assets? Have you had an undertaking from the government, in whatever form, that they will not draw on your capital reserves for a special dividend?

**Mr Savvides**—You are asking a question that we did not ask. The plan that we have with the government, with the shareholder, is to deliver certain performances that we put in our corporate plan with a certain set of assumptions on rate change. Out of that comes again a standard assumption set that we have around dividend and taxpayers.

**Senator CORMANN**—Yes, but we had quite a discussion about this during the last estimates and we talked through the mechanics of how dividend payments can occur. You know that better than anyone. And you know that there is one formula for paying dividends which essentially focuses on capital reserves. You have got surplus, excess, capital reserves. There is clearly a concern that the government might want to put its hand on that, in terms of addressing fiscal constraints in other parts of the budget. Have you had any discussion at all with the government about the status of your capital reserves in the context of dividend payments?

**Mr Savvides**—No, I have not. And certainly the government has not taken away its prerogative to do what it wishes with the company that it owns.

**Senator CORMANN**—So it is quite conceivable that the government could come to Medibank as a shareholder and say—

**Mr Savvides**—It is a hypothetical question.

**Senator CORMANN**—Yes, but, hypothetically, it is one of the risks.

**Senator Sherry**—Senator, the witness has already indicated that he has written to the minister in respect of dividend policy and is yet to receive a reply. You are starting to put a series of hypothetical, speculative questions to the witness. He has already indicated what the facts are. And you will find out what the dividend policy is when it is announced, after the minister has considered the matter and written to the company outlining the policy.

**Senator CORMANN**—We had a budget announcement on 12 May. Medibank was converted into for-profit status on 1 October. Dividend payment arrangements between the shareholders and Medibank as a government business enterprise needed to be dealt with in the corporate plan, which has been finalised. At this stage I do not think we are getting adequate answers to some of the questions. I am not blaming Mr Savvides for that. But it is entirely legitimate for me to ascertain whether one of the possible scenarios of paying dividends, which is focused on the capital reserves, is being pursued. If Mr Savvides can tell me—

**Senator Sherry**—But he has already indicated the situation to you, and you are pestering him. Your questions are repetitive and pestering. He has indicated the situation. You can pester me, if you like—

**Senator CORMANN**—I do not think that Mr Savvides is feeling pestered at all.

**Senator Sherry**—and I will give you a response, and the response is: as Mr Savvides has indicated, the matter is currently before the minister—in this case, Mr Tanner—and he will respond in due course.

**Senator CORMANN**—Is the corporate plan agreed with the government? Is it essential? That is right—you are nodding.

**Mr Savvides**—Yes. It is a rolling plan.

**Senator CORMANN**—Every year you put another corporate plan together—

**Mr Savvides**—It is a three-year plan and every year we set up the next three years, yes.

**Senator CORMANN**—So you sat down with your shareholder minister, and you had the corporate plan in front of you and you said, ‘Yes, we agree; tick, tick, tick’—yes?

**Mr Savvides**—That is correct.

**Senator CORMANN**—And the treatment of dividend payments is essentially sorted out in that corporate plan?

**Mr Savvides**—Yes, on a conventional basis.

**Senator CORMANN**—Yes, but the minister the minister has signed off to it, presumably, because it is in your corporate plan; you have agreed.

**Mr Savvides**—Yes, but the reason we have a corporate plan is to seek ministerial approval for the plan.

**Senator CORMANN**—When you say it is based on convention, does that convention focus on dividend payments out of your profits only, or does it leave open the option of dividend payments from other sources?

**Mr Savvides**—The corporate plan is a plan. Leaving open everything in that plan gives the shareholders the ability to give guidance to us as the owner and there are many things on which they may come to us from time to time and suggest changes. That is entirely their prerogative. It does not happen that much.

I will just make a supplementary point here. The surplus capital that we have is not out of proportion to the industry average. Our cap ad ratio is around industry average. So the kinds of reserves that we have are healthy but they are not uncommon. There are many health funds out there with similar healthy reserves, and that is good because they are able to smooth rate change and that is good for the member experience.

**Senator CORMANN**—So across the industry what you are saying is that there are surplus reserves over and above what is required for capital adequacy and to meet claims obligations?

**Mr Savvides**—Yes. There is no health fund that wants to run on 1.0 cap ad. It is a very uncomfortable place to be.

**Senator CORMANN**—Yes. That is right. On Medicare Select: the chairman of Medibank and one of your board members have come out as being quite supportive of the Medicare Select proposal which was made by the National Health and Hospitals Reform Commission. I gather that you and one of your board members have gone to the Netherlands to check out the social insurance health scheme over there. Does Medibank Private have an official position on the Medicare Select proposal?

**Mr Savvides**—Medibank Private is engaged in the debate that is happening at the moment that came out of the National Health and Hospitals Reform Commission. It was one of the options that was presented by the commission. There were 123 recommendations, one of which was—and it is more futuristic—the Medicare Select scenario, which is around a contestable, sophisticated purchaser model that we see in Europe, not just in the Netherlands. Many European countries operate this kind of universal health system.

It has features that address many of the issues the Prime Minister raised at the launch several months ago of the National Health and Hospital Reform Commission's report. It puts the consumer at the centre of the system. It coordinates care—primary care, especially—more effectively in the way that it allocates the funding to a sophisticated purchaser and coordinator. The model is principally very simple: a single funder, a procurer coordinator and the providers are separated. The providers are definitely separated from the other two levels and hence that creates a contestable environment. We have been impressed with some of the costs that we have seen in Europe: year-on-year cost growth in health of around three per cent in the Netherlands and some other jurisdictions adjacent to the Netherlands that use this model, a very highly satisfied customer base and multiple choices in terms of which public and private coordinated health plan consumers can choose. We have been impressed and we have taken on board that knowledge, shared it locally, making sure that there is good, robust debate. I think that is what we have been asked to do—to spend the next few months to debate the outcomes of the reform commission's paper and then see what the government finally chooses to do.

**Senator CORMANN**—When you say, 'That is what we have been asked to do,' who has asked you to do it?

**Mr Savvides**—The way that the commission's report was presented on its launch day at the ANU—I think it was about three months ago—it was a challenge to the health community that was assembled to read it well and debate the issues that it raises. The challenge was to deal with some of the discontinuities that we currently have in our system, which is the state-federal divide, the public-private divide, the acute care versus primary care divide. All of those discontinuities create, in part, service failure for the consumer and also become a source of cost waste which obviously we cannot afford into the future, given that we have an ageing population that will have high demands in health going forward.

**Senator CORMANN**—Have you had any discussions with the government about the Medicare Select proposal?

**Mr Savvides**—No, it has just been in the general arena of public debate that we have had our discussions and various meetings and conferences. We have sponsored several CEDA conferences, been involved in a couple of PwC meetings that have facilitated conversations amongst other players, and we have certainly encouraged our industry association to investigate the European model.

**Senator CORMANN**—But you have not actually formally briefed the government on your views of the Medicare Select proposal?

**Mr Savvides**—No. We have shared some of our own documents with the government, but they are not public documents.

**Senator CORMANN**—So have you got any indication or any sense as to the time lines involved?

**Mr Savvides**—No, I do not.

**Senator CORMANN**—All right, Mr Savvides, thank you very much.

**Senator MOORE**—I want to follow up on the questioning about people leaving the scheme and your talk about planning and so on. Can I clarify whether your organisation has any way of knowing why people leave?

**Mr Savvides**—Yes, we do research on people who lapse their health insurance. Our lapse rates are around five-and-a-half and six per cent, which are slightly lower than the industry average. That is pretty well normal. We attract a couple of per cent more and the net change is that we are growing at two per cent. When we investigate, obviously death is a component—that is the way it goes—

**Senator MOORE**—That is fairly clear.

**Mr Savvides**—people switch and go to other funds—

**Senator MOORE**—Right, and you know about that because they transfer their account process, so you know that much.

**Mr Savvides**—Exactly right. And we receive switches as well. And there is a component that leaves the sector altogether—maybe they have lost their job, there may be a financial issue, sometimes changes in marital status and family arrangements can create a change. There is a whole mixed bag. When we get into the science of those who leave because of

dissatisfaction with the product—not for external reasons but disenchantment—sometimes we find that people are on the wrong product—

**Senator MOORE**—Sure.

**Mr Savvides**—and that the product was inadequately covering their needs. When they went to use the product that particular plan had an exclusion or it did not have a cover that they expected. They were disappointed and they left on that basis. That is why we do health cover reviews. We try to make sure that we invite customers to review their cover on a regular basis every couple of years. They might have expanded their family or moved into a different age category. When we look at the product we want to make sure that it does adequately cover their requirements. Sometimes people get missed in that cycle because they do not present to the invitation to review.

**Senator MOORE**—Sure, because it is just by letter that you ask them.

**Mr Savvides**—Yes, that is right.

**Senator MOORE**—In terms of people sharing the information, that is their choice, isn't it?

**Mr Savvides**—Absolutely.

**Senator MOORE**—Unless they choose to tell you, either by your phone service or your email address, you would not know why they are leaving.

**Mr Savvides**—No. That is correct.

**CHAIR**—As there are no further questions, we thank you very much.

**Mr Savvides**—Thank you.

[9.46 am]

#### **Department of Finance and Deregulation**

**Senator Sherry**—Madam Acting Chair, Mr Tune has now joined us, but I do not think he has an opening statement.

**Mr Tune**—No, I do not.

**CHAIR**—Thank you. Senator Bernardi will commence questions.

**Senator BERNARDI**—I want to talk about flying time and air travel. There was a report in a newspaper article about the travel policy having been changed. It said there were going to be three separate open tenders for government travel services. I wonder what the current status of those open tenders is.

**Mr Tune**—On 4 September the tenders were released. As you said, there were three different tenders: one for domestic travel, one for international and one for the travel management services. That was based on a scoping study that was independently prepared for the government by a number of advisers. I think tenders close around now. We will be doing the evaluation of the tenders and hope to have that completed by the end of December this year.

**Senator BERNARDI**—What are the intended savings as a result of these tenders? I do not expect you to be absolute, but you must have some estimate of what you want to save.

**Mr Lewis**—Mr Grant is responsible for these tender processes. I point out that the closing date for each of those three tenders is different. We have staggered closing dates. We have already closed the domestic travel one. International travel closes imminently, possibly today. The travel management companies tender closes in another couple of weeks, I think.

**Senator BERNARDI**—Can I pick you up on that. You said ‘possibly today’.

**Mr Lewis**—It is definitely today. I am sorry that I am not that much across the detail; it is today. We can probably give you a time. It is noon today.

**Senator BERNARDI**—So I will not keep here you that long! Mr Grant, what are the expected cost savings?

**Mr Grant**—We are not projecting cost savings at this moment. The reason for that is that we are currently in a tender process. We have done work which would give us some indication of what we would expect, but we have to go through the process and we do not want to give the market an indication.

**Senator BERNARDI**—Are these tenders part of the centralisation of the travel arrangements?

**Mr Grant**—They are part of coordinated procurement contracting arrangements. We are looking at domestic travel, international travel and travel management companies as our first set off the mark.

**Senator BERNARDI**—It surprises me that you say there are no forecasts or predictions about savings and that you do not want to flag it publicly.

**Mr Lewis**—I think Mr Grant was saying that we are not announcing what savings we are seeking to achieve. We have an amount in the contingency reserve in relation to the savings derivable from the travel services consolidation, but we are not releasing our estimate of those savings.

**Senator BERNARDI**—That surprises me once again. I express my surprise because, in the same media article, it says that Mr Tanner is talking about savings of \$26 million a year. So he is happy to telegraph it, but you are not.

**Mr Grant**—I must admit I had forgotten that that media release had gone out. We are not telegraphing it and the reason, again, is that we do not want to set a benchmark or an upper limit. We are looking to get the best value for money that we can. We are doing it across different arrangements—domestic travel, international travel and TMCs—and across that group of activities we are looking to achieve savings.

**Senator BERNARDI**—Of around \$26 million a year fairly quickly?

**Mr Lewis**—We are not going to confirm or deny a number.

**Senator BERNARDI**—It is what the minister said, so he is either telling the truth or he is not.

**Mr Lewis**—We will check the press release, but—

**Senator Sherry**—I think the figure you are quoting from the press release—

**Mr Tune**—That is just an estimate at this stage.

**Mr Lewis**—Suffice to say we believe the tender process is going quite well at the present time. We do not know the detail of tenders received, as you would expect, and therefore will not be getting into the detail of what we hope to achieve from them.

**Senator BERNARDI**—I once again express my surprise you are not willing to back the minister up on the claims he has made at the National Press Club.

**Mr Lewis**—We simply do not discuss active tenders currently underway.

**Senator BERNARDI**—Well he does.

**Mr Lewis**—I am surprised that you are surprised.

**Senator BERNARDI**—He does. He said he is expecting \$26 million a year fairly quickly in savings and you are not prepared to confirm that or support the minister's claims.

**Mr Tune**—Yes we are. That is the number that was there before the tender process and that was an estimate based on what we thought we could get based on the scoping study. Whether we do or not we will see when we evaluate the tenders.

**Senator BERNARDI**—I had to extract that from you.

**Mr Tune**—Sorry?

**Senator BERNARDI**—You were not prepared to advance that figure even though it was already in the public domain.

**Mr Tune**—As Mr Lewis said, we do not normally put this stuff in the public arena, but I accept that the minister has.

**Senator BERNARDI**—Unwisely, perhaps?

**Mr Tune**—No, not at all.

**Senator Sherry**—It is his prerogative.

**Mr Lewis**—My presumption is that it was made prior to the commencement of tenders. We are now, as I mentioned—

**Senator BERNARDI**—That is even worse, actually.

**Mr Lewis**—May I just make the point that we are in the middle of tenders now and I will not discuss the content of those tenders.

**Senator BERNARDI**—Okay. The government has stated that public servants must reduce air travel. May I ask what regulations the department has put in place to monitor air travel of public servants and to reduce the amount of air travel of public servants?

**Mr Grant**—There are no regulations at this stage. We already have in place the 'best fare of the day' policy and also a 25 per cent target for Canberra-to-Sydney travel. At present we are consulting in relation to a different approach to that, which is the 'lowest practical fare'. The first element of the lowest practical fare is that you should only travel where there is a clear need to travel. If there are other options available, such as a teleconference or even a telephone conference, then you should look at that in the first instance.



**Senator BERNARDI**—Okay. Could you just go over the 25 per cent travel between Canberra and Sydney which you just referred to? Would you like to explain that in a couple of lines? I think I understand what it means, but I would like to hear what you—

**Mr Grant**—Very briefly, it is a target that is oriented to promote competition on the Canberra-to-Sydney route.

**Senator BERNARDI**—Meaning that you would use airlines other than, say, Qantas?

**Mr Grant**—Smaller airlines. It is actually called the ‘smaller airlines’ policy.

**Senator BERNARDI**—In June 2009, it was revealed the federal government used smaller airlines for only 11 per cent of the flights on the Canberra-to-Sydney route.

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

**Senator BERNARDI**—Have things improved since then?

**Mr Grant**—Ever since this policy has been in place, about 11 or 12 per cent is what has been achieved. We have previously discussed it in this committee and, in effect, the policy has created competition in pricing and service levels. We aim to continue to foster that.

**Senator BERNARDI**—I understand it has been discussed previously; some agencies have actually done pretty well by exceeding the target and I acknowledge that. Some clearly have not; hence the average of 11 per cent instead of 25 per cent. What have you done to encourage the other agencies and departments to adhere to the guidelines?

**Mr Grant**—We promote the policy. There is a range of forums that we use to make sure that people continue to have an awareness of the policy, including the procurement discussion forum and the CFO meetings that happen monthly. We also talk to agencies to collect their information and to collect the reasons when they have not achieved the target. If you have a look, most of the reasons relate to the best fare of the day.

**Senator BERNARDI**—So it is because it is cheaper to fly on a major airline.

**Mr Grant**—Yes, that can be the case.

**Senator BERNARDI**—Do you publish those reasons?

**Mr Grant**—We do. They are on our website. They are in the table that you probably have there.

**Senator BERNARDI**—I do not have the table. I just have these sheets. Do you also track the increase in teleconferencing or videoconferencing which you referred to as a means of saving airline travel?

**Mr Grant**—No, we do not.

**Senator BERNARDI**—You do not know whether that has been adopted by the department?

**Mr Grant**—No, we do not have quantitative data.

**Mr Tune**—The government is in the process of actively promoting telepresence in particular and telepresence conferencing.

**Senator BERNARDI**—Is that different to teleconferencing?

**Mr Tune**—Yes, it is. In teleconferencing normally you cannot see faces. In telepresence there are screens up there so you can see and you can pull in a number of people from different locations. We are setting up a telepresence network around the country. We have one in finance, for example, at the moment and the business case for that was that it would lead to a reduction in travel and there would be more meetings that would be conducted, particularly between Commonwealth and state officials but it can also be used by ministers on occasions so there would be less travel for Commonwealth-state meetings. It is still in the process of being implemented. Once it is up and running we will we will actively promote it as a means of reducing travel.

**Senator BERNARDI**—Is it operating in finance currently?

**Mr Tune**—We have the facility there. For example, if we are doing interviews for recruitment and interstate people apply we try to get them to come to a facility in Melbourne. There is one in Brisbane at the moment, I think. There is one in Sydney and we are gradually setting them up around the country.

**Senator BERNARDI**—What is the cost of establishing a telepresence centre?

**Mr Tune**—It is reasonably large. I do not think I have the detail with me. I can take it on notice if you wish.

**Senator BERNARDI**—It is not as simple as multiple web cams?

**Mr Tune**—No, it is a bit more sophisticated than that.

**Senator BERNARDI**—Because of security issues?

**Mr Tune**—There are security issues involved. Yes, that is correct. It is more sophisticated technology as well.

**Senator BERNARDI**—I would be interested in the cost. Also, there must be some research into the potential cost savings. Do you document that?

**Mr Tune**—Correct. As I said, there was a business case done and it suggested that this was going to be a net save for the government over a period of time. You have an upfront capital investment but in time you get a return on that.

**Senator BERNARDI**—I understand that. I would be interested in seeing the business case.

**Mr Tune**—I will take that on notice and see what we can do.

**Senator BERNARDI**—Is there any intention to extend the government's 25 per cent target for airline competition to other routes outside of Canberra and Sydney?

**Mr Tune**—No, we are not aware of any view around that.

**Senator BERNARDI**—Have you provided any advice to the government?

**Mr Tune**—I do not think we have.

**Senator BERNARDI**—Has any advice been requested of you?

**Mr Grant**—No.

**Senator BERNARDI**—Minister, why would that be? It is such a good policy on one route, why would they not try to extend it across other routes?

**Senator Sherry**—I am the representative minister here. I would have to refer that to Minister Tanner. I will take it on notice for you.

**Senator BERNARDI**—Would you mind?

**Senator RYAN**—When can we expect the annual report? I realise it is not due yet but we have had the benefit of that for some of the other departments which has made this estimates hearing a little bit easier.

**Mr Tune**—Our annual report is in the process of being pulled together at the moment, finalised and printed. It will be tabled in the next couple of days.

**Senator BERNARDI**—There was an article in the paper about the cost of a taxi fare for Minister Ellis, who was at a community cabinet meeting. There are conflicting reports in here that I have received. This community cabinet meeting took place in Port Macquarie. There was a \$200-plus cab fare because a cab was required to wait for hours to drive Minister Ellis to the airport. I am interested in getting a list of the cost of taxis and hire cars for use at all community cabinet meetings. Would you be able to take that on notice?

**Mr Tune**—I certainly can. That is actually an issue that we thought would come later in the day under outcome 3.

**CHAIR**—I think it is in outcome 3.

**Senator BERNARDI**—I am happy to come back to it. It has been flagged. Perhaps they can gather the information.

**Mr Tune**—We will see what we can do.

**Senator COONAN**—I want first of all to record a note of congratulations to Mr Tune on his appointment as secretary. I have had the privilege of working with Mr Tune and, if I may say so, Minister, I think it is a very sound appointment as secretary of Finance. In a truly bipartisan attitude, I wanted to say I have every regard for Mr Tune. I might not have by the end of estimates but certainly I do to start with! I want to start—and I do realise that I may stray into other areas, so tell me if there is some issue—with Finance's approach to what I think is fair to characterise as some upbeat assessments of the economy and how it will impact on Finance's framing of the budget and particularly the impact that it may have on when the economy will return to trend growth.

**Mr Tune**—As you know, that is not actually a Finance responsibility. The economic forecasts and projections that are done for the government are done by the Treasury. Finance does have some small involvement in that via what is called the Joint Economic Forecasting Group, of which Finance is a member along with a couple of agencies, including PM&C and the Reserve Bank, but the primary responsibility rests with the Treasury. In the lead-up to producing the Mid-Year Economic and Fiscal Outlook, Finance works closely with Treasury once those forecasts are settled and runs through the implications for the outlay side of the budget. Treasury obviously does the same thing for the revenue side of the budget. We bring that together for the government in the Mid-Year Economic and Fiscal Outlook. That is the process, basically. If some of the key projections around growth, employment and prices vary in some way, they will have an impact and they flow through to a stack of programs that the government provides. So we need to work through that in a fairly detailed way. So, while

Treasury has responsibility for the forecasts themselves, there is then a process in which we get ourselves involved in working with them, and with other agencies as well, about the impact on estimates. At this time of year that then feeds into the government's next economic statement, which will be MYEFO. We would do the same thing between MYEFO and budget, obviously.

**Senator COONAN**—At the moment you are not able to share with the committee what Finance's approach will be to the current assessments that we have seen from the Reserve Bank and, indeed, from other respected forecasters of the better-than-expected performance of the economy?

**Mr Tune**—That is correct.

**Senator COONAN**—It is still the government's policy, I take it, that the plan is to hold real spending growth to two per cent in the years the economy is projected to grow above trend?

**Mr Tune**—That is correct. That is the government's medium-term fiscal policy that was set down in the last budget.

**Senator COONAN**—And there is no change to when the forecast is for a return to growth?

**Mr Tune**—No

**Senator COONAN**—There have been reports of ministers being asked to identify further cuts to government spending. Is that right?

**Mr Tune**—Have there been reports? I do not know. I have not read them myself, but if you say so, I guess it is true.

**Senator COONAN**—Is it happening? Could you inform us of there being any agencies that you know from Finance's perspective that have been asked to start to review expenditure to ensure this mid-term policy is achieved?

**Mr Tune**—It is basically a continuous process that we go through. We are constantly looking at the estimates and looking at the options, and that feeds through to decision-making in due course. There is nothing new in that.

**Senator COONAN**—During the budget estimates hearing in May, there was a list provided on notice containing 31 government agencies which had government programs that currently exceed the two per cent average annual real growth between 2009-10 and 2012-13. It was noted that the programs listed were the major programs which accounted for approximately 90 per cent of all expenses in 2009-10. Is that still the case? Will these agencies still be exceeding the growth—some by 23 per cent?

**Mr Tune**—That was based on the situation as of the budget. As I said, the government is in the process of thinking through the MYEFO at the moment, so that could well change. The other point I would make about that, though, is that the two per cent does not actually apply in 2009-10 because we are well below trend growth—based on the current forecasts—and are likely to remain that way for a period of time based on the budget forecast. Whilst that data may be somewhat indicative and useful in its own right, it does not actually tell the story

about what might happen down the track. We would keep monitoring that information—it is important information—but it does not necessarily determine what might happen at the end of the day. We will just keep an eye on all of that. The programs that are in that may change. For example, you may have Newstart payments in that category. I do not know if they are on the list, I have not seen it myself, but if the forecasts of unemployment change dramatically you would expect that to impact on the outlays. So there are a whole range of factors can come into this.

**Senator COONAN**—There are some factors in here which would appear to be recurring expenditure. Without going through all the list, there were 31 agencies, some exceeding by more than 23.12 per cent of annual average real growth. How realistic is it if you have 31 agencies exceeding the two per cent to ensure that no agencies will exceed two per cent when you return to trend?

**Mr Tune**—It is not saying that no-one will. It is an on-average issue here. It is two per cent real. As I said, it takes effect when the economy starts to grow above trend. That is the commitment the government has given. It needs to think about, and it is thinking about, what that may mean in the short term. The really big impact of that is down the track. As I said, that may change with the forecasts, so it is something to keep your eye on and keep monitoring. But that is it at this stage of the game because no decisions are required at this point in time.

**Senator COONAN**—Are you able to provide an updated list of major programs which are currently exceeding the two per cent spending target?

**Mr Tune**—I can take that on notice.

**Senator COONAN**—Are you able to indicate within each portfolio a breakdown of the current percentage of spending? In other words, are they exceeding two per cent or are they under it?

**Mr Tune**—That would be available at MYEFO but we would not have it at this point in time.

**Senator COONAN**—You would not be providing it at this point in time? You think it is available in MYEFO?

**Mr Tune**—It will be available in MYEFO. If it is not, MYEFO will be derived from information like that.

**Senator Sherry**—Perhaps we should take that on notice and undertake to provide the information, if we can, once MYEFO is released.

**Senator COONAN**—Thank you, Minister. That, I think, would meet what I am seeking. Has the department been involved in the issuing of savings profiles to ministers?

**Mr Tune**—There are processes internal to government that I do not think I can talk about in this committee.

**Senator COONAN**—I am not asking what it is, I am asking whether it has happened.

**Mr Tune**—It goes back to your previous question that this is a continuous process and the government is always looking at opportunities.

**Senator COONAN**—I take that as a yes, that savings profiles have been issued to ministers.

**Mr Tune**—I am not sure what savings profiles are. Are you suggesting—

**Senator COONAN**—Savings targets.

**Mr Tune**—Work is going on around savings and spending, as there always is.

**Senator COONAN**—Has the total amount of savings from this process been identified?

**Mr Tune**—I cannot comment on processes that are internal to government.

**Senator COONAN**—Once again, as Senator Bernardi said, Mr Tanner does not seem to have any difficulty at all in making all sorts of claims about this. I think it is appropriate for us to test some of these claims. I am just wondering whether any total amount of savings has been identified from the current round of savings and expenditure requests to the department.

**Mr Tune**—I think I am straying into an area that is the prerogative of the government and its own decision making and I do not think I can go any further than I have.

**Senator Sherry**—As I indicated earlier, Minister Tanner may from time to time publicly mention areas of focus and indicative figures and savings, as he indicated in those public comments on airline travel. He has done that on a number of occasions that I can recall.

**Senator COONAN**—Yes, he seems to be particularly prone to it. One would have thought that it is appropriate, if these sorts of public statements are made by the minister, that you can ask the basis for them and whether or not they can be verified by the department or else you have a situation where things are spouted into midair with no real capacity for the Senate to do its job, which is to test the credibility of the statements.

**Senator Sherry**—Sure, and that is what was occurring earlier. Senator Bernardi was questioning the officials, to the extent that they can answer at the moment because there are tenders, and reasonably they were not willing to go into precise figures because of a tender process. Questions were being posed at least partly on the basis of the public comments of the Minister for Finance and Deregulation about the goal of making savings in the area of airline travel. Questions were asked and, to the extent they could be answered given the confidentiality of a tender process, they were answered. I can recall other areas where Minister Tanner, in my view, as any effective finance minister should be doing, has highlighted particular areas of focus. IT is another one and I am sure that there will be some questions about IT later in the estimates period. I do not see that as anything unusual for a finance minister. I think the next step which witnesses cannot go to is asking whether there is a list, for example, for the Expenditure Review Committee processes. That is effectively what I think you are asking for—indicative savings right across every area of government—and the officials rightly cannot go to that.

**Senator COONAN**—If you do not think that is appropriate, you can confirm whether or not the department has been involved in setting spending reduction targets. That seems to me to be a pretty straightforward question. If so, what is it?

**Mr Tune**—No, I do not think I can go that far. I think it raises the same issues that the minister just outlined. It goes to broad processes. I think I have explained the context that this is a continuous process of monitoring spending and savings.

**Senator COONAN**—I am aware of it, but I also note that there are certain points in the process when you get to some view and you can actually say something about it.

**Mr Tune**—But that is an issue for the government, I think. I do not think I can talk about those things.

**Senator COONAN**—Mr Tanner has talked quite specifically about tailoring savings profiles for departments. Ministers have been told to slash spending to meet minimum savings targets before next year's budget and have been warned that they should not make any new spending proposals unless they find savings elsewhere. Is that true or not?

**Senator Sherry**—That is the minister, as I have already indicated, an effective finance minister—

**Senator COONAN**—No, it is not; it is the department.

**Senator Sherry**—No, it is the minister, an effective minister, indicating his overall approach to expenditure to be thought about and considered by ministers.

**Senator COONAN**—So we will take it as a yes then that departments have been told to specifically tailor savings profiles and told to slash spending. I will take that as a yes. I have heard nothing that would indicate that it is not a yes.

**Senator Sherry**—In terms of the general comment that the minister for finance, Mr Tanner, has made, I do recall seeing the quote—you have not identified where the quote is from, but I do recall seeing those words in at least some of the media—

**Senator COONAN**—I am not making it up.

**Senator Sherry**—No, but you just did not give me the quote source.

**Senator COONAN**—No. I can. I can do all of that. I do not think I am putting anything controversial.

**Senator Sherry**—No, I have acknowledged that I recollect seeing those words.

**Senator COONAN**—So we will assume that that is a yes.

**Senator Sherry**—I think I can confirm that Minister Tanner did say that, yes.

**Senator COONAN**—It is understood also that spending reduction targets set by Mr Tanner and his department differ across government departments; is that right?

**Mr Tune**—I have just said that I do not think that I can comment on the processes that are going on other than that the minister has made a statement. You are asking me detailed questions about the processes surrounding that statement.

**Senator COONAN**—I am just asking you whether that is correct.

**Mr Tune**—If it were correct—and I will take the hypothetical—then you would expect there to be different targets for different agencies because they are different sizes.

**Senator COONAN**—My point is that that is hardly controversial. I really find it difficult to understand why, Mr Tune, you would be so reticent about something that seems to me as obvious as the noses on all of our faces, quite frankly—that this would be happening. Why is it so hard to say yes?

**Mr Tune**—I am answering a hypothetical question there. You were asking me whether this is the way it is happening and I am saying I cannot talk about those sorts of things in detail.

**Senator COONAN**—I can ask questions—and I think it is perfectly legitimate to ask questions about the processes and outcomes of trying to achieve the government's mid-term fiscal outlook. Finance is part of trying to frame the budget. You must have a view about how you are going to do it; you must have a view about how you are going to get there. It is reasonable to ask about it. I do not think I am not seeking Crown secrets.

**Mr Tune**—I am happy to say that that is all wound up with the MYEFO process. You are asking me detailed questions that I just do not think I can go to. I am sorry about that.

**Senator COONAN**—Do you think it is a realistic and enforceable target?

**Mr Tune**—You are asking me whether a target exists.

**Senator Sherry**—Are you referring to the two per cent when trend growth returns? Is that what you are asking about?

**Senator COONAN**—Well, I will ask about both. To get to the two per cent are your targets realistic?

**Mr Tune**—I think we need to distinguish between current budgets—

**Senator COONAN**—Your spending targets.

**Mr Tune**—Yes, I understand. I think we need to distinguish between MYEFO, processes around MYEFO and processes leading into the next budget. You are moving into more medium-term focuses which is when the real two per cent target applies. Yes, it is true that the two per cent target when it applies as growth goes above trend will be challenging. The government has set that target for itself and will have to do some things to achieve that target.

**Senator COONAN**—How many agencies have advised Finance and/or the minister that they will be operating at a loss in 2008-09?

**Mr Tune**—I do not have that information, but I could take that on notice.

**Senator COONAN**—Do you have any information at all that you could give the committee with some overall picture of the operating position of agencies?

**Mr Tune**—I am not sure that I have anybody here at the moment. I cannot do that. I will see if I can find someone.

**Senator COONAN**—Is there someone who could?

**Mr Tune**—Yes.

**Senator COONAN**—I have a number of questions about it.

**Senator Sherry**—Is this about the number of agencies and those that have made a loss and written formally to the minister for finance?



**Senator COONAN**—Yes. Let me be perfectly clear about what I am seeking to ask about. It has been reported in the media that up to 30 per cent of the federal public sector operated at a loss in 2008-09 and 58 agencies had been approved to run at an operating loss for 2008-09, which is quite a significant increase from 2007-08.

**Mr Tune**—I think Ms Campbell might be able to help.

**Ms Campbell**—In 2008-09, because of the change in the bond rate, the way the discounting on some of the employee expenses occurred meant that agencies would operate at a loss. The Minister for Finance and Deregulation had agreed to approve those losses for that one factor alone. That is why there has been a significant increase in the number of agencies operating at a loss during that year.

**Senator COONAN**—How many were operating at a loss and approved because of the change in bond rate?

**Ms Campbell**—We would have to take that on notice and get back to you. But that was a significant element of the number—

**Senator COONAN**—The figure I have is 21. Does that sound likely?

**Ms Campbell**—I do not have that with me at the moment, but we will take that on notice.

**Senator COONAN**—All right. Another 37 were reported as making a loss due to additional contributing factors. What were they?

**Ms Campbell**—Each of those factors are generally different for an agency. They will write to the minister for finance and explain what those factors were. Sometimes they can be an accounting loss, where they have had expenses in one year that crystallise in the next year. But it is on an individual case basis.

**Senator COONAN**—Could you please take on notice and provide me with a list for the 70 agencies that reported a loss as to the contributing factors that led to the approval?

**Ms Campbell**—We will take that on notice.

**Mr Tune**—That information will probably be set down in their annual report, Senator, but we will try to collect that and see what we can provide to you.

**Senator COONAN**—The reason I ask for it and suggest it is reasonable is that it has to have been approved, so it is clearly something that your minister and your department would—

**Mr Tune**—Yes. Each individual one is approved by the minister; that is correct.

**Senator COONAN**—What is the position with Finance? What was Finance's operating position? You don't pay staff overtime, for example?

**Mr Tune**—We do now.

**Senator COONAN**—Do you now?

**Mr Tune**—Yes, I think so.

**Senator COONAN**—And fair enough.

**Senator Sherry**—Are you asking whether they made a loss?

**Ms Campbell**—We are just getting the CFO, Senator, so we can provide some details on that.

**Senator COONAN**—All right. Thank you. I am interested in Finance's operating position.

**Mr Burton**—Senator, during the 2008-09 year, we had an operating profit. Unfortunately, I have not brought the numbers with me, because our annual report is due to be released next week, but we did not make a loss, no.

**Senator COONAN**—I am not being critical of the fact that you do not have the numbers, but all will be revealed in the annual report. It has been suggested in some commentary that the implementation of the government's economic stimulus plan added significant additional workloads on some government agencies. Is that correct, to your knowledge?

**Mr Tune**—Yes, I think that is true—including Finance.

**Senator COONAN**—So can you give me some assessment of what the impact was?

**Mr Tune**—I was not in Finance in the period of developing the plan—

**Senator COONAN**—I appreciate that.

**Mr Tune**—but I was in other central agencies and worked closely with Finance, so I have some feel for how it might have impacted on Finance. But there was a lot of work being done on development of policy options, on cabinet discussions around options, a lot of costing work that was being done on options. It was all happening, as you know, in a period when the government wanted to make quick but considered decisions. So that that was quite intensive work for people in central agencies in particular. That happened at a time leading in to budget processes for 2009-10. So those two things sort of sat on top of each other. It is fair to say that there were increased pressures on public servants to provide the information the government was seeking.

**Senator COONAN**—Do we have any way of assessing the administrative costs of implementation of the stimulus over all portfolios?

**Mr Tune**—We do not have that figure. We would have, as part of the announcement of those measures, the administrative costs associated with those, and they would have been appropriated as such. So that is sort of there in—

**Senator COONAN**—Well there is an appropriated figure, but I am just wondering whether or not that has been an accurate assessment or not. There have been a lot of figures that have been moved around and had to be recalibrated.

**Mr Tune**—No, we would not have that because that would have been absorbed within agencies, in the same way that we would have absorbed that ourselves.

**Senator COONAN**—There has been some impact from the global downturn. Are you aware that the Auditor-General has said that he will audit all public investments and assets for 2008-09 and future years to ensure that the true impact of the downturn is reflected in the financial statements? Are you aware of the Auditor-General's role in this?

**Ms Campbell**—No, but the Auditor-General has the role of auditing the financial statements and I expect that he would take that into consideration.

**Senator COONAN**—Has Finance implemented any steps to ensure that the impact of the global downturn is reflected in financial statements? If so, how do you do it?

**Ms Campbell**—The financial statements are prepared in accordance with the Australian accounting standards, which are set by an independent entity. They are compatible with the international accounting standards. Agencies continue to prepare their statements in accordance with those standards and also with the finance minister's orders, which interpret the standards should there be any variation specific for the public sector.

**Mr Youngberry**—In relation to the reporting of investments in agency financial statements, all agencies are required to comply with Australian accounting standards, which are based on international accounting standards. The Auditor-General audits against those. There is no specific action that Finance take other than our general communication and information arrangements with agencies around particular areas where they might want to focus attention.

**Mr Tune**—Senator, before you move on, can we go back to the issue of a loss in Finance. We have made one for a technical reason, and I might ask Mr Burton to explain it.

**Senator COONAN**—No problem.

**Mr Burton**—If I could correct my earlier statement. We did not make a loss on our core operations but we have a special account that holds a reasonable amount of government property and that was devalued right at the end of the financial year. That devaluation caused a technical accounting loss.

**Senator COONAN**—Yes, I had heard there was a loss, so that was the reason for my question. Thank you for correcting that. What steps does the minister go through in approving a loss?

**Ms Campbell**—The minister for the relevant agency writes to the Minister for Finance and Deregulation, and the considerations are given as to why the loss is occurring—as with the bond rate on this occasion, that was basically an automatic agreement. In providing advice, we look at the ongoing financial health of an agency to determine whether the reason for the loss is a one-off activity and that they have sufficient cash reserves to cover that or whether there is a systemic issue that may be ongoing. The minister is not likely to approve losses if it is a systemic issue, if it is not in accordance with government policy or if there is a deeper issue—he may choose to do some review of the funding profile were that the case. Generally, the approvals are quite simple when it is a one-off activity and it is a technical loss or one of those bond rate type issues. We try to determine whether there is a deeper issue which a portfolio or agency is identifying when seeking a loss before approval.

**Senator COONAN**—Such as needing to pay depreciation or something of that kind which have caused significant issues for some agencies.

**Ms Campbell**—That is not generally one of the factors that come up because agencies have been funded for depreciation. They are generally of a one-off nature. They may have a spike in expenditure one year. They may have been saving up, for example, for a fleet of photocopiers or something like that. They may have been hoping to spend some money at the

end of one year and it rolled into the next year, and they did not have an appropriation cover in the next year. That may result in a loss.

**Proceedings suspended from 10.30 am to 10.47 am**

**Senator HUMPHRIES**—I want to follow up on the questions that Senator Bernardi asked about the use by government departments of smaller airlines between Canberra and Sydney. I think when I last asked about this in the estimates hearings at the beginning of this year you expressed some confidence that the increase from 10 to 12 per cent in the use of non-Qantas airlines between the September and December quarters of 2008 was a sign of a trend. I see that we are back to 11 per cent now. Mr Lewis, you said on that occasion:

We are working closely with key agencies in particular to identify the ability for better leveraging of the Commonwealth's purchasing power in relation to air travel. That could lead to changes downstream in relation to both the way in which air travel is procured by the Commonwealth and to procurement decisions ... it is certainly under current examination by a senior group inside the Commonwealth now.

Can you give us a report on where that senior group has got to?

**Mr Lewis**—Certainly. This was the line of questioning that Senator Bernardi was raising with us earlier this morning. It links to those three tender processes that we have underway now—the first in relation to domestic air travel, the second in relation to international air travel and the third in relation to travel management companies. We have received tenders in relation to domestic air travel and those are currently being evaluated. Our international air travel tenders are due at noon today. Those tenders are progressing very much on schedule. Naturally, I would not be discussing the content of those tenders at the present time.

**Senator HUMPHRIES**—To what extent do those tenders represent a new policy on the part of the Commonwealth? Is it simply the tendering of work by those particular areas or is there a new policy in place?

**Mr Lewis**—That tendering is in relation to aggregated procurement across APS agencies, but there is an updated travel policy which is currently being circulated as well. Mr Grant might help us with that.

**Mr Grant**—Senator, as you will recall, there are two existing policies for travel—the best fare of the day policy and the 25 per cent target for smaller airlines on the Canberra to Sydney route. As part of this coordinated procurement process associated with air travel, we are looking at a new policy, which we are consulting on, which we call the lowest practical fare. The lowest practical fare essentially follows on from the policies that are in place but in essence it puts a very upfront onus on officers to consider mechanisms other than travel if they do need to meet and communicate with people.

**Senator HUMPHRIES**—That is a laudable policy. How is it practically going to be driven forward by this department throughout agencies that may have a preference for face-to-face meetings over this alternative approach?

**Mr Grant**—It would be a Finance circular. Agencies are required to adhere to Finance circulars, but it will be up to agencies to determine whether they need to have face-to-face meetings or whether other mechanisms will achieve the desired outcomes.

**Senator HUMPHRIES**—There is also a Finance circular targeting 25 per cent non-Qantas travel. It does not, with respect, carry the weight that one might hope for in terms of getting some of these departments' performances lifted. I think Senator Bernardi referred to the Department of Defence, which must have hundreds of flights every day, getting one per cent of their people onto airlines other than Qantas. Something else is required, wouldn't you agree, to lift that performance?

**Mr Grant**—As we have discussed before, it is a 25 per cent target. The objective is to enhance and maintain competition. Defence's outcome is less than it has been in the past and it has quite an impact on airline usage. Obviously we do talk to Defence about their usage, and they explain in our published advice why they have achieved one per cent.

**Senator HUMPHRIES**—Has the Auditor-General at any stage undertaken any work with respect to the use of airlines by departments?

**Mr Grant**—Not that I am aware of, no.

**Senator HUMPHRIES**—Minister Tanner made a statement on 4 September about the revisions in government air travel policy. Did he say essentially what you have told us about those tender processes or was there something else behind that announcement that he made on 4 September?

**Mr Grant**—I do not have that announcement with me, I am afraid, so I am not sure I can comment on that for you at this moment.

**Senator HUMPHRIES**—The note that I have suggests that he announced on that day that the two current Australian government air travel policies would be merged into one policy. Is that a fair—

**Mr Grant**—That is correct.

**Senator HUMPHRIES**—Is that policy still being developed and is yet to be announced in its entirety?

**Mr Grant**—The lowest practical fare policy, which is what I referred to, is that policy. It is being consulted on across government but also with the airlines.

**Senator HUMPHRIES**—Why is it being consulted on if it is already the policy of the government?

**Mr Grant**—No, it is not the policy yet. It is in the consultation phase, so we are getting feedback—

**Senator HUMPHRIES**—I understand. When can we expect an outcome from that exercise?

**Mr Grant**—Certainly before the end of the year. That is my view. I would hope that would be the case.

**Mr Tune**—We will finalise all of this in the context of assessing the tenders that are out there at the moment. It will all come together in one announcement, I expect.

**Senator HUMPHRIES**—All right. I will book a spot for February estimates, then. Thank you.

**Senator COONAN**—I want to resume with a discussion about the efficiency dividend. One of Mr Tanner's famous announcements was delivered on 22 November 2007. In it he identified the introduction of an additional two per cent increase in the efficiency dividend, and the press release says:

This one off increase in the efficiency dividend is on the same basis as the Government's efficiency dividend and, to assist in this task, incorporates Labor's previously identified and announced efficiencies worth \$860 million such as:

- Advertising expenditure;
- Expenditure on consultancies;
- Non-defence related recruitment expenses;
- Opinion poll and market research spending; and
- Media Monitoring undertaken by Departments.

I have put that to you, precisely as it appears in the press release, as an introduction to asking you some questions. The first one is: did the savings from the one-off two per cent efficiency dividend come from reducing these expenses?

**Mr Tune**—My understanding is that we imposed that and took that money out of agencies' budgets. As to how they actually achieved that is less clear. But we would have expected that in those sorts of areas there would have been reductions. Advertising, for example, we monitor separately. We have published material on it. Issues around consultancies and so forth would be revealed in agencies' annual reports, so pulling that together. But we do not actually say, 'It has to come from there.' They make their own decisions about how they achieve that two per cent efficiency dividend—or they did make those decisions—and we just took that out of their budgets. They determined how they did it.

**Senator COONAN**—In the same press release, Mr Tanner said:

... redundancies will not be necessary to achieve these efficiency savings.

Is that the case? Do you have any different information?

**Ms Campbell**—Redundancies are generally on an agency-by-agency basis, so we have not collected that information centrally. It is probably something that needs to be referred to an agency.

**Mr Tune**—I think it is fair to say that public service numbers have not decreased across the board.

**Senator COONAN**—Media reports certainly suggest that, for example, CSIRO made redundancy cuts to achieve the one-off two per cent efficiency dividend. Do you have any information about that?

**Mr Tune**—I do not.

**Senator Sherry**—As I think you would be aware, Senator Coonan, when we get into those sorts of specifics it has really got to go to the agency itself.

**Senator COONAN**—I think we have all got a bit of an idea about how this efficiency dividend actually works. In effect, it is supposed to force agencies to find efficiencies and in effect produce the same output with reduced appropriations. We understand that. Apropos of an earlier question: in their 2008-09 budget, the Australian War Memorial applied the

compulsory efficiency dividend to depreciation funding—that is, funding that it was allocated to offset the decline in value of its assets. Is this how the efficiency dividend is meant to work?

**Ms Campbell**—We might just get someone who can give us some more details about the War Memorial. The efficiency dividend is meant to be reductions in expenditure that would otherwise happen. The depreciation expense is an accounting expense and is set by the accounting standards and, generally, a schedule that identifies the life of a number of assets, and so that amount should be applied. I am not sure—I have not studied that in detail—what the War Memorial said on that occasion. But, again, it is probably best directed to the War Memorial and their own financial accounts.

**Senator COONAN**—So you do not actually have any overview of how the efficiency dividend operates, as long as it is achieved—is that correct?

**Mr Tune**—In the case of the War Memorial, it is not the depreciation funding that is sitting in their accounts that is the issue; it is about what they do with it. So it does not hit the bottom line—that is, spending—until they actually spend it. If they are saying that they did not use some depreciation funding and spent it, that is different, I think, from taking it off their depreciation. It is just that they did not use it and therefore they did less of something than they otherwise might have done using the depreciation funding.

**Senator COONAN**—My point about it was that these do not appear to be the kinds of efficiencies that really are meant by the efficiency—

**Mr Tune**—I guess what I am saying is that they cannot do that. It is not the way it works.

**Ms Campbell**—And there has been significant confusion on depreciation funding, as we have discussed at this committee before. Sometimes agencies did use it for maintenance-type activities, and they may have reduced some of their maintenance activities.

**Mr Tune**—It may be the way they have described that it is a bit at odds. I am not sure. I will have to check it out. But in general the answer is no.

**Senator COONAN**—Would you just have a look at that particular example for me?

**Mr Tune**—Certainly. We will take that on notice.

**Senator COONAN**—I think it is very important that the committee has a clear understanding about how this efficiency dividend is meant to operate and its impact.

**Mr Tune**—I think the way I described it to you—that it is not the depreciation funding per se but the spending that matters—is the critical issue.

**Senator COONAN**—That could be the explanation. At last estimates, Finance disclosed that eight agencies have longstanding exemptions from the ongoing efficiency dividend. Why is that?

**Mr Tune**—I am trying to think of the eight agencies.

**Senator COONAN**—I can help you: ABC, Council for the Arts, Australian Customs Service, Australian Institute of Marine Science, Maritime Safety, Nuclear Science and Technology Organisation, Commonwealth Scientific and Industrial Research Organisation, Department of Defence, SBS Corporation.

**Ms Campbell**—With a number of those agencies, the government enters into triennial funding agreements and, over the years, the agreements have not included the efficiency dividend. Therefore, the government has decided not to apply an additional efficiency dividend, as the two per cent was in this case that we have been discussing.

**Senator COONAN**—Is this ongoing? Are there ever reconsiderations of this?

**Mr Tune**—Yes, there are. They would be reconsidered at times. Take the ABC, for example. When the government comes to its next set of decisions around funding into the future for the ABC, we will think about whether to impose a separate efficiency dividend as part of the consideration about the appropriate budget for the organisation.

**Senator COONAN**—I recall it well. Good luck! At last estimates, Finance disclosed that the government agreed to exempt five agencies which are ordinarily subject to the efficiency dividend from the application of the one-off measure. Just to assist you, they were—

**Mr Tune**—We have it here.

**Senator COONAN**—Why were they exempted?

**Ms Campbell**—I was not in this job at that time, so we will just check and get back to you. We should be able to do that quite quickly.

**Senator COONAN**—Thank you very much. The other thing I am interested to know is: why were they exempted and was Finance's advice sought when deciding to come to this view about exempting them?

**Mr Tune**—We will follow up on both of those.

**Senator COONAN**—All right. I want to ask some questions about the review of government grants. Is anyone at the table able to deal with that?

**Ms Campbell**—Yes. Mr Youngberry and I should be able to deal with that.

**Senator COONAN**—I do not think I am reading too much into this, but you can advise me or correct me if I am wrong about this. The new grant guidelines, issued by the minister on 1 July 2009, appear to me to permit ministers to ignore departmental advice in relation to grants so long as they advise the finance minister in writing. This appears to contradict what the finance minister has previously said, in particular in a speech to the Press Club where he said:

Ministers will not be allowed to make decisions on discretionary grants for their own electorate. Consistent with rigorous probity principles, that decision will be made by other Ministers.

Then he went on to say a few other things but nothing relevant for the purposes of the question. Why has the minister changed his position on administering the grants?

**Ms Campbell**—I think the quote from the minister is from late 2007 at the Press Club.

**Senator COONAN**—I just have the quote. I do not actually have the date.

**Ms Campbell**—I think it was quite early—either before the government came to power or just after.

**Senator COONAN**—It was certainly before the review.

**Ms Campbell**—The review had a look at the operation of that particular requirement to determine if it was actually practical to operate in that manner with the number of grants and



sometimes the size of the grants. The review had a look at it. Also in the final guidelines it was determined that this was another mechanism of still providing that level of transparency without the cumbersome process of having to get a number of other ministers to look at this. Mr Tanner considered that this level of transparency would still provide the assurance that the minister had acted after carefully considering the advice from the departments, and there was that level of transparency still there.

**Senator COONAN**—But it still falls far short of the tests that he set for himself or at least the standard that he set for himself. It was an unequivocal statement—ministers will not be allowed to make decisions on discretionary grants; that decision will be made where necessary by other ministers. That seems to be something that has been moved away from unequivocally.

**Ms Campbell**—I have just been advised that those statements were made in February 2008, which was before the review. The review looked at that, considered it and talked to a number of stakeholders to determine the optimal way of ensuring transparency and appropriate decision making. The recommendations have led to the Grant guidelines, which have the alternative mechanism of the relevant minister writing to the Minister for Finance and Deregulation.

**Senator COONAN**—So in effect there is no change apart from the fact that you write to the minister and tell him?

**Ms Campbell**—Yes—

**Mr Suur**—The change came from a recommendation of the review by Peter Grant. That review document is on the Finance website. The review by Mr Grant indicated that it was not persuaded that a referral of decisions to a ministerial group would lead to an improvement in the quality or efficiency of decision making on grants, and it had a number of reasons for reaching that conclusion. One of those reasons was that the risk associated with the decisions in question will best and most appropriately be managed by those ministers with formal responsibility for and detailed knowledge of the grants program in question. So, as a result of Mr Grant's recommendation, the government calibrated the process that the minister talked about. The reference that you are making is to a speech, as Ms Campbell said, that the minister made in February 2008 at the Press Club. The minister was talking about the interim arrangements that the government had put in place pending Mr Grant's review.

**Senator COONAN**—So the government put in place some transparency surrounding grants and has now lessened the transparency involved in how these grants are administered; that would be a correct statement, wouldn't it?

**Mr Suur**—That is your statement, Senator.

**Senator COONAN**—Apart from writing to the minister, how does it materially differ from what previously occurred—I do not mean under the Labor government; rather under the previous government?

**Mr Suur**—There are other arrangements in place, the most important of which is publication of decisions on grants on websites. So every grant decision made by a minister is published after it is made.

**Senator COONAN**—Right, but there is no further transparency around the actual decision-making process, is there? There is no material difference as to what goes into the decision-making process, which is really what Mr Tanner had been addressing in his earlier comments?

**Ms Campbell**—There are criteria which are published for the grant programs and ministers assess the proposals against those criteria. Agencies and ministers do take very seriously writing to the finance minister to inform him of their decision making.

**Senator COONAN**—How do you know that?

**Ms Campbell**—They tell us that they take it very seriously and they consider things in detail before writing to the Minister for Finance and Deregulation.

**Mr Tune**—I think the fact that it is then published on the web has quite an important impact on people.

**Senator COONAN**—I am really just interested in the actual decision-making process as opposed to whether you write to the minister about it or whether it is a list. We all know that you do not always get the true story in a list or on a website. Look at AusTender for example, which I will come to shortly. You get some information, but you certainly do not get a definitive position. I am interested to know why the higher standard that Mr Tanner set for the government appears to be being resiled from. Minister, do you have a view about that?

**Senator Sherry**—I believe that the processes that the government has put in place and as outlined by the officials are sound, appropriate and a significant improvement.

**Senator COONAN**—They certainly do not come near what Mr Tanner was talking about on how discretionary grants would be decided.

**Senator Sherry**—I think they are a significant improvement. I can take on notice for the minister to respond as to whether he is of the view that what has been implemented is a significant improvement—and I think it is a significant improvement—and to respond to your statement that you do not believe it is.

**Senator COONAN**—Without being silly about it, what I am really trying to establish is whether or not the minister was so persuaded by the review that he no longer thought it important to implement or continue with the implementation of the standards he set for himself or set for the government.

**Senator Sherry**—As I said there are significant improvements in oversight in this area. What conclusions Mr Tanner's came to after the review was undertaken I will have to take on notice and seek his view.

**Senator COONAN**—All right, do that because he was highly critical and appears to have fallen far short of the standards he set for himself. So it would be good if you would take that on notice. On the last occasion we had some questions about how one could effectively monitor consultancy expenditure across government. I am interested to know whether Finance has commissioned any monitoring system to scrutinise consultancy expenditure across government since we had that discussion.

**Mr Tune**—Not that we are aware of, but we will check for you.

**Senator COONAN**—Minister Tanner announced that cuts across agencies would amount to \$860 million. I am interested to know where that figure came from and what component of it related to consultancy costs and whether they have been realised.

**Mr Tune**—Is this \$860 million for the two per cent efficiency dividend?

**Senator COONAN**—Yes, and that was all taken into one figure.

**Mr Tune**—Yes, that is right and that is basically the explanation. All of the explicit things that were announced earlier were rolled into the overall efficiency dividend. Agencies were told they had to meet those efficiency savings, and they would come from a variety of sources including the various things listed previously. They were not compelled to get their savings specifically from those areas, as I explained earlier, but there was an expectation that at least a large proportion of the savings would come from those areas where the government felt that there was sufficient fat to cut back.

**Senator COONAN**—How does the minister go about ensuring that there is a reduction of spending on consultancies, as promised?

**Mr Tune**—As I just explained, it has been rolled into the two per cent.

**Senator COONAN**—You would not really know whether he had or whether he had not, would you?

**Mr Tune**—The two per cent has been achieved.

**Senator COONAN**—Yes, but in terms of reducing the money spent on consultancies.

**Mr Tune**—That is what I am explaining; it is not monitored against that because the government made a subsequent decision to roll the explicit savings that it had identified into the more general two per cent.

**Senator COONAN**—Have there been any savings on consultancies?

**Senator Sherry**—I can take that on notice for the minister. He may examine consultancy expenditure. He may receive reports, I do not know, but I am happy to take it on notice. I do know he has a very keen interest in all of these areas of expenditure and in ensuring we get better value for money to improve efficiency. I will take on notice whether or not he has some process for receiving a report and update on things like efficiency, cost reduction from consultancies and other government advertising et cetera.

**Senator COONAN**—Thank you, Minister, for undertaking to do that. Just to be clear about it, I would like to know what the minister has achieved by way of reductions, as he promised, specifically in relation to advertising expenditure, specifically in relation to expenditure on consultancies, specifically in relation to non-defence related recruitment expenses, specifically in relation to opinion poll and market research spending and specifically in relation to media monitoring undertaken by departments.

**Mr Tune**—Some of those we can provide answers to. Advertising, as I mentioned earlier, is one that is monitored quite closely. In other cases you will find the details are in the annual reports of agencies.

**Senator COONAN**—It would be handy for the purposes of the committee if they could just be collated so that we can form some view, from what the minister has identified as being

important to him as areas of potential waste, as to what precise reductions in expenditure in each of those areas and what efficiencies have been achieved.

**Senator Sherry**—Just so that I can be clear, firstly we do not have all the annual reports yet.

**Senator COONAN**—I understand that.

**Senator Sherry**—When they are all available, you would like Finance to provide—I am assuming the two per cent will be met by all departments—

**Mr Tune**—It is taken out of their budget.

**Senator Sherry**—That is right and that is reported. You would like an aggregated figure for savings achieved in each department and agency in those specific categories.

**Senator COONAN**—Yes.

**Mr Tune**—I am not sure whether we can do it. It is extremely labour intensive, as you would appreciate, but we will do our best to provide some information.

**Senator COONAN**—The minister has made some claims about it and Finance must have some view as to whether or not it is achievable. Mr Tanner, from my assessment of him, does not just make idle statements and he has some basis for making those claims. Surely Finance must know whether or not there has been efficiencies over these areas and could put a figure on that, because that is then taken into reporting. I can take you to innumerable claims that Mr Tanner makes about these particular matters.

**Mr Tune**—There are two issues. As I have explained, yes, we do monitor explicitly some of those things because they are likely to be more sensitive. Advertising is one, and if you would like some information on that—

**Senator COONAN**—That goes across all departments.

**Mr Tune**—Yes, and we will provide that to you shortly if you wish to pursue that. Secondly, I think it is because the government decided that in implementing a series of specific things they rolled them together and put them into this efficiency dividend. Therefore, they achieved the savings through that means and through other means.

**Senator Sherry**—And the extent to which those areas that Finance does not have a central record for will be in the annual reports.

**Mr Tune**—That is right.

**Senator COONAN**—I understand that.

**Senator Sherry**—I certainly know that in opposition we used to go through all these annual reports and have to add up the separate components on advertising, consultancies and a range of other categories. We as an opposition used to do that ourselves. Unfortunately, Finance only has the capability in a couple of areas centrally. I will take it on notice and we will see what we can do.

**Senator COONAN**—You managed to monitor across all departments advertising. Do you monitor across all departments expenditure on consultancies?

**Mr Tune**—No, we do not.

**Senator COONAN**—Do you propose to put in place some monitoring system on the amount spent on consultancies across departments?

**Mr Tune**—No, we do not, not at this stage, because we think it has been rolled into the two per cent efficiency dividend.

**Senator COONAN**—Why did you take advertising out?

**Mr Tune**—Because, as I said earlier, it is a bit more sensitive than others. There is a set of processes around advertising that is followed coming through a central point. Therefore, it is much easier to actually determine what is going on because there is a set of processes that they have to go through that central point.

**Senator Sherry**—There is a central procurement.

**Mr Tune**—That is not the case with a consultancy.

**Senator COONAN**—Yes, I understand. Do I take it then that you do not regard expenditure on consultancies as having the same sensitivity that would require some central monitoring process?

**Mr Tune**—Not at this stage, no.

**Senator COONAN**—So that is not sensitive.

**Mr Tune**—I am not necessarily saying it is not sensitive; it is not as sensitive.

**Senator COONAN**—Not sensitive enough.

**Senator Sherry**—The sensitivity is handled by the particular department.

**Senator COONAN**—It is not sensitive enough for Finance to have any central monitoring role in relation to the massive spend on consultancies.

**Mr Tune**—As you know, there are a large number of consultancies and it is probably not manageable to actually manage those in a central manner.

**Senator COONAN**—What about non-defence related recruitment expenses? That would be something that you could monitor quite successfully, I would have thought.

**Mr Tune**—We have a central contract on that one, so we have a capacity to assess it.

**Senator COONAN**—So you can provide that figure?

**Mr Tune**—Yes.

**Senator COONAN**—For opinion polling and market research, you certainly would have.

**Mr Tune**—We are just checking.

**Mr Grant**—I am sorry, Senator—I missed the question.

**Senator COONAN**—Do you have some way in which you can inform the committee what savings have been achieved for non-defence related recruitment expenses?

**Mr Grant**—We have some data. We have recently entered into a new contract with Adcorp, and the previous contract did not provide particularly good information about the split between public notices, tender notices and recruitment. So what I can do is have a look at

what data we do have, recognising that it might be imperfect. The data from Adcorp is much better.

**Senator COONAN**—So you will take that on notice?

**Mr Grant**—We will take that on notice.

**Senator COONAN**—Thank you. What about media monitoring? There would obviously be some—

**Mr Tune**—No, I do not think we have anything on that.

**Senator COONAN**—You do not have anything about that. So that is not a sensitive area of spending?

**Mr Tune**—Agencies would be required to be accountable for the costs they incur in media monitoring.

**Senator COONAN**—There is no central purchasing arrangement for media monitoring?

**Mr Tune**—No, there is not.

**Senator COONAN**—No thought about doing that?

**Mr Tune**—No, not this stage.

**Senator COONAN**—I will go to expenditure on consultancies. The department is able to point to the total value of contracts on issue through AusTender—is that correct?

**Mr Grant**—Yes. AusTender records the contracts awarded and identifies consultancies against normal contracts.

**Senator COONAN**—You can also identify the category that the expenditure falls under.

**Mr Grant**—Yes, within reason, of course. We use a classification code.

**Senator COONAN**—Yes, such as building construction and maintenance, cleaning equipment or whatever.

**Mr Grant**—I do not know the detail, but I assume so.

**Senator COONAN**—What is the impediment to actual yearly expenditure for contracts being broken down into appropriate categories?

**Mr Grant**—AusTender publishes both approaches to the market and all contracts awarded. As you know, expenditure against contracts tends to occur one part at a time across a range of different reasons. It might be time; it might be services provided. AusTender does not record expenditure, and consequently there is no central record of the actual expenditure against a contract.

**Senator COONAN**—I understand that there is not. I am not entirely clear why that would not be feasible to record, given that you can break it down into categories and you can put up the total value of a contract on issue. I just do not understand why you would not be able to track yearly expenditure for contracts broken down into appropriate categories, or indeed perhaps some other reporting period.

**Mr Lewis**—It is theoretically possible that you could do that, but it would be a very, very substantial cost to adapt the system that we presently have to achieve that, firstly. But, more

importantly, the obligations which would be assumed by agencies in relation to including details about expenditure against each of these contracts—and how many contracts have been entered into?

**Mr Grant**—About 75,000 to 85,000 a year.

**Mr Lewis**—With 75,000 to 85,000 contracts per year you can imagine it is one thing to include the details about a contract being entered into onto AusTender and another thing to load up all the expenditure transactions in relation to each of those contracts. It would be a massive and very ongoing, expensive job for the APS as a whole.

**Senator COONAN**—Is that a software problem? Because agencies could be required to provide information against the performance of the contract in terms of which year the money is spent in.

**Mr Lewis**—It would be software, systems, compatibility, hardware and personnel costs. It would be all those things.

**Senator COONAN**—Has there been any estimate made of what it would cost?

**Mr Lewis**—Not that I am aware.

**Mr Grant**—No.

**Senator COONAN**—I want to ask some questions about Gershon.

**Mr Tune**—Ms Steward will join us for this one.

**Senator COONAN**—There have been some press reports, one of which is headed ‘Labor’s \$1bn IT cost-cutting target in doubt’. It goes to a number of matters, including pressure to identify more savings and the spending freeze damaging providers, about which there has been quite a bit of press. To start our discussion on this topic, can you give me an update on where it is up to.

**Ms Steward**—Phase 1 of our work has already been completed and savings have been realised through that in the order of \$570 million. We have continued to work with agencies on phase 2. That has just been concluded and the outputs of that will be considered by government shortly.

**Senator COONAN**—Have you received any complaints about the purchasing freeze on new government data centre capacity?

**Ms Steward**—No.

**Senator COONAN**—Is it correct as reported that the purchasing freeze on new government data centre capacity is under fire after an industry survey showed public sector agencies were experiencing significant operational problems because they could not cope with the volume of information they generated? Do you know anything about that?

**Mr Tune**—As you know there is a new data centre strategy being developed, and we have just put in place some interim arrangements pending the finalisation of that strategy. There is a panel that is being used, so we think that is adequate in providing on an interim basis prior to the full data centre strategy being put in place.

**Senator COONAN**—Have there been any problems that have come to your attention with how the data centre interim arrangements are operating?

**Ms Steward**—No, we have worked very closely with the agencies which indicated that they may need to move and have facilities available to them before the target time for the development of the strategy. We have worked successfully with those and as the secretary has just indicated we have facilities in place for them to be able to access those, and all of the agencies that we are aware of have all of their needs met.

**Senator COONAN**—Has there been any disruption to the delivery of government services because of the data freeze and agencies running out of space?

**Ms Steward**—Not that I have been advised.

**Senator COONAN**—Is the secretary aware of any complaints about the delivery of government services, problems with Centrelink for example?

**Mr Tune**—No-one has raised it with me, not the CEO of Centrelink or the acting CEO of Centrelink.

**Senator COONAN**—The new strategy for future purchasing has not yet been finalised. When is that due?

**Ms Steward**—That will be available for government's consideration by the end of the year.

**Senator COONAN**—So what do they do in the meantime?

**Ms Steward**—In the meantime, any agency that has any need, can access the panel that we have established—if they have a need to, say, seek access to some additional space or additional facilities.

**Senator COONAN**—Who is on the panel?

**Mr Tune**—Canberra Data Centres in Hume, ACT; Fujitsu in Homebush, NSW and Noble Park, Victoria; Global Switch Property at Ultimo; Harbour MSP Pty Ltd also at Ultimo; and Polaris Data Centre in Springfield, Queensland.

**Senator COONAN**—Is there an issue with AGIMO, who are reported as saying earlier this month that they would release details of panel contracts by the end of September? Has that happened?

**Ms Steward**—This is the panel contract that has been established.

**Senator COONAN**—Well, it talks cannot panel 'contracts'.

**Ms Steward**—There is a panel that has been established, and agencies are able to take contracts under that panel. That was announced on 28 September by the minister.

**Senator COONAN**—With this dramatic increase in annual cost-cutting targets, there is a report that some of the users believe the targets are extremely ambitious, given that the agency charged with delivering the reforms—the Australian Government Information Management Office—did not meet the target outline of \$140 million for this financial year. Is that correct?



**Ms Steward**—Agencies have continued to work with us very collaboratively. As I have indicated, we have already met \$570 million of that target and we are confident we will be able to achieve the target set for us and reflected in our UEFO statement.

**Senator COONAN**—Did AGIMO reach its target? Or is it correct that it did not meet the target of \$140 million for the financial year and that figure has been revised down to just \$109.2 million?

**Mr Sheridan**—Senator, as we discussed at the last estimates hearing, the amount achieved in 2009-10 was \$109.2 million. The earlier target was that suggested by Sir Peter on the basis of the information available to him at the time of his review. After he completed his review and we implemented benchmarking studies of agencies, we were able to get a more detailed view of their ICT businesses usual expenditure, and \$109.2 million represents all of that new target.

**Senator COONAN**—So it was revised down from \$149 million, as recommended or outlined, to \$109 million.

**Mr Tune**—In that financial year. As Ms Steward said, we are confident we will meet the target.

**Senator COONAN**—Well, you are certainly going hard at it. Many government agencies have imposed spending freezes in a bid to meet the cost-cutting targets, is that right?

**Mr Tune**—I am assuming it would cause some issues for them, yes.

**Senator COONAN**—Are you aware of the freezes?

**Mr Tune**—Well, if they are going to make savings, they have to adjust their operations. There are no two ways about it.

**Senator COONAN**—Is it the case that all federal agencies have now submitted plans detailing how they are going to find savings from their day-to-day operations over the next two financial years?

**Mr Tune**—Yes. This is the phase one, phase two. So we are now into phase two. We are in the process of finalising that. As Ms Steward said, we will have that done by the end of the year and people will be notified formally of what their requirement is.

**Senator COONAN**—There is a reference in the press to a statement made by a gentleman called Mr Noonan, who is the head of consulting at the government advisory firm Intermedium. He said the cuts would be ‘a tough ask given that the federal IT departments had already contributed to the two per cent efficiency dividend required in the budget.’

**Mr Tune**—I think that is probably a reasonable comment.

**Senator COONAN**—Very tough?

**Mr Tune**—No, I do not think he said ‘very tough’, did he? He said it was ‘a tough ask’. Obviously they have put some pressure on agencies. We think they are achievable, and agencies have put forward proposals to achieve them. We are in the process of finalising those.

**Senator COONAN**—The comment here is that the federal government's massive data centre requirements are another area causing problems for those on the receiving end of the Gershon reform review, and the review had warned that, unless the federal government data centre capacity purchasing was coordinated, taxpayers would wear the unnecessary cost of a billion dollars over 10 years. Are you aware of that?

**Ms Steward**—That is in the Gershon report, and that is what we are working on currently. We took account of any agency needs before that strategy was completed. We have set up a panel so that there is no impact on their business-as-usual activities and service delivery, and the data centre strategy is progressing well. We have had open consultation with industry to be informed by the industry about new developments in their technologies so that they can also be taken into account and reflected in the strategy. We believe that we have very sound practices in place to be able to support the day-to-day operation of those agencies needing any additional support for their data centres.

**Senator COONAN**—Isn't it true that in May this year AGIMO was forced to grant exemptions to the spending moratorium on new data centre capacity purchases after crucial service delivery agencies, including Centrelink, ran out of capacity to put in more computing power?

**Ms Steward**—We worked with any of the agencies—

**Senator COONAN**—Is that right? Is that correct?

**Ms Steward**—We worked with Centrelink and any of the other agencies who wanted any additional space. We facilitated discussions with the industry components and we used that as part of the work in establishing the panel.

**Senator COONAN**—How many exemptions were granted to the spending moratorium on new data centre capacity?

**Ms Steward**—My understanding is that there were five. Centrelink was the—

**Mr Tune**—Centrelink, the TGA, Defence, Parliamentary Services and FaHCSIA. Have I got that right?

**Ms Steward**—That is correct.

**Mr Tune**—I might mention that we are in discussion with some other agencies at the moment about interim arrangements as well.

**Senator COONAN**—Do you want to say which ones?

**Mr Tune**—I could, if you like. ASIC, the Bureau of Meteorology, Department of Climate Change, Department of the Environment, Water, Heritage and the Arts, environment, Department of Immigration and Citizenship and the Department of Innovation, Industry, Science and Research. Those need to go through what is called SIGB, the Secretaries' ICT Governance Board, which I chair and which has a number of other agency heads on it. They get approved by the SIGB as being reasonable cases.

**Senator COONAN**—The spending handbrake has had other consequences. It has caused private investment to evaporate because people cannot do any tenancy deals until AGIMO releases its new data centre strategy. Is that right?

**Ms Steward**—Any industry party would need to look on its own basis for what commercial activity it wanted to pursue. We have maintained open dialogue with the industry, giving them an indication of what we are doing and, as I indicated before, inviting them to be part of briefing sessions et cetera. But at the end of the day it really is a matter for the individual entities.

**Senator COONAN**—Since the moratorium was imposed, are you aware of Centrelink and Defence both suffering severe outages of their data centres relating to fragile electricity supply, the cost of which is still to surface?

**Ms Steward**—I am aware of Centrelink's situation. As I indicated before, we worked very closely with them, particularly my colleague who is the CIO there. We facilitated support for their access to facilities to address that and also the panel for anybody else who would want or need to be able to gain access to it under the conditions.

**Senator COONAN**—Are you aware of some developers, including Technical Real Estate which had planned to build gas fired facilities to generate their own power, having threatened to pull the plug on new data centre builds in Canberra if they cannot secure advance commitments for tenants soon?

**Ms Steward**—Yes, I am aware of that.

**Senator COONAN**—What is the current position with that?

**Ms Steward**—As I have indicated, we have continued to brief them on the activities that we are doing and on the development of a strategy and for them to be involved in any of our sessions so that they are kept up to date along with any other providers.

**Senator COONAN**—It is obviously a work in progress, but just how far reaching the Gershon reforms are and what they are going to achieve in the long run is something that we will watch with interest.

**Senator Sherry**—There is \$570 million in progress so far, which is pretty good.

**Senator COONAN**—There is lot of money in progress, but there are a lot of consequences also, Minister. If you are going to undertake these processes, it is critical that the opportunity costs and the other problems that the industry faces are taken into account. It is not a net figure if you have got businesses suffering these kinds of problems and agencies suffering problems if they continue. Obviously, there is a cost to all of this that has to be taken into account. You cannot just talk about a net figure and not also count the costs. I want to ask some questions about a number of other issues.

**Mr Tune**—Chair, can I clarify whether we are out of general sessions and into the outcomes?

**CHAIR**—I do not think we are just yet. Senator Coonan may be because she has been in outcome 2 at different stages.

**Senator COONAN**—Do you want me to continue? If I could have a moment, I might be able to consolidate something so that we can move into outcomes.

**CHAIR**—Whether there is any more on outcome 1 is what we are seeking to clarify. Mr Tune, I think we have finished with outcome 1 except for superannuation, which we may deal

with, along with ComSuper, after lunch. Until lunchtime we will proceed with outcome 2. We have finished with all of outcome 1 except the superannuation area, which Senator Humphries will deal with after lunch. We can release ComSuper. We will put on notice any questions we have for ComSuper. Senator Coonan, have you any questions under outcome 2?

[11.44 am]

**Senator COONAN**—Thank you, Chair. I hope I am in the right outcome; I am never quite sure. Is Asset Management Group in output 2?

**Mr Tune**—Yes, it is. If we wish to go there, I think they are still here. They have been in and out a few times this morning.

**Senator COONAN**—All right. They might like to stay for a little while.

**Mr Tune**—Senator, whilst we have a lull, could I just raise the issue about media monitoring that you raised with me earlier and I said no.

**Senator COONAN**—Yes, of course.

**Mr Tune**—I am sorry, I understand there has been some study done of whether there should be centralised approaches to media monitoring. A study was done by this department about a year or so back prior to my time and the conclusion reached was that it was not practical to actually do that.

**Senator COONAN**—Is that study available?

**Mr Tune**—I do not know, Senator, but I will take that on notice.

**Senator COONAN**—Would you and, if it is available, would you produce it?

**Mr Tune**—Can do.

**Senator COONAN**—Thank you. I just wanted to ask some questions about Australia Post offering car, home, contents and travel insurance. When were you aware of the proposal by Australia Post to offer that kind of insurance?

**Ms Hall**—Australia Post had flagged in its corporate plans over the past couple of years to explore ancillary activities in its retail agency services business. They first formally wrote on that issue around May 2008 and then kept the shareholder departments of broadband and finance updated as developments arose.

**Senator COONAN**—Was the specific approval of the finance minister sought and/or provided?

**Ms Hall**—No, Senator.

**Senator COONAN**—When was the proposal made, so far as you know, apart from in its corporate plan?

**Ms Hall**—I understand that on 2 September this year Post announced its intention to offer these products to the general public. It had prior to that, in June 2009, provided its employees access to these products as a pre-launch strategy.

**Senator COONAN**—Just to employees?

**Ms Hall**—As I understand it.

**Senator COONAN**—Would that include postal agencies, the individual post office agencies? Are they employees?

**Ms Hall**—I am not sure.

**Senator Sherry**—When you say ‘agency’, typically where I live there is a private shop.

**Senator COONAN**—Yes, that is what I am interested in.

**Mr Lewis**—Maybe I can help you with some of these questions but I suspect we may need to confirm with the company just to make sure we do not give you partial or incorrect information on that.

**Senator COONAN**—Just for my own knowledge who is an employee of Post is probably a legitimate question. So when you say it was offered to employees I am wondering how extensive it is and whether all the subcontractors are regarded as employees for that purpose.

**Ms Hall**—I will have to take that question on notice, Senator.

**Senator COONAN**—Are insurance sales within Australia Post core business activities?

**Ms Hall**—No, they are classified as ancillary activities.

**Senator COONAN**—Does finance have any concerns about the extent to which Post is seeking to diversify its product offerings?

**Ms Hall**—I understand that the current strategy of offering these insurance services through the retail outlets is a very, very small proportion of Post’s overall business. The revenue expected to be generated is not material in the context of Post’s core business.

**Mr Lewis**—Back to your question, Senator, finance would have a very keen interest in examining those parts of Australia Post’s corporate plan which deal with new business activities as we would in relation to any government business enterprises. It is certainly something that we would regard as a core part of what we do as part of the annual review of the corporate plan.

**Senator COONAN**—Have these concerns, if I can put it that high, been raised with Post?

**Mr Lewis**—I certainly did not use the word ‘concerns’. My point was about scrutiny: if any government business enterprise is proposing to expand the field in which its businesses operate, we would look at that carefully. We have sometimes had proposals which would have government businesses move quite markedly out of their field of expertise and competence, and we would look at that quite closely and advise the minister, of course.

**Senator COONAN**—Yes, all right. What percentage of the business activities does this comprise? You said it was very small.

**Ms Hall**—I would have to take that on notice in order to get you a precise number, Senator.

**Senator COONAN**—Does this set a precedent for other government business enterprises?

**Mr Lewis**—No, it is not unprecedented at all for a government business enterprise to propose to expand its areas of business activity. So, in that sense, it is by no means unprecedented. The only other thing I would add to that would be that the number of government business enterprises that we now own is a relatively small number. Therefore, we do not see them as regularly as we might have in the past.

**Senator SHERRY**—Just on that issue, when you go into an Australia Post outlet now, in many ways it is like a retail shop. It has expanded its offerings over the last 10 or 15 years significantly beyond what a person saw in a post office 10 or 15 years ago, and that would have occurred under your government.

**Senator COONAN**—It occurred when I was one of the shareholder ministers. I am not being critical of it; I am just interested to know what Finance's view is of insurance as a product line as opposed to post-it notes and toys.

**Mr Tune**—I do not think we have any fundamental problem, but I think Mr Lewis is correct: any GB that wants to expand its business and move into something slightly different we would want to have a look at, because it may change the relationship within the organisation. But in this particular case, no, I think we are reasonably comfortable. If it became a major part of their business—my understanding is that it is relatively small, and we will try and get the number for you as a proportion of the total business—that would change things again. So we would continue to monitor this pretty closely. As mentioned, in terms of the corporate plan that is coming through annually, we would be looking at those particular issues and asking questions about those in terms of the advice we put up to Minister Tanner as one of the shareholder ministers.

**Mr Lewis**—We can, as Ms Hall mentioned before, provide you with some of the details on notice. But my understanding is that in relation to insurance offerings, first, they are limited, that is, they are not the full suite of insurance offerings. Secondly, my understanding is that they are not assuming underwriting risk. So in a sense they are leveraging what is their core competitive strength, which is their outlet network, which is extensive throughout Australia, and thereby allowing the potential for point of sale transactions to be managed but not stepping into the full underwriting risk attached to an insurance business.

**Senator COONAN**—So how does it actually operate if they do not assume any risk?

**Mr Lewis**—Again, rather than getting into the details of giving you a response that might not be correct, suffice to say we can provide those details. It looks like quite an attractive but relatively minor portion of their business, working from their competitive strengths. I believe that they believe that to be a commercially attractive, relatively minor interest.

**Senator COONAN**—So they have not made any losses out of it.

**Mr Lewis**—Not so far as I am aware, but if that is a question you would like us to take on notice then we could do so.

**Senator COONAN**—I am not being critical of it, I am wanting to understand. It seems to me to be quite a significant departure from what even their expanded core business appears to be. Insurance is a very complex product, as we all know, and I am just interested to know how it would operate and what risks are involved, even if small, whatever that is.

**Mr Tune**—We will try and pull all that together for you, Senator.

**Senator COONAN**—Thank you. Are people at the table able to talk to me about the National Broadband Network?

**Mr Lewis**—Yes, I think so.

**Senator COONAN**—Good. Did Finance approve the equity injection into NBN Co.?

**Mr Tune**—We need some other people. There are a couple of areas of Finance involved in the NBN.

**Mr Lewis**—Just for amplification while our colleagues join us, the Asset Management Group is responsible for shareholder related issues—so ownership interest in businesses, including NBN—but the matter you are touching on is relevant to other parts of the department.

**Senator COONAN**—I thought I had the right group. At least I am in the right spot, if not with the right people.

**Mr Tune**—So the question was whether the equity injection was approved by Finance?

**Senator COONAN**—Yes.

**Mr Tune**—It has been approved by the government, so in that sense, yes. This is the \$4.45 billion that was announced in the budget.

**Senator COONAN**—When was that approval given and when did the transfer occur?

**Mr Tune**—The approval was given in the context of the budget, so there would have been a budget decision. As to the issue about when, I do not think it has actually gone in yet. I know some has gone in.

**Senator COONAN**—Could you take that on notice?

**Mr Tune**—I think I have something here—I am just trying to find it. Maybe if the experts are on their way they can provide the answer.

**Senator COONAN**—There was an equity injection from the Building Australia Fund, I think.

**Mr Tune**—Yes, I think you are right. I am just trying to find the information.

**Mr Lewis**—Again, we can check this, but we understand that there have been three equity injections to date. The first one was for \$10, the second one was for \$10 million and the third one was for \$50 million. If you are after dates, I am sure we could persist with that.

**Senator COONAN**—Perhaps you could tell me where—

**Mr Lewis**—Source and date?

**Senator COONAN**—Yes, please. Did it come from the Building Australia Fund and, if not, where did it come from?

**Mr Lewis**—We will be able to help with that.

**Senator COONAN**—Do you have that information now?

**Mr Lewis**—Ms Hall believes that the latter two came from the Building Australia Fund.

**Senator COONAN**—What is the time frame for future equity injections in the company?

**Mr Lewis**—It may be better to take that question on notice. The only reason I say that is that it is obviously going to be dependent on the work currently underway in relation to the implementation study, which is looking at a whole range of elements, from network design

through to what that means for the expenditure profile for NBN. It might be better if I take that question on notice. It may well be one that I need to consult the broadband department about as well.

**Senator COONAN**—I would think that Finance would be anticipating a \$2 billion plus equity injection after completion of the implementation study.

**Mr Tune**—Yes. The government will obviously need to make decisions about the detail of all those things once we have the implementation study early next year.

**Senator COONAN**—But, anyway, you will give me the time frame when you have consulted about it?

**Mr Tune**—I am not clear there is a time frame for the rest of the equity to go in at this point in time. There is nothing definite at this point in time.

**Senator COONAN**—There will have to be something, so I would like you to take the question on notice, or give me the answer now if you can, about the future time frame for equity injections in the company.

**Mr Tune**—Yes.

**Senator COONAN**—When will the decision be made about the absolute maximum equity contribution to the company?

**Mr Tune**—Not until after the government has considered the implementation study.

**Senator COONAN**—Has the NBN Co. or line area in the Department of Broadband, Communications and the Digital Economy submitted budget information to Finance for the current financial year, including details of average staffing levels?

**Mr Tune**—Are you talking about their running costs?

**Senator COONAN**—Yes.

**Mr Tune**—We would certainly have that in the context of the budget numbers. If there is any change to that in MYEFO, that would come through in the additional estimates, of course.

**Senator COONAN**—Have Finance verified the operational costs for the NBN Co. for this financial year?

**Mr Lewis**—Senator, we would have been involved with the Department of Broadband, Communications and the Digital Economy in analysis with the NBN Co. in relation to their operating costs through 2009-10. So, yes. But, if you want details, again we would probably need to take it on notice.

**Senator COONAN**—Can you confirm that the NBN Co. was prescribed as a government business enterprise under the CAC Act, the Commonwealth Authorities and Companies Act, effective from 10 September 2009?

**Ms Hall**—Yes, Senator, that is correct.

**Senator COONAN**—Are the governance arrangements for Commonwealth government business enterprises June 1997 still current?

**Ms Hall**—Yes, they are.



**Senator COONAN**—Why was the decision made that the Minister for Finance and Deregulation not be prescribed as the responsible minister for the NBN Co.?

**Mr Lewis**—Senator, I am not sure quite what your question goes to, but if it is in relation to shareholder roles we might have touched on this matter briefly at last estimates, where we discussed the joint shareholder roles that regularly happen in relation—

**Senator COONAN**—It was pretty peripheral, so could you elaborate a bit?

**Mr Lewis**—I think we went to the Australia Post analogy, just to pick one where obviously you have more familiarity, where the communications minister, as you were then, was a joint shareholder with the finance minister in relation in Australia Post. A very similar model is contemplated and has been put in place here with NBN.

**Senator COONAN**—So the finance minister is a company-responsible minister?

**Mr Lewis**—A joint shareholder; correct.

**Senator COONAN**—So there has been now a formal appointment of the finance minister as a shareholder minister in conjunction with the Minister for Broadband, Communications and the Digital Economy?

**Mr Lewis**—Yes, it was done at the time.

**Senator COONAN**—Does the finance minister have a role in jointly nominating board appointments?

**Mr Lewis**—Absolutely.

**Senator COONAN**—Does the finance minister need to jointly approve corporate plans, statements of corporate intent, dividend payments, annual reports et cetera?

**Ms Hall**—Yes.

**Senator COONAN**—Is the NBN really with all fours with Australia Post, which is obviously a government business enterprise with the communications minister also as shareholder minister?

**Ms Hall**—That is correct.

**Mr Lewis**—I would not describe it as ‘with all fours’. In describing the joint shareholder role, I just make the point that it is basically the same joint shareholder role as applies to Australia Post.

**Senator COONAN**—Is the NBN Co. required to prepare a statement of corporate intent?

**Ms Hall**—I would have to take that on notice.

**Senator COONAN**—Is there any reason why they would not?

**Ms Hall**—Some entities that are statutory authorities or statutory corporations are required to prepare statements—

**Senator COONAN**—Did you say ‘are not required’?

**Ms Hall**—No, I said, ‘are required’. Other entities that are GBEs but are not statutory corporations or statutory authorities, which NBN is not, are not required. So to give you a precise answer on that, I would prefer to take that on notice, if that is okay.

**Senator COONAN**—Could you give me an example of who or which agency or company authority may not be required to provide a statement of corporate intent? I am just interested in the dichotomy that you have just drawn there.

**Ms Hall**—Again, I would have to take that on notice and come back to you.

**Senator COONAN**—Are you saying to me that there are some that are and some that are not but you cannot tell me which?

**Ms Hall**—I do not have that information at my fingertips. We could get that for you quite quickly though.

**Senator COONAN**—When will the NBN Co. be providing its first corporate plan?

**Ms Hall**—Under the guidelines for government business enterprises, GBEs are required to provide a corporate plan annually. We would anticipate at this stage that NBN Co. would provide its first corporate plan towards the middle of the calendar year 2010—so, around May—following the completion of the implementation study.

**Senator COONAN**—When you find out whether the NBN Co. is required to prepare a statement of corporate intent, would you also provide information about—if it is so—whether it will be provided this year?

**Ms Hall**—If it is required to provide a statement of corporate intent, it would be provided at that same time.

**Senator COONAN**—As corporate plans require statements of dividend policy, are you factoring into the budget over the forward estimates any dividend return from the NBN Co.?

**Mr Tune**—Not at this stage. We are waiting for the implementation study.

**Senator COONAN**—What other reporting is required of the NBN Co.?

**Mr Tune**—In what sense?

**Senator COONAN**—Quarterly statements or what?

**Mr Tune**—I am not sure.

**Mr Lewis**—During the start-up phase, the way I would describe it is that there is very close interaction between the broadband department, which is leading the implementation study with Finance and other central agencies, and NBN Co. That is happening very closely because we have the implementation study underway at the same time as NBN Co. is doing a lot of its planning in relation to the building of the network, as you might imagine. That is leading, first of all, to a high level of interaction and, secondly, to regular updates from NBN Co. to shareholder ministers. That, at least, is envisaged for the period between now and the completion of the implementation study. But I do not think there is anything akin to a quarterly report. As you might imagine, the implementation study itself is a very complex study with many different strands to it. At the appropriate times there are reports to ministers.

**Senator COONAN**—What happens with the reporting obligations that normally attach to a company such as the NBN Co.? Do they just get suspended until some future point? Under what arrangement—

**Mr Lewis**—We are still putting in place the most efficient regular reporting arrangements for the two shareholder ministers simply because we are talking about a company that, a few months ago, did not exist. There is a whole range of governance arrangements being put in place now which will govern the operations of the NBN Co. in future. As you might imagine, that is going to morph into different kinds of roles as the network is progressively built. You can imagine quite clear reporting to ministers in relation to performance against targeted deliverables once we have got to that point. But that all depends upon the outcome of the implementation study and the rollout plans.

**Senator COONAN**—I am interested in understanding what reporting obligations the company has and when the company is likely to be complying with those obligations.

**Mr Lewis**—We will take that on notice and give you a formal response to the question.

**Senator COONAN**—Whilst I understand the complexities and the imperatives of waiting for somebody to work out how this is going to be done, from Finance's perspective I do not think it all goes away and gets suspended while it is all happening. There must be some clear idea about when the company incurs these obligations and when is it likely to happen.

**Mr Lewis**—We agree. We are very alive to our obligations here. We are, as a consequence, very closely monitoring progress and are reporting to the minister.

**Senator COONAN**—I am hoping that I do not get back on notice: 'We are waiting on the implementation of the implementation study' because that is not an answer to how statutory and other legal obligations of the company are to be met.

**Mr Tune**—The company exists, so it does have obligations.

**Senator COONAN**—The Minister for Finance and Deregulation stated on *Insiders* on 20 September that the company will borrow off its own balance sheet with a potential gearing ratio of debt to equity of 50:50. What are the borrowing levels the company will require to be able to meet the minister's statement that the government's equity may not be much more than a quarter of the \$43 billion?

**Mr Tune**—I think the minister was talking about a possible scenario where there was 51 per cent ownership by the government and 49 per cent by the private sector in some mix, and what that might mean against debt and equity. As you know 43 is a number that is being talked about in going through the implementation study. I am sorry, the question was: what proportion of debt would the private sector meet?

**Senator COONAN**—No, it said it would borrow off its own balance sheet with a potential gearing ratio, and I am just interested to know if finance is monitoring or got any idea at all of the borrowing levels the company itself will require, if the minister's statement is that the government equity may not be much more.

**Mr Tune**—Yes, that is purpose of the implementation study, of course, to pull the business case together to look at the relative injections of equity and debt, or borrowings in your terms, for both the company and the private sector. That will come back with a business case setting down what is the preferred model.

**Senator COONAN**—What would be standard practice in finance's view in terms of the level of borrowing for a government business enterprise?

**Mr Lewis**—Senator, I do not know that you would come up with a single ratio of gearing being appropriate to a business. It is going to depend very much upon the risk profile of the business, the maturity of the business. For that reason the appropriate gearing ratio for NBN Co actually needs to be carefully studied as part of the work currently underway. Issues dealing with the gearing ratio and issues to deal with equity contribution are being studied now by the advisers to the implementation study.

**Senator COONAN**—Who is this, KPMG?

**Mr Lewis**—KPMG and McKinsey's.

**Senator COONAN**—This is what they are charging—is it 25?

**Mr Lewis**—It is not a study that we have responsibility for. It is the broadband department and of course the broadband department therefore is managing those contracts in relation to that joint lead role rather than us.

**Senator COONAN**—Will the borrowing level be required to be detailed in the NBN Co's first corporate plan?

**Mr Tune**—Yes, I would have thought it would set down all those details of debt equity once we get through that process of deciding on the outcome of the implementation study.

**Senator COONAN**—Will the finance minister be required to approve the level of the company's borrowings?

**Mr Tune**—I am not sure of the answer to that on whether there is to be a specific borrowing limit. I guess in coming to a view about the corporate plan there is some degree of approval going on. Whether it is formally about that particular aspect I would have to take on notice.

**Senator COONAN**—All right. Do all reporting requirements for the company as a government business enterprise apply now or have there been any exemptions for the current financial year issued?

**Ms Hall**—There have not been any exemptions issued at this time. All the normal reporting requirements would apply.

**Senator COONAN**—Are you sure that the minister did not waive reporting requirements for this financial year?

**Ms Hall**—Not as I understand it.

**Senator COONAN**—Has the NBN Company established an audit committee?

**Ms Hall**—I will have to take that on notice.

**Senator COONAN**—Is that something required under the CAC Act?

**Ms Hall**—It is, yes.

**Senator COONAN**—So the answer to that would be yes one would think.

**Ms Hall**—I assume they would have, Senator.

**Senator COONAN**—You would not know then who is on it?

**Ms Hall**—I would not know the composition.

**Senator COONAN**—Could you take that on notice?

**Ms Hall**—Yes, I will take that on notice.

**Senator COONAN**—CAC Act bodies are required to comply with Commonwealth procurement guidelines. Will that apply to the NBN?

**Mr Lewis**—I am not sure your statement is completely correct, Senator.

**Senator COONAN**—Are there any that do not?

**Mr Lewis**—I do not know. There may well be.

**Senator COONAN**—But you cannot think of any at the moment. You cannot give me any examples.

**Mr Lewis**—No, I cannot give you one; but that is simply because it is not something I am particularly close to. That is something I think we would need to take on notice because it may or may not be the case.

**Senator COONAN**—In what circumstances then would a CAC Act body not be required to comply with the Commonwealth procurement guidelines? Can you help me with that?

**Mr Lewis**—There is a risk that making a government business enterprise comply with the procurement guidelines may actually competitively disadvantage a competitive business in the sector in which it operates. So that is the conceptual point. The specifics, as I have just said, I think I would need to take on notice. I will be surprised if I cannot give you some examples of business enterprises that are not subject to the procurement guidelines.

**Senator COONAN**—Will this requirement as it currently exists, subject to what information you can give me about some impact on the way in which contracts can be written competitively, and assuming the procurement guidelines do apply, be complementary with the stated aim of ensuring procurement opportunities for local business with the rollout? There are obviously going to be many opportunities.

**Mr Lewis**—Can you clarify that question for me?

**Senator COONAN**—Yes, I will clarify the question. Will the requirement, which we understand would apply, to comply with the procurement guidelines be complementary—that is, will they be consistent—with the stated aim of ensuring that procurement opportunities will be there for local businesses with the rollout?

**Mr Lewis**—The first part of that, as I think I have already indicated, we will need to take on notice because it is not clear to me that the procurement guidelines applicable to FMA agencies will apply to this government business enterprise. On the latter part of the question, my understanding is that NBN Co. will be looking at creating opportunities for local business in relation to the rollout of the network.

**Senator COONAN**—By complying with the procurement guidelines or in some other way?

**Mr Lewis**—We are sort of traversing the same territory again. I think I have said that it is not at all clear to me that they will be subject to the procurement guidelines; and there are a number of examples where government business enterprises are not currently subject to the

guidelines, in my understanding. Again, I will get that confirmed. As a consequence of that, I am not confirming that they are currently subject to the procurement guidelines at all.

**Senator COONAN**—Whichever it is, are you able to confirm—you said you have an understanding—

**Mr Lewis**—Mr Grant has come to my rescue with some specifics.

**Mr Grant**—GBEs are not subject to the procurement guidelines. The NBN Co. is a GBE. So the NBN is not subject to the procurement guidelines.

**Senator COONAN**—And why is that?

**Mr Grant**—Because it is a government business enterprise.

**Senator COONAN**—And no government business enterprise is subject to the procurement guidelines?

**Mr Grant**—No, some CAC Act agencies are but no government business enterprises are subject to the procurement guidelines.

**Senator COONAN**—Has the NBN Co. been required to provide a report for the 2008-09 financial year?

**Ms Hall**—I understand that the NBN Co. has prepared an annual report in accordance with the statutory requirements. It has not been tabled. It will shortly be tabled before the statutory deadline of 31 October.

**Senator COONAN**—Does the Department of Finance and Deregulation still abide by the principles of competitive neutrality for government owned enterprises?

**Mr Lewis**—Yes.

**Ms Hall**—Yes.

**Senator COONAN**—Will the Minister for Finance and Deregulation, in conjunction with the other shareholder minister, be required to approve the competitive neutrality arrangements of the NBN Co.?

**Mr Lewis**—I am struggling a little bit with your question. Let me frame an answer this way. The ministers will be required to consider the annual corporate plan put forward by NBN Co and approve that as part of their activities for the next year and beyond. To the extent to which that plan addresses issues of competitive neutrality, yes, they will address competitive neutrality issues. But they will be looking at it in the context of the broader corporate plan for NBN.

**Senator COONAN**—Has any analysis been done on the effect of legislation currently before parliament in relation to the NBN on competitive neutrality, including that the proposed legislation as it currently sits compels the provision of network information of carriers and utilities for a period of 10 years for use by the NBN Co in the rollout?

**Mr Lewis**—I will need to take that on notice. There may have been such analysis conducted. I am just not aware of it.

**Senator COONAN**—Would anybody out there know that?

**Mr Tune**—You probably should go to the department of broadband on that particular issue.

**Senator COONAN**—What factors will Finance consider in analysing the competitive neutrality arrangements of NBN Co?

**Mr Tune**—These are issues around the detail that the department of broadband is probably far better placed to address than we are at this stage.

**Senator COONAN**—I appreciate that, but is the answer to that that you do not know?

**Mr Tune**—On the specific question, I do not know the answer—that is correct.

**Senator COONAN**—The minister was recently on the *Insiders* television program, and he discussed the pricing of the NBN and indicated that the equity contribution could be less than \$43 billion, as we discussed above. In that interview he also stated that a lack of cost-benefit analysis was due to long-term unknowables. In that context, I am wondering how Finance was able to verify any costings for the project, when there are clearly such long-term unknowables.

**Mr Tune**—The estimates that were put together not just by Finance but in conjunction with other agencies are very much preliminary estimates. They were indicated as such at the time. We are now in the process of the business case being developed and the business analysis being done to give us a better grip on those numbers. We signed off on those numbers as we thought they were reasonable preliminary estimates in the circumstances.

**Senator COONAN**—Reasonable in the sense that they were unknowable.

**Mr Tune**—Reasonable in the sense that they provided an indication for estimates purposes and for budget purposes of what was a likely position but knowing always that much more work needed to be done and is being done now.

**Senator COONAN**—What potential impact will these unknowables have on the commercial rate of return of the NBN?

**Mr Tune**—I am not sure what you mean by ‘the unknowables’ here. Unknowables in terms of the benefits?

**Senator COONAN**—There is no cost-benefit analysis. You know all the indicators.

**Mr Tune**—There are two sides to this. One is the cost, and that is what the business case is focusing on, and they become more knowable through more detailed work. It is the benefits side that the minister may have been referring to. Also, I guess, even on the cost side these things can change over time. That can be a factor as well. But it is largely on the benefits side. The government is confident that there are benefits there and has taken a decision accordingly.

**Senator COONAN**—Will the obvious risks be examined in the context of the NBN Co’s reporting requirements?

**Mr Tune**—The risks in a change of circumstances?

**Senator COONAN**—Yes, the risk of the whole venture and certainly changed circumstances so far as they can be anticipated.

**Mr Tune**—Yes, very much so.

**Senator COONAN**—So they will be taken into the reporting requirements?

**Mr Tune**—Absolutely.

**Senator COONAN**—In the same interview the finance minister made the claim that wireless will compete with the Broadband Network. Is this statement based on any formal study conducted by the department for the minister?

**Mr Tune**—Was that wireless will compete?

**Senator COONAN**—Yes, wireless will compete with the broadband network.

**Mr Tune**—I guess that is true. There is wireless technology out there at the moment. Wireless will be used to assist in reaching the 10 per cent that fibre to the home will not reach.

**Senator COONAN**—But that is a coverage issue. It is not a competition issue.

**Mr Tune**—That is true. But wireless will be there. Whether broadband and fibre to the home will dominate the market in the 90 per cent of the area that it is covering is an issue.

**Senator COONAN**—It is an interesting statement because, as I have said, coverage is very different to competition and I want to know whether the statement that the minister made was based on any formal study conducted by his department.

**Mr Tune**—No, we have not done such a study.

**Senator COONAN**—Was or is the growth of wireless factored into any of the assessments about the level of government equity required to establish the NBN Co. or the ability of the NBN Co. to deliver a commercial rate of return going forward?

**Mr Tune**—Not in the work that we did specifically, I do not think.

**Mr Lewis**—Clearly it is an issue the implementation study is looking at now. Wireless technologies and wireless competitive responses are part of looking at the business case for NBN Co.

**Senator COONAN**—But for the purpose of the costings that were put together and issues that were looked at by Finance, the growth of wireless was not a factor that was taken into account?

**Mr Tune**—No, because we were trying to get a preliminary estimate of the cost of building this network. So that is what we were doing. It was a physical build that we were trying to cost.

**Senator COONAN**—And wireless was not included in the physical build?

**Mr Tune**—To the extent that it was contributing to the final 10 per cent then, yes, it was included—but not in the sense you are talking about, because it was a different thing we were looking at.

**Senator COONAN**—So no estimates were made by Finance in this costing process as to the ability of the company to deliver a commercial rate of return going forward with the impact of wireless?

**Mr Tune**—In a sense that is work that is being done at the moment through the implementation study. They will need to take account of all of those factors because they are going to have to address issues such as price, and therefore you get into issues around



competition at the same time. It is a phase of the work that is being done now. I think that is the answer.

**Senator COONAN**—Will the growth of wireless be something that you are looking at in the corporate plan of the NBN going forward as a risk to the commercial rate of return of the company?

**Mr Tune**—I do not know if we would look at it that specifically. It would be one of a number of factors impacting on the environment in which the company will operate and will need to be taken into account to that extent. Yes, that is true. But as to whether we would be putting it in there as a specific risk, I do not really think so.

**Senator COONAN**—Before the break I want to take you to previous advice provided in relation to the estimated cost of the NBN network proposal—that is the much talked about \$43 billion figure. It was indicated previously that the consultancy Gibson Quai was central to this advice. Is that right?

**Mr Tune**—I have not heard of Gibson Quai, but I may be wrong.

**Ms Hall**—Yes, that is correct.

**Senator COONAN**—Was this company the one that devised the estimate?

**Mr Tune**—Do you mean the \$43 billion?

**Senator COONAN**—Yes.

**Mr Saunders**—I was involved in working with the department of broadband on the \$43 billion capital estimate, which I believe they prepared with the advice of GQAAS. It is Gibson Quai, I think.

**Senator COONAN**—So Gibson Quai was obviously central to the advice effectively devised the estimate. Is that correct?

**Mr Saunders**—I do not think they devised the estimate. They provided advice to the department. We did not have direct contact with those consultants, but we are aware that they provided extensive advice—as did some others whose names I do not know—to the department of broadband.

**Senator COONAN**—Did any of the departments differ from the advice provided by Gibson Quai on the estimate of that figure?

**Mr Saunders**—I think, as we have explained in previous discussions, the costing process was an iterative one working cooperatively among departments where estimates were tabled and assumptions tested, and a number of assumptions were tested against external benchmarks where possible. Eventually the departments came to light on the preliminary estimate of \$43 billion as a result of that cooperative process.

**CHAIR**—Senator Coonan, I think we have hit the time.

**Senator COONAN**—All right.

**CHAIR**—We will now suspend for lunch.

**Proceedings suspended from 12.30 pm to 1.31 pm**

**CHAIR**—We will go to outcome one, program 1.2, superannuation.

**Senator HUMPHRIES**—I note that Mr Matthews was chosen to conduct this review, which had been promised by the government before the last election, into indexation of Commonwealth and military pensions. Mr Matthews comes from the UK. Can I have some indication of why someone from so far afield was chosen for that role when I assume that there are plenty of people with appropriate qualifications here?

**Senator Sherry**—Yes, you can, because it was on my recommendation. Mr Matthews is Australian. He was trained and worked in Australia. He was the head of the Australian Actuaries Association, so he held distinguished positions in the actuarial profession in Australia. Without going through his CV, he worked internationally in Canada, the UK—he was the deputy CEO of Standard Life plc. When I saw him in the UK, he was on gardening leave, and I suggested that he conduct the review. He was between jobs and had been appointed to a company called Friends Provident.

**Senator HUMPHRIES**—Friends of what?

**Senator Sherry**—Friends Provident. They are a leading UK life assurance company. That is his background. He frequently visits Australia because he has family here as well. Certainly my judgment was that he was eminently qualified to carry out such an examination. I saw it as a virtue that he had worked overseas for a considerable period of time, because he was at arm's length and independent. They were the considerations in appointing him. The other issue was that he agreed to carry out the review for no charge. He was genuinely interested in the issues, in the examination of the indexation matters, and offered to carry it out, as I said, for no charge.

**Senator HUMPHRIES**—You sound as if you know the man reasonably well.

**Senator Sherry**—Yes. I know him reasonably well.

**Senator HUMPHRIES**—You would be aware that many people have expressed disappointment with the outcome of his inquiry. As the minister who recommended him for that appointment, did you have any prior discussions with him about the context or the outcome of that inquiry?

**Senator Sherry**—No. Once he was appointed—obviously he was in the UK—he came to Australia. I do not have the full itinerary or details but I do understand he saw many of the parties and individuals, took their submissions and discussed the matter with them.

**Senator HUMPHRIES**—It has been suggested to me that in fact there were many people who wanted to make submissions and appearances before Mr Matthews for live presentation of evidence. Many of the organisations that I spoke to expressed some frustration about the lack of access they had to him. Is it possible to have tabled a record of his meetings and who he consulted with before bringing down his report?

**Senator Sherry**—I do not know whether the department would have that record.

**Mr Youngberry**—In Mr Matthews's report, he does talk in section 1.2 about the conduct of the review and the capacity for people to make submissions, as well as some public hearings that he did hold as part of that process.

**Senator HUMPHRIES**—You say he travelled around Australia. Does it record there where he went?

**Senator Sherry**—No, he travelled to Australia. I am not sure which centres he went to and whether that is detailed in the report. I should explain that I had responsibility for all superannuation matters, including public sector matters, until the change in portfolio responsibilities, when Lindsay Tanner resumed the responsibility, and it was Minister Tanner who released the report.

**Mr Tune**—There is some material in the appendices here about submissions and transcripts of hearings and things like that. It does not actually say where it was but I am assuming it was in Canberra. Thursday, 24 July 2008—three sessions that day. Friday, 25 July—two sessions that day. That was it.

**Mr Greenslade**—If I may just add to that, the hearings were held over those two days and they were held in Canberra.

**Senator HUMPHRIES**—And nowhere else?

**Mr Greenslade**—No, nowhere else.

**Senator Sherry**—If you look at the attendees, we have got representatives of the Superannuated Commonwealth Officers Association, the Australian Council of Public Sector Retiree Organisations, the Defence Force Welfare Association, the Community and Public Sector Union, Dr David Knox, Mr Andrew Podger, the Institute of Actuaries of Australia and the Australian Bureau of Statistics.

**Senator HUMPHRIES**—It seems that there were no individual witnesses in that process. It was entirely organisational or government.

**Mr Tune**—Except for Andrew Podger and David Knox.

**Senator HUMPHRIES**—Okay.

**Senator Sherry**—We have to check for the record as to whether he had access to written letters and communications.

**Mr Tune**—There is a list here of the organisations that made a submission: the Association of Independent Retirees, the Australian Council of Public Sector Retiree Organisations, the Australian Veterans and Defence Services Council, the Community and Public Sector Union, the Department of Finance and Deregulation, a joint one between the RSL and the Defence Force Welfare Association, the Naval Association of Australia and the Royal Australian Air Force Association, another one from the Superannuated Commonwealth Officers Association, one from the Tasmanian Association of State Superannuants and also one from the Vietnam Veterans Federation. That was it.

**Mr Greenslade**—There were also a considerable number of individuals who have made submissions.

**Senator HUMPHRIES**—You said he had a two-day hearing in Canberra. How long was he in Australia altogether?

**Mr Greenslade**—In total his time in Australia, I believe he landed a day or two before the hearings and left a few days after that I do not have the precise dates.

**Senator Sherry**—We can take that on notice and get it for you.

**Senator HUMPHRIES**—How much did the review cost, bearing in mind he was not paid but there must have been some other expenses associated with the work that he did?

**Mr Youngberry**—We will need to take that on notice, Senator.

**Senator HUMPHRIES**—Were all the costs of the inquiry met by the Department of Finance or some of them met by the Department of Defence?

**Mr Youngberry**—They were all met by the Department of Finance.

**Senator HUMPHRIES**—There are 193 submissions, I am told, but it was only over those two days of public hearings that he actually interviewed or met with any of the submitters, I take it.

**Mr Tune**—Correct.

**Senator HUMPHRIES**—I am curious in the terms of reference as to why he was asked to report on whether the current CPI pension indexation methodology should be changed. There were, as I am sure you are aware, two Senate inquiries into that question of whether the indexation methodology should be changed, and both inquiries, I believe unanimously, recommended that it should be changed. Given that broad support, I am a little surprised that he was asked to consider not primarily how it should be changed but whether it should be changed, and of course on that issue he basically decided that it should not be changed. Why was it decided not to rely on the work of those two previous Senate committees?

**Senator Sherry**—Firstly, I do not know whether he read or referenced the two previous reports. It is something I am not aware of. But that was the election commitment. The government's election commitment was to have an independent expert arm's-length inquiry into that issue and those were the terms of reference. That was the commitment we gave. The election commitment was not how we would implement a change to indexation methodology; the election commitment was that we would have an independent arm's-length expert examine whether the indexation method should change, and that was reflected in the terms of reference.

**Senator HUMPHRIES**—You would be aware that there are colleagues of yours within the government who actually have said to the Minister the Finance in the letter that has been released that they believe that the way in which the inquiry was conducted has led to the perception that the government has not honoured the promise that it made to review and to adjust the method of indexation in a way that would provide some relief for these people who have not had fair compensation.

**Senator SHERRY**—I do not have a copy of the election commitment in front of me but, as I see it—

**Senator HUMPHRIES**—I am sure you have seen the letter from Senator Lundy, Mr McMullan, Ms Ellis and Dr Kelly.

**Senator Sherry**—We will just have to agree to disagree. I drafted the now government's election commitment as well as oversaw the drafting of the terms of reference, so I know quite specifically what the election commitment was and I discussed it with at least a number

of those organisations which made representations. That was the election commitment and we met the commitment.

**Senator HUMPHRIES**—Do you agree, though, that you can say one thing and create a different impression?

**Senator Sherry**—I certainly did not create any different impression from the election commitment that was given in writing and discussed with those organisations. That was reflected in the terms of reference.

**Senator HUMPHRIES**—So you consider that those colleagues who have written to the minister are wrong to assert that there is a perception out there that the government has broken its election promise.

**Senator Sherry**—I have not seen the correspondence.

**Senator HUMPHRIES**—You have not seen it?

**Senator Sherry**—No, I have not. I am not the minister responsible in this area. I do not believe they have written to me. I would have to check my office correspondence. They may have written to Minister Tanner but they have not written to me. I will double-check anyway. The election commitment has been met.

**Senator HUMPHRIES**—Okay. Mr Snowden in his role as parliamentary secretary released a document on 24 December, which is an interesting date to release anything, in 2007. This was the review into military superannuation arrangements, that was I assume the government response to that.

If the government is willing to go beyond the envelope of current costs it should consider indexing DFRDB-DFRB pensions for those over 55 on a similar basis to that applying to age pensions. Because of the costs involved, this option does not warrant the priority attached to the other of recommendations. An alternative option the government could consider is to limit this change to pensions paid from age 65.

That obviously was a view that was put into the ether by Mr Snowden in December 2007. Was that part of Mr Matthews' considerations?

**Senator Sherry**—As I recall the document you are referring to, that was a release or response to an examination of the operation, structure, contributions et cetera of the Defence Force superannuation which the previous government had commissioned and had not been publicly released at the time of the election. I cannot recall who carried out that examination of the Defence Force—I am told it was Mr Podger. I know that issue was an issue of submission to Mr Podger, the indexation issue amongst a range of other issues. You have referred to the two parliamentary inquiries into indexation. I am also aware that the previous Finance Minister, I think Senator Minchin, carried out an examination of the indexation issue. Again I cannot recall who carried that out for the previous government, but he came to the same conclusion Mr Matthews did. So in effect there have been four inquiries into this issue over the last three or four years, two parliamentary and two independent examinations, one by the former Liberal government and one by the current Labor government.

**Senator HUMPHRIES**—In the time you have been in office we have had outcomes from the Harmer review, and in the review published in February this year Dr Harmer says in part, on page 54:

The review's analysis of the different available measures of price changes has led it to conclude that reforms are needed to the price indexation mechanism for pensions to ensure that it is fully responsive to changes in pensioners' purchasing power due to price changes.

If that is true about dealing with the purchasing power of pensioners, why would it not be true with respect to the purchasing power of Commonwealth superannuants?

**Senator Sherry**—Dr Harmer was referring to the indexation arrangements for age pensions. I do not believe he was referring to the indexation of the superannuation of retired public servants and military personnel.

**Senator HUMPHRIES**—I am not asserting he was. But if the principle was arrived at that the government need be concerned about the purchasing power of pensioners, why would it not be concerned about the purchasing power of Commonwealth superannuants?

**Senator Sherry**—That was an argument that I am sure would have been presented to Mr Matthews and he did not accept the argument.

**Mr Tune**—Basically Mr Matthews made four recommendations. His fourth recommendation was that, if an index more specific to self-funded retirees or to superannuants in general became available and it was a reliable index, the government give consideration to it. At the moment we do not believe such an index exists. There is an index that is produced by the ABS which relates to self-funded retirees. You may want to talk to the ABS about this but we do not consider it as being a reliable index at this stage.

**Senator HUMPHRIES**—Why do you not consider it to be reliable?

**Mr Tune**—Well, it is based on small samples and those sorts of issues and these things are rather experimental. Even if you did accept that as being appropriate, if you track it back over time, you actually do better out of the CPI than you would using this particular index.

**Senator Sherry**—It is called the analytical living cost index. As has been mentioned, it would have given a worse outcome if that index had been followed rather than CPI.

**Senator HUMPHRIES**—You represent Minister Tanner at these hearings. Does the minister intend to respond to the representations on this issue that have been made to him by his backbench and frontbench colleagues?

**Mr Tune**—He has responded.

**Senator HUMPHRIES**—Is it possible for that response to be tabled?

**Mr Tune**—I would have to take that on notice. It is the minister's letter, obviously.

**Senator Sherry**—I am sure the minister is responding, as I did, to numerous letters and correspondence on this issue. I would have to ask the minister to provide the correspondence.

**Mr Tune**—It is not totally clear whether the minister has signed a letter that is with him at the moment, so I will double-check that.

**Senator HUMPHRIES**—Okay. Finally, is this question concluded as far as the government is concerned?

**Senator Sherry**—Yes.

**CHAIR**—We move now to program 2 and Senator Abetz is first.

**Senator ABETZ**—If I may, is this the appropriate area to ask some questions about government procurement in general?

**Mr Tune**—We have done quite a number of questions on that this morning, Senator, but I think the people are still here.

**Senator ABETZ**—In the event I am traversing ground that has been traversed before, please advise. There is nothing political or sensitive in this. What I am asking about is: a number of NGOs and small councils in particular have approached me, in fact from around Australia, about doing business with government. I do not seek to make any political point here because I am sure it was just as bad with us. I recall my days as parliamentary secretary for defence trying to make it easier for small and medium enterprises to do business with defence and government.

It seems, if I may have a relatively long preamble, that there is a skills gap in some agencies and departments and therefore they need some policy guidance for procurement practices such as benchmarks, security, standard clauses, standard indemnity, standard duty of care. The problem seems to be that, when there is a contract, people reach for the top shelf for the most detailed possible contract to cover every possible base and then you find out it is for a \$10,000 or \$50,000 contract. One NGO has told me that they have to respond to 130 different standards across both state and federal governments to whom they provide services in the general social services area. Just recently I have had a small council complain that with a nation-building program they had to put in an application and had to give, I think, three-years' worth of their annual reports et cetera. So be it a social security area or a local government area, it is across government. With that preamble, can I ask: is there a task force and is the department working on trying to streamline some of these issues to make it easier for these organisations with limited resources to contract meaningfully with government departments?

**Mr Tune**—I might try and provide a bit of general context there and then pass it over to Mr Lewis and see what can be added in terms of detail. I acknowledge your problem and I think it is a real one and has been for a long, long time, as you have acknowledged yourself. We are trying to move towards more standardised contracts. We are trying to simplify arrangements. We are trying to educate and work with agencies to try and move to a more standardised approach to things to get out some of the red tape, if I can call it that. Obviously, you cannot get rid of all of that red tape. Some of it is required for accountability reasons and so forth and general good purchasing arrangements. But yes, we are doing a lot of work on it. It is not just a problem for small business; it is actually a problem for large business as well at times. So it is a very live issue.

**Senator ABETZ**—That is a fair comment. It is exacerbated for small businesses.

**Mr Tune**—I accept that entirely. So we are doing a lot. A central tenet of the revised procurement arrangements we are trying to put in place at the moment is about trying to ease the burdens there. I might ask Mr Lewis and Mr Grant to add some detail.

**Senator ABETZ**—Can I first ask Mr Tune: is this your first appearance here as secretary?

**Mr Tune**—Yes, in this role.

**Senator ABETZ**—Congratulations on that. I wish you well.

**Mr Tune**—Thank you.

**Senator ABETZ**—Is there a time line for this?

**Mr Tune**—Yes. I will ask Mr Lewis to answer that.

**Mr Lewis**—Yes. It is certainly an issue we are alive to, and you will find that a range of different stakeholders have raised the same issue in different contexts. Accountancy firms, for example, come to us and say, ‘Why is it that we deal with so many different kinds of consultancy contracts when we are basically delivering the same services to 100 agencies of the Commonwealth?’ In fact, my recollection is that Senator Coonan raised similar questions when we last met. We are certainly working on that issue with our current procurement forum. We are currently putting in place some standardised contract arrangements on accountancy services.

**Senator ABETZ**—The procurement forum? Are you able to provide to us details of that—who was on it, details of the consultation?

**Mr Tune**—Certainly.

**Senator ABETZ**—I do not want to take up too much of the time of my colleagues on this. If you could take that on notice, I would be obliged.

**CHAIR**—Senator Abetz, I will just follow up on one aspect of the questions you were raising. I think we have recently had evidence from one of the agencies you were referring to, which is Catholic Social Services Australia. That is a not-for-profit community services delivery type agency that works generally across a range of different government departments in the services that it provides. Is one element of that work dealing with agencies such as these who would not ordinarily utilise accountancy services in quite the same procurement way that you are describing?

**Mr Lewis**—I will turnover to Mr Grant, but before I do I would like to clarify. I used the words ‘procurement forum’ and I am corrected by my colleague Mr Grant. It is a town hall style discussion on procurement and I do not think it is called a forum. What is it called?

**Mr Grant**—The procurement discussion forum, the PDF.

**Mr Lewis**—A discussion forum. I would not want to mislead you.

**Senator ABETZ**—This is how the bureaucracy behaves when you are trying to restrict the bureaucracy. It is one of these ongoing dilemmas, I fear.

**Mr Tune**—Could I just add something on the small-business angle. I was meeting with a group yesterday around some of these issues. There were mainly accountants, engineers and so forth and we were talking about standard contracts. They raised this matter in the context



of both small and big businesses, but particularly with a small-business focus. One of the things that is being done at the moment is that the department of innovation has been working through their small-business area to develop a tool kit. It tries to set down best practice benchmarks that particular agencies can use.

One of the things that struck me that I thought was particularly useful was that they are going to put case studies in there. I think a lot of the issues we face within line agencies relate to a culture around procurement. Providing people with case studies of how you can actually do this better and how successful procurement has been undertaken in a way that minimises risk for the Commonwealth and minimises risk and grief for the people who are trying to provide tenders and sign contracts is quite an important piece of work. By demonstrating that and showing you can actually do that, I think you start to change the culture within the Public Service in particular and also help people who are tendering to know what they need to provide. We are working closely with the innovation department on that and we hope to expand that and disseminate it very widely through these forums that we have been talking about.

**Senator ABETZ**—Thank you for that. I cannot help making a joke at my expense. Mr Grant, you don't own a utility, do you?

**CHAIR**—Oh dear.

**Mr Grant**—I do not sell them either.

**Senator ABETZ**—You do not sell them or lend them? Good! All the best and thank you very much.

**CHAIR**—Can I just go back briefly to the question I was asking about anything specifically targeted at the NGO, community service delivery type sector. Do you have a specific focus on that area?

**Mr Grant**—No, we don't. A couple of points, I think, that are worth making are, firstly, the procurement guidelines really do try to get procurers to have processes, and obviously contracts and things that go with them, that are commensurate with the nature of the service or the good you are procuring. We push that and we push that through the various forms we operate.

The other part is that there have not been a lot of successful whole-of-government contracts in the past and, as the secretary was saying, we are actually entering the field in terms of accounting services. We have a long form contract and a short form contract. We are consulting with industry at present and we are also doing it internally. Our objective is to trial it for a few months to see how it works and whether there are any particular systemic errors. Then we will deal with those. There is potential for that to then move out into other areas of our procurement.

Last but not least, in one area the procurement guidelines give an exemption for companies that are established for the purpose of engaging people with disabilities. While value for money must be achieved, they are exempted from some of the other provisions of procurement guidelines such as the need to go to an open tender for above \$80,000 and things

like that. So I suppose that in the area you are talking about nothing specific, but there are elements that it will impact on in the future.

**Senator COONAN**—I have done a magnificent job of consolidating my questions, you will be very pleased to hear. I want to ask some questions about Operation Sunlight. Can officers give an update as to the steps taken to implement Operation Sunlight, please. What has been achieved to date and what are the milestones and how do we measure it?

**Mr Tune**—I might start back in the 2008-09 budget. The first thing was the introduction of mandatory requirements for agency portfolio budget statements to include details of performance targets and key performance indicators. That was intended to provide parliament with the basis on which to assess the planned performance of agencies, so we were seeking improvements to the previous regime there. There was also: the redesigning of the portfolio budget statements by introducing an agency resource statement; streamlined financial reporting at the whole-of-government level with a single set of financial statements being presented into the budget papers based on the new accounting standard, AASB 1049; and a revised budget paper No. 4 including a summary of all expenditure from special appropriations and the introduction of a Register of Special Accounts held by agencies. They were the changes made in the 2008-09 budget.

In the course of 2009-10 there is a range of issues under consideration. One is around a review of the Charter of Budget Honesty Act that the now government promised in the election campaign. Others are: extending the introduction of net cash funding arrangements from designated collecting institutions to the general government sector from the 2010-11 budget onwards; producing an IGR, *Intergenerational report*, every three years, as distinct from five years under the existing arrangements; and harmonising the government finance statistics framework and the Australian accounting standards framework at the agency level. That will be pursued over the course of 2009-10. It is largely being considered by the Australian Accounting Standards Board at the moment and they will report back to us and we will take it forward. And I missed one, sorry. There is also the changing of the classification of the goods and services tax as a tax. I think that they are the major ones, Senator.

**Senator Sherry**—I remember that one well.

**Senator COONAN**—Well, that is a recurring theme, isn't it?

**Mr Tune**—It is classified as a Commonwealth tax now and then the grants out to the states are classified as expenditure.

**Senator COONAN**—Okay. I guess we have lost that one, have we, Senator Sherry?

**Mr Tune**—The last two budgets have been presented on that basis, Senator.

**Senator COONAN**—Yes, I know that. There is going to be a comprehensive evaluation of the enhanced Operation Sunlight initiatives, as I understand, that was going to be released at least six months prior to next election, as recommended by the Murray review. I recognise that it is always very difficult to get it six months prior to an election if one does not quite know when it is going to be held, but is that the intention of the government?

**Mr Youngberry**—Former Senator Murray, in his review of Operation Sunlight, did make a recommendation about doing a comprehensive evaluation of Operation Sunlight. The

government noted that as a recommendation. It did not actually agree to do a comprehensive evaluation. It felt that the progressive reporting in each budget of changes and so on, as well as the regular briefings that we provide to this committee and to others, would be sufficient to explain the changes that were being made.

**Senator COONAN**—Do I take it from your answer that there is no consideration being given to a comprehensive wrap-up evaluation—it is a progressive, incremental one, if I can put it that way?

**Mr Youngberry**—That is right. There will be no comprehensive evaluation.

**Senator COONAN**—Next is something of great interest to me in this crown of thorns I wear as shadow finance minister. Operation Sunlight recommended allowing the government or opposition to request Treasury and Finance to provide costings for policies announced in the 12 months leading to an election to enhance transparency. Is that going to be something that will be implemented?

**Mr Tune**—That is being worked on at the moment. One of the things I mentioned that is being progressed during the course of 2009-10 is a review of the Charter of Budget Honesty Act and in particular this issue.

**Senator COONAN**—Particularly that issue?

**Mr Tune**—Yes.

**Senator COONAN**—I was going to come back to what was encompassed in the review of the Charter of the Budget Honesty.

**Mr Tune**—It is under active consideration.

**Senator COONAN**—As I understand the recommendation, what would be under consideration would be changes to access to election costings—to investigate options to make provision for reasonable access to services for minor parties?

**Mr Tune**—That is correct.

**Senator BERNARDI**—My question is on the information and communication technology. Is that appropriate to ask here?

**Mr Tune**—Yes. I may need another group of people to help me.

**Senator BERNARDI**—In 2008, a review was undertaken to identify ways in which the government could strengthen the whole-of-government management of ICT. I am interested in how the ICT Sustainability Plan is progressing.

**Ms Steward**—That work is being led by our colleagues in the environment department. They have a draft which they have developed. It is currently under review internally in government before there is broader consultation.

**Senator BERNARDI**—Am I to gather that it is not on track to be completed by 2009?

**Ms Steward**—No, it is on track. Significant work has been done to date. There have been discussions with various agencies who have also been involved. It is on track.

**Senator BERNARDI**—It will be completed by 2009—by the end of this year?

**Ms Steward**—That is correct.

**Senator BERNARDI**—When will we expect it to be implemented?

**Ms Steward**—Once the plan has been accepted, we would see agencies moving to apply it through 2010.

**Senator BERNARDI**—Let me get the process right. The review and the broader consultation will be completed by the end of this year?

**Ms Steward**—That is correct.

**Senator BERNARDI**—It will then go to the Cabinet for approval? It has to be adopted by government?

**Ms Steward**—That is correct. It has to be adopted by the government. It would be considered by our secretaries' board, also from government, and then agencies would be requested to apply it.

**Senator BERNARDI**—Can you give me some information on what are regarded as 'quick wins'?

**Ms Steward**—Yes, they are the activities that individual agencies could undertake to improve their own operating environment. I will invite my colleague John Sheridan to give you a little bit more detail on some of the examples that have been actively applied to date.

**Mr Sheridan**—The examples of quick wins include automatic shutdown of desktop and laptop fleets after hours, the replacement of active screen savers with either blank black screens or static screen savers so that the monitor does not as much power, and encouraging agencies to develop initiatives that measure the power usage of their ICT and then provide information as to how to reduce it over time.

**Senator BERNARDI**—Have the quick wins been implemented yet?

**Mr Sheridan**—They have in a range of departments. It is a department-by-department arrangement. We have provided that information for departments to use.

**Senator BERNARDI**—The finance department website though does say that all agencies should implement the quick wins. Are they listening to you?

**Mr Sheridan**—Some agencies have as they bring them in over time. It requires changes in their operating environments and other arrangements to bring them in.

**Senator BERNARDI**—Can you tell me which agencies have implemented quick wins?

**Mr Sheridan**—I do not have a list of those at the moment. I will take it on notice.

**Senator BERNARDI**—Have you undertaken any contact with those agencies that have not implemented it and asked why?

**Mr Sheridan**—Not to my knowledge, no.

**Ms Steward**—We do know that a number of agencies have applied it; in particular, the Department of Defence. They implemented the shutdown process for their own PC environments, and some of the lessons learned from that helped us inform how other agencies could adopt similar processes.

**Senator BERNARDI**—And was that to save the environment? This is the same defence department that said there was no risk of climate change until 2033.

**Ms Steward**—It was in terms of the efficient use of their technology and how they could improve their use of electricity and so on.

**Senator BERNARDI**—Okay—‘use of electricity’. I always understood, and please correct me if I am wrong, that if you shut down computers on a regular basis it was actually not good for them; it shortens the lifespan of the computer technology itself. Do you have any information about that? It is probably not your area of expertise but it relates to this.

**Mr Sheridan**—That may have been true once upon a time but we have had research conducted by organisations such as Gartner to support us in this work and it clearly indicates that shutting down modern computers in these circumstances is not a challenge as regards that ‘older’ concern.

**Senator BERNARDI**—That is fine. I accept that. Are you in a position to provide me with any information about what has been achieved in energy savings, or if reducing emissions is the goal? What are the benefits and can you quantify them?

**Mr Sheridan**—I understand that when Defence introduced this, and you would have to get the detail from them, they saved some \$5 million worth of electricity a year and some 30,000 tonnes of carbon dioxide emitted per year by reducing the number of computers turned on 24 hours a day from 50,000 down to, in the middle of the night, a small number—around a thousand. Defence would need to provide you with the full details.

**Senator BERNARDI**—I accept those figures without question, because they are quite significant and I believe what you are telling me, but that then raises the question: why has it not been rolled out through every government department to realise similar savings and carbon dioxide emission reductions?

**Mr Sheridan**—The question depends on how fast agencies can roll that out given their operating environments, what software they are running, what requirements they have for after-hours use of computers. It is really an agency-by-agency matter.

**Senator BERNARDI**—But some of them clearly have fallen at this hurdle, which is a very reasonable hurdle to get over, by all accounts. If Defence, which is one of the largest departments, and some would say a very difficult department to steer in a direction other than that which they are already heading in, can implement this and save \$5 million worth of electricity and 30,000 tonnes of carbon dioxide, I find it strange that other agencies, which are more nimble and agile perhaps—

**Mr Tune**—We will do a check if you like. We will have to get back to you. My feeling would be—and I have worked in quite a few agencies in the last couple of years—that it is pretty much a policy in every agency that when you go home at night you log off and turn off, so it is pretty much across the range of agencies. I cannot not tell you whether those agencies have actually measured the benefits they are getting in terms of improved environmental benefits and reduced costs but we will ask the question and find out for you.

**Senator BERNARDI**—In my office it is one of those policies as well and I am a great offender. I fail to do it, so I am not particularly having a shot at individuals, but I thought that Quick Wins was about an automated shutdown, that there was a process where it happened.

**Mr Tune**—I think Mr Sheridan is saying that that may not be feasible in the short term as quickly as it would be in other agencies depending on how they have set their systems up. But in the meantime I think you will find there is at least a strong cultural push to tell people to turn their computers off at night.

**Senator BERNARDI**—When did Quick Wins start?

**Mr Tune**—I think it was from the release of the Gershon report.

**Ms Steward**—It was mid-year, as I recall, by the time we did the investigation of the work, looked for validation again in our research work with Gartner. We also spoke with industry entities who were providers of some of the technology about their views on what could be done et cetera and we provided advice mid-year.

**Mr Sheridan**—Earlier than that. That work was due to be finished in March 2009. My recollection is that it was finished then or about then.

**Senator BERNARDI**—So March, April, May. I give you credit but has Defence managed to implement it already?

**Mr Sheridan**—Defence had done it already.

**Senator BERNARDI**—It had done it? Like a model?

**Mr Sheridan**—It was done in Defence before Sir Peter released his report.

**Senator BERNARDI**—Did they initiate this of their own accord or were they the example?

**Mr Sheridan**—They did initiate it of their own accord.

**Senator BERNARDI**—That is excellent. That is outstanding for Defence. I appreciate the information. I will continue to follow it up because it seems like a very sensible program and it would be very good for everyone and the taxpayers most of all for it to be implemented as quickly as possible. So I would urge your agencies, the nimble ones, to go down that path.

**Senator RYAN**—Mr Tune, I have a question about a contract which the department entered into. It is for the period 27 October 2008 to 26 October 2009. I understand it was deemed not to be confidential and it was with the Boston Consulting Group for ICT consultancy services for just under \$11.2 million.

**Mr Tune**—That is correct and the people who are sitting here can tell you all about it.

**Senator RYAN**—Can you give a brief outline of the contract.

**Mr Sheridan**—I can. The work of Boston Consulting Group has supported the work of AGIMO and finance in achieving the recommendation 3 of Sir Peter Gershon's report, ICT business as usual budget reductions. That is the work that we reported earlier today had achieved \$570 million worth of savings in phase 1 and was on target to achieve a total of over \$1 billion worth of savings in phase 2. Boston provided the support for the team in AGIMO

that did that work. They worked with us and with agencies in order to assist in finding the savings to meet the targets.

**Senator RYAN**—Just very briefly because I missed the earlier discussion of this, the savings that have been met are along what areas and along what lines? I think you said \$570 million.

**Mr Sheridan**—As we reported at the last estimates, in phase 1—that is over a four-year period—\$109.2 million in 2009-10 and the remainder of that amount over the following three years. Those savings were in a range of areas addressed at ICT business as usual functions, arrangements like reducing the cost of outsourcing, reducing the cost of contracts, reducing the costs of hardware or extending the life of hardware, better software licensing arrangements—that simple sort of ICT business as usual work.

**Senator RYAN**—When you look at extending the life of hardware, particularly around those, do the savings take into account potential or any increased costs in support services and maintenance? As computers get older, they get new software loaded on them and they do not quite work as well; we all know what that is like. Does that take into account potential offsets and that there may be further costs in other parts of the use of the technology?

**Mr Sheridan**—Remembering that each department has different arrangements, but, generally speaking, hardware life extensions were aimed at increasing the life of a PC from three to four years, the life of a server to an average of five years, which are actually reasonable and increasingly industry-standard arrangements. So there was not, generally speaking, a significant additional cost in terms of support in doing that.

**Senator RYAN**—Did this contract go to tender or was it directly sourced?

**Mr Sheridan**—It was a consequence of a select tender from a range of companies that were qualified to produce the results that were sought.

**Senator RYAN**—Given the contract that I have on the list here expires in six days, have there been discussions undertaken—is there a move or are there plans to extend it or are you entering a new contract with similar services with someone else?

**Mr Sheridan**—No, there are not.

**Senator RYAN**—Is that figure there that I read out—just under \$11.2 million—the total amount that Boston Consulting has received for this contract or are there other incidentals that I should add on to that?

**Mr Sheridan**—That is the total amount that they will receive. They haven't received it all yet. We are yet to sign off, as a matter of administration, on the closing-off of the contract.

**Senator RYAN**—Is it your expectation that they will receive the whole amount?

**Mr Sheridan**—I think there is some chance that it might be a little less.

**Senator RYAN**—Thank you. That is all I have.

**Senator COONAN**—I wanted to ask some officers about the costing approach taken on the infrastructure projects announced in the budget as the third phase of the economic stimulus.

**Mr Tune**—I will need some people from Budget Group, but I will be able to start, if you like.

**Senator BERNARDI**—I do just have one question related to AGIMO, if that is okay. This is specifically in relation to the National Government Information Sharing Strategy, which I understand falls under your domain, Mr Sheridan. Is that right? What budgets are associated with this strategy?

**Mr Fry**—There is no specific allocation of budget other than the use of staff when required to work on strategy.

**Senator BERNARDI**—Has there been an internal allocation of the costing associated with it then?

**Mr Fry**—No. AGIMO's part is really as a coordinator of a range of agencies in developing that strategy and some authoring, which we do within our existing allocation of staff.

**Senator BERNARDI**—Okay, so it has minimal impact on your regular business?

**Mr Fry**—That is correct.

**Senator BERNARDI**—What is the progress thus far?

**Mr Fry**—We have a release strategy that has been adopted both within the Commonwealth and within state jurisdictions.

**Senator BERNARDI**—Is it still being developed—is that what you are suggesting?

**Mr Fry**—It is like painting the Sydney Harbour Bridge: there will always be changes to the environment, so there will always be changes to the strategy.

**Senator BERNARDI**—The environment is always changing.

**Mr Fry**—But it is an implementable work.

**Senator BERNARDI**—Okay, that is fine. So it is being rolled out?

**Mr Fry**—That is right.

**Senator BERNARDI**—There is not a development phase and then an implementation phase; it is a continuing process at both ends? Is that right?

**Mr Fry**—It is a process of adoption by people who want to use that strategy, yes.

**Senator BERNARDI**—How is the adoption running? Meaning: is it being adopted more quickly than the previous strategy we talked about?

**Mr Fry**—Sorry, I am not sure exactly what you are asking. It is not a project with milestones: it is a strategy. There are a range of frameworks and so on underneath that. There are activities that state and Commonwealth agencies might undertake under that strategy. There are also parallel activities that evolve from time to time in other agencies that will shape both how we undertake the strategy and also and how they may undertake that. The strategy is there. If there is an information-sharing requirement, then the strategy comes into play. It is not a thing you implement; it is saying, 'When we want to do this, here is a way to do it.'



**Senator BERNARDI**—I just want to get this straight: so this is a framework that you are developing?

**Mr Fry**—Yes, a framework that we have developed.

**Senator BERNARDI**—But it is in a continual development process?

**Mr Fry**—Yes. As new things emerge, the strategy is updated.

**Senator BERNARDI**—And you have communicated it to agencies and other departments.

**Mr Fry**—That is true.

**Senator BERNARDI**—And those other agencies and departments have adopted or accepted that framework?

**Mr Fry**—Yes.

**Senator BERNARDI**—So there has been no recalcitrance, for want of a better word, of saying, ‘No, we are not actually going to adopt that yet.’

**Mr Fry**—No.

**Senator BERNARDI**—So there has been no resistance to it?

**Mr Fry**—I do not know what you mean by resistance, but I am not aware of any problems related to the adoption of the scheme.

**Senator BERNARDI**—What I mean by resistance is people saying, ‘No, we’re not going to do that.’ I am not trying to catch you out here; I am just interested in whether it has been accepted.

**Mr Fry**—I just want to make sure that I give you a frank answer. The way this thing comes into play is that we take it to a committee of CIOs called the CIO committee, strangely, and seek adoption and endorsement of the product. Then it simply becomes a product for use by agencies if they are in a business that requires such a strategy and if the opportunity arises. We have taken it to the CIO committee and they have in fact endorsed the strategy. So our job now is to maintain it and to field inquiries as we get them from agencies. But there is nothing to do in terms of going into an agency in and saying, ‘All right, you do that and you do that.’ We are simply providing a standard. The endorsement of the CIO committee gives us an assurance that it is a useful product, and we will continue to maintain it based on any feedback we might receive.

**Senator BERNARDI**—On its endorsement as a useful product, I find that interesting. Have you received any feedback about the positive benefits of it apart from the endorsement of the CIOs?

**Mr Fry**—I cannot think of anything formal, no.

**Senator BERNARDI**—But you would hear if there were negatives?

**Mr Fry**—Oh yes, definitely.

**Senator BERNARDI**—I am sure you would. We could possibly hear too.

**Senator COONAN**—I just have a couple of quick questions because we have a bit of time and these relate to the budget preparation. I am interested in the costings or financial analysis

carried out by the department in relation to the projects announced in the 2009-10 budget as part of the third phase of the economic stimulus package.

**Mr Tune**—Are these the large infrastructure projects?

**Senator COONAN**—Yes.

**Mr Tune**—I am trying to think back that far. Most of those projects went through various funds. As you know, there are three funds: the Building Australia Fund, the Health and Hospitals Fund and the Education Investment Fund. Various projects were put to those bodies. In many cases the states and territories put projects together and gave those to those bodies. They then assessed them and made recommendations about whether they were priorities, whether they met the criteria that were set out in the legislation for each of those funds—and they made sure they met those—and then provided those to the government. The government then make decisions on which of those it wanted to fund and announced them accordingly.

**Senator COONAN**—I was not really talking so much about the source of it; I was really interested in Finance's role in doing any costing or financial analysis in respect of the projects. For instance, some of them were recommended by Infrastructure Australia and others were not.

**Mr Tune**—Yes, that is correct.

**Senator COONAN**—Yet the whole lot went into—

**Mr Tune**—In some cases we were involved in doing some analysis and in other cases we were relying on the analysis that was done by Infrastructure Australia. Where they came through on the education and the health side, it was probably the funds themselves that were doing most of the analysis.

**Senator COONAN**—All right, without stretching your memory, perhaps we could go to some of them. The projects that had been recommended with 'real potential', which were the words used, but nonetheless had not been fully assessed by Infrastructure Australia, include, first of all, West Metro. The line item says pre-construction work in 2008-09 of \$91 million over one year. How would that have been arrived at?

**Mr Tune**—I think I had better take that on notice, Senator—it is not coming to me at the moment. I was in a different agency at the time, but I was involved in this process in PM&C as well.

**Senator COONAN**—I am sure that you were and I do not expect it all to be committed to memory. Is there anybody who might have been involved from Finance's perspective who could take me through? I want to go to each project and ask the same questions.

**Ms Campbell**—We thought outcome 1 was over so we have sent those officers who have got a deep knowledge of these matters back to the department. Unfortunately I was not in Budget Group at that time either.

**Senator COONAN**—Perhaps we could keep going with Mr Tune and his recollection. The Brisbane Inner City Rail Feasibility Study in 2010, which was \$20 million over a year—

**Mr Tune**—I cannot recall, Senator, I am sorry.

**Senator COONAN**—You will take all these notice?

**Mr Tune**—Yes, certainly I will.

**Senator COONAN**—The Oakajee port, Western Australia, with the start date of 2011 and ending in 2014, \$339 million—

**Mr Tune**—The same issue.

**Senator COONAN**—The Darwin port expansion for the Northern Territory with the start of 2011 and an end of 2013, an amount of \$50 million—

**Mr Tune**—Yes.

**Senator COONAN**—The Northbridge rail link, WA, starting 2009 and ending 2014, \$236 million, and the Bruce Highway, Queensland, with a start in 2009 and ending in 2012, \$488 million. There are two other projects that also received funding that were not endorsed by Infrastructure at all. I would like to know what Finance's role was, if any, in the costing of the finance for these projects. Firstly, there is the Pacific Highway, New South Wales, the Kempsey bypass, with a start in 2010 and an end in 2014, \$618 million over five years, and the O-Bahn track extension, South Australia, with a start date of 2009 and ending in 2011, for amount of \$61 million. If those last two projects I have mentioned, the Pacific Highway and O-Bahn track extension, were not recommended by Infrastructure Australia, how would Finance approach the costing to allow those matters to proceed?

**Mr Tune**—Ordinarily, we would be working with the agency that was promoting those particular projects, most likely the Department of Infrastructure, and in turn they would have spoken to their state counterparts, because most of these are done in conjunction with the states. The Pacific Highway, for example, is one in which there is some co-funding involved. And then we would work with them to try to finalise the cost estimates so we could put an agreed costing to the government ahead of its consideration of those particular projects.

**Senator COONAN**—Did Finance cost the remaining seven projects, to the best of your recollection and knowledge, or how was it determined how much should be contributed by these funds?

**Mr Tune**—I think I should take that on notice, Senator. It is just not clear enough in my head.

**Senator COONAN**—Is it usual that funding would be committed for five of these projects despite the recommending body, Infrastructure Australia, clearly saying that further project development and analysis was required?

**Mr Tune**—Not necessarily, Senator. If you think back to the budget of 2008-09, the government provided some funds—I think in the order of \$75 million—to fund various feasibility studies, so it has been done.

There is a range of other programs there, of course, not just those that run through the funds. You have got the old AusLink, which has now been renamed. That is a large road infrastructure program and there is some relationship there between what can be funded from that program vis-a-vis what is funded from the funds themselves, particularly the BAFF. In some cases you would find that, say, the Pacific Highway—well, I am sure that that one was correct, but some of these things that were announced in the budget were funded from those sorts of programs and go through the normal programs channels, others have to go through

the funds and the various authorities that have been set up to assist those projects. No, it is not necessarily unusual. It has happened in the past over a number of years, in fact.

**Senator COONAN**—You are going to be here when the Future Fund comes. I do not want to double up on questions on that.

**CHAIR**—We will now take a short break until three o'clock, when we are anticipating the Future Fund may be here. Can I just make that point at this stage that the programming of agencies in the agenda is approximate, unfortunately. We would have proceeded immediately to the Future Fund but we have been told they cannot get here until three o'clock.

**Mr Tune**—They are on their way from Melbourne, I think, and they have timed it to be here at three.

**CHAIR**—The point I make is that the timings in the program are approximate, so it would be more beneficial if agencies did not time things quite so closely.

**Senator Sherry**—I talked to Mr Costello. He had another engagement. In fact, I did a phone hook-up with him at lunchtime. I think he was in Melbourne. But he had another commitment.

**CHAIR**—A different Costello.

#### **Proceedings suspended from 2.36 pm to 3.02 pm**

**CHAIR**—We will move on to the Future Fund.

**Senator Sherry**—Mr Costello has some opening comments.

**Mr Costello**—I want to apologise for being a bit late. I am sorry. I realise you were ready to go. Last night we released our quarterly update for the Future Fund. We normally do that at the end of the month but we brought it forward, and a copy of that has just been distributed to you. I thought that might be a useful place, depending on your interest, to start providing you with some sense of how the Future Fund has been travelling over the last quarter and then from inception to date.

**Senator RYAN**—Excuse me if I cover a bit of the ground in my question because I had the most recent one. What is the percentage of Telstra that the Future Fund now holds?

**Mr Costello**—It is just under 11 per cent. It was just over 16 per cent and we have brought that down to about 10.9 percent, I believe.

**Senator RYAN**—Correct me if I am wrong. There has been no statement from yourself or any of the Future Fund guardians about the government's announced policy and plans with respect to Telstra.

**Mr Costello**—I think that is a correct statement.

**Senator RYAN**—You are Telstra's largest shareholder, aren't you?

**Mr Costello**—We are.

**Senator RYAN**—Do you have a view on this proposal in terms of what its impact may be on the value of your shareholding?

**Mr Costello**—It is certainly true that as a large shareholder we are interested and we, like all shareholders, are considering the range of potential outcomes for the company and the nation. I think it would be fair to say that it would be inappropriate for us to have a view as we are not exactly sure how things will settle. But we are closely monitoring developments and discussions and obviously as they become clearer our ability to form a clear view will be enhanced.

**Senator RYAN**—So you do not have a view on the government's policy as it has been announced with respect to the impact of the value of your shareholding?

**Mr Costello**—I think it is fair to say that our view is continuing to form and exactly how discussions between Telstra and the government and the NBN progress will certainly inform shareholders' views about how Telstra shareholders are likely to be impacted.

**Senator BERNARDI**—Can I just pick up a point there. Mr Costello, you are managing \$4.3 billion of Telstra funds now. Frankly, it is incredible to me that you do not have a view on the most significant change to that company since it was privatised. Are you hedging your bets because you do not want to offend the government? This is a serious amount of money that you are managing on behalf of the Australian people and you do not have a view.

**Mr Costello**—No, that is not what I said. I said that firstly it was important to point out that the Future Fund, when it sold one-third of its holding a couple of months ago, entered into a voluntary six-month lockup, so no further Telstra shares will be traded in six months. That was really to settle the market after the last transaction. I am sure you would appreciate what we saw as the value to the marketplace of that. It certainly gives us an opportunity to be able to reflect on the evolving situation in terms of how Telstra is likely to be impacted. Like all shareholders we followed with interest discussions held with the Senate and we are continuing to form a view. What I am trying to say is that it is premature for us to publicly announce a view on a situation that remains under development.

**Senator BERNARDI**—Mr Costello, the Australian Financial Investments Corporation, AFIC, and Argo—these other significant institutional shareholders—have been able to form a view. You are the largest shareholder and you are unwilling to express a view. I have no doubt that there have been some internal discussions about this, but you are unable to put forward a view of the Future Fund about what the impact—

**Senator Sherry**—Mr Costello did not say that. You were not listening, Senator Bernardi. You are putting words into his mouth.

**Senator RYAN**—Mr Costello, I believe you said the view is evolving.

**Mr Costello**—Yes.

**Senator RYAN**—What is the view as it stands today with respect to the government's policy, as announced, and the impact that may have on your holding of Telstra shares?

**Mr Costello**—Again, I feel I am repeating myself. As we see it, from the position of a shareholder not in touch with the government on this issue, the situation is continuing to develop. Telstra's response to the NBN initiative was recently provided to the Senate. I think the government is considering a range of responses. We will wait and see how that settles before publicly making—

**Senator RYAN**—Have you undertaken any internal assessment of the impact of the government's policy, as announced, on the value of your Telstra holding?

**Mr Costello**—We are undertaking assessments on a range of outcomes. We are not clear how that will settle between Telstra and the government, so we are modelling our—

**Senator RYAN**—So what does it say with respect to the outcome that the government has announced—the one that the government has actually said—and the conditions it has placed on Telstra? What is your outlook for the value of Australian taxpayers' Telstra holdings—what remains of them—with respect to what the government has announced?

**Mr Costello**—I need to repeat: we are not in a position to make a public statement about our view of how Telstra will be impacted.

**Senator RYAN**—Mr Costello, I am not asking you to make a public statement. I am asking you to answer to the Senate, as an independent shareholder, as we have heard from you in previous estimates hearings, on the work you have undertaken and the impact that will have on the value of over \$4 billion of Telstra shares. This is not a public statement. This is not the same as putting out a press release.

**Mr Costello**—Sure. My response to that is, depending upon how that settles between the company and NBN, then the impact on Telstra shareholders could range from positive to negative. At this stage it is our view that it is not sufficiently clear for us to form a view, which is why we are modelling a range of outcomes and trying to determine what the impact on the share price will be.

**Senator RYAN**—What is your risk assessment then? If you are modelling a range of outcomes then standard practice on this would be to apply a risk assessment. You said there that there could be some upside and that you are yet to discover that for Telstra shareholders. But where do you place your risk assessment? Is it on an upside or is it on a downside if you are modelling this range of outcomes?

**Mr Costello**—At this stage it is not clear enough to us how it will settle to be drawn to a view as to whether Telstra is likely to be positively or negatively settled.

**Senator RYAN**—Then let us go back from how it will settle to what the government has announced. You have said you do not have a finalised view. What assessment have you made of the impact of the government's announcements—not how it will settle after the legislative process has concluded. I am asking this because we are going to be called on to vote on and try and settle this. So what is the impact of the government's announcements and their intentions because that is directly relevant to how we are going to be called upon to vote, and it is no use us finding out after the fact that there was a range of assessments.

**Mr Costello**—I feel I must restate the position: once this is clearer to Telstra and to other Telstra shareholders then we will be able to formalise a view on that.

**Senator RYAN**—Mr Costello, legislation is coming into the Senate on this. This is the time and the place where you—

**CHAIR**—This is Senate estimates.

**Senator RYAN**—And this is directly relevant to this estimates process. When does it become clear according to your view?

**Mr Costello**—I think the thing that will make all the difference is when the government indicates how it intends to deal with Telstra and the assets that Telstra owns and the terms upon which any assets would transfer from the company to the NBN. I think that is the issue that goes to the fundamental value and that is what we are waiting for some clarification on from government, and I appreciate that Telstra itself is perhaps waiting for that clarification. Once that is available I think that we, along with all shareholders and with the market generally, will have a much clearer view about how the government's broad initiative will impact Telstra shareholders, and the Future Fund is the largest of those.

**Senator FIELDING**—We will be asked to vote on some of the regulatory changes coming up soon, but you are saying to me that you do not want to make a decision on what you think the impact is going to be until you know some more. Can you outline exactly what you want to know? Wouldn't you be doing scenario planning yourself on most likely cases—this case and this case, under those three or four scenarios here is what our view would be if this happened; here is our view if this happened; here is our view if this happened or that happened. Wouldn't you be doing that already? I am sure you would be.

**Mr Costello**—That process is underway presently. We have engaged internal people and external people to help to model up under a range of scenarios. We are not sure if any of those will be exactly where the situation settles, but somewhere in that range we would hope and expect the final outcome of the discussions between Telstra and NBN and government to settle. We clearly appreciate that it is very significant for us as an investor and it will be of interest to others for our view to become known. But I guess I am repeating my view that it is premature for us to indicate that. We are doing exactly what Senator Fielding says, trying to model up a range of outcomes in an environment that is continuing, from our perspective, to evolve quickly. I am not clear on the deadlines that the Senate is facing and the pressures of it, but we have a six-month period—or 4½ months now—before we are able to transact any further on Telstra. So we are holding this position and we are continuing to observe it very closely.

**Senator RYAN**—Presumably, in that 4½ month period remaining the value of your shareholding could fluctuate wildly according to the impact of this policy.

**Mr Costello**—It could.

**Senator RYAN**—So when do you expect this work to be complete?

**Mr Costello**—It has been commenced and we would expect that over the next one to two months that would certainly—we are not dealing with a static situation. We are not responding to a clear situation.

**Senator RYAN**—But the government's announcements and its priorities have been in the public domain for a significant period of time now. Other investment funds have made public statements. You are asking this committee to believe that you, the guardians of the Future Fund, have no views on the most significant announcement with respect to your most significant shareholding.

**Mr Costello**—No, I am not asking the committee to say that we have no view. I am saying that we have not finalised a view because it is not clear to us exactly what the arrangements between Telstra and the NBN will be. Once that is clear from the work that we are doing trying to model a range of scenarios, as Senator Fielding suggested, we will be able to very quickly finalise a position—and I think that is what many investors are doing. I do appreciate that some have spoken but they have tended to say, ‘If this were to happen, this would be the impact’ or ‘we would be concerned if that were to evolve’. I do not think many are speaking in a definitive sense about exactly what the impact will be when there is not sufficient clarity to be able to do that. At least that is how we see—

**Senator RYAN**—One might say that public comments from people like yourselves might directly impact the scenario and the environment you face. As the largest shareholder in one of Australia’s largest corporations, which is the subject of the most significant regulatory change we have seen in that particular field since privatisation, your public statement may well impact the very environment that directly affects the value of your shareholding, may it not?

**Mr Costello**—I think that is all the more reason for us to be very careful about our public statement and to make it once we are clear about the situations that will impact Telstra shareholders. At this stage we are not clear about exactly how Telstra will be treated. Once that is clear, and the outcomes could range from very positive for the company to negative for the company—and some of those have been canvassed. I think that once that is clearer we will be in a position to be able to indicate how we think that will affect our interest in Telstra. I repeat that, while this is a very important exercise, we are not in a position to execute any view on Telstra because we are close to midway through a six-month lock-up of any further transaction in the security.

**Senator RYAN**—Given that this has been in the public domain for such a significant period of time—and you have outlined how there could be opportunities as well as losses whereas virtually all the public commentary has outlined that the risk to Telstra shareholders here exists on the downside—it is almost unbelievable that you are coming here today to say that the Future Fund does not wish to express a public view. That seems to be to protect the government rather than the shareholding.

**Mr Costello**—I appreciate that from your perspective I am giving the same answer. Once that position is clear—unless it is clear to all shareholders except the Future Fund exactly how the company will be treated, and I do not believe that is the case—then it seems imprudent for us to be making a public statement about how the Telstra share price would be affected. Certainly, some shareholders have indicated how it might be affected—I think that is useful and it is part of debate and discussion—but that is not a route that we intend to go down. We think it is appropriate that we wait till the situation is clear. It is a government initiative and they are involved, clearly, in discussions with the company about how that might be treated. Once that is settled we will be able, based on the work we are doing now, to be able to finalise a view. I think then it is left to the board to determine what it intends to do with that view but—

**Senator RYAN**—You do not believe you have a role in protecting the environment of a company in which you are the largest shareholder by making public comments.



**Senator Sherry**—Senator, I do not believe you were listening to the last comment of Mr Costello. He referred you—

**Senator RYAN**—I was listening, Senator Sherry.

**Senator Sherry**—Your question does not indicate that and you are continually rephrasing the same question. Mr Costello referred to the view of the board. The board may have a view at some future point in time but it does not have one today. Again, Mr Costello—

**Senator RYAN**—That is the point I was making.

**Senator Sherry**—Let me finish. Are you going to continue like a rabble of four or five people interjecting? That is what you are doing. Let me finish. If the board chooses to express an opinion, Mr Costello can take on notice a request to the board. It may or may not want to express an opinion. It has not expressed one publicly so far.

**Senator RYAN**—I will get to that. Mr Costello—just to clarify—do you agree or disagree with the other fund investors in Telstra that have made public comments, particularly about the negative risks to Telstra shareholders as a result of the government's program?

**Mr Costello**—I think it is fair to say that we would agree that there are some negative risks.

**Senator RYAN**—More or fewer than upside risks? Do you see this as an upside or downside opportunity for Telstra shareholders?

**Mr Costello**—I think there are significant negative risks to Telstra, and we would share the view that there are significant risks. We also think that, depending on the outcome of discussions, there may be upside benefits. As we see it there is a lot a further work being done on this. I know that you have a timetable—our own timetable is a little different. I think the main reaction of shareholders in Telstra at the moment is to look for some clarity and certainty about how the commercial terms between the company and the government will transpire. Once that is clear, together with all shareholders, we will be able to finalise a view and, if it is deemed appropriate by the board at that time, to publicly express it. But at this point in time we think it would be both inopportune and imprudent to speculate on the impact of something which is completely unclear.

**Senator RYAN**—I will get specific then. Do you agree that the proposals for functional separation of Telstra and the potential denial of access to spectrum would be damaging to Telstra and its shareholders?

**Mr Costello**—I think it could be damaging to Telstra and its shareholders.

**Senator RYAN**—What about denial of the spectrum? Is there a way that can be perceived as anything other than damaging to Telstra shareholders?

**Mr Costello**—I think this is such an important issue about a public company—and you can appreciate that from my perspective this is not an area that I work on day-to-day—that if that is a specific question then I would need to take that question on notice with reference to the people who are considering the range of options.

**Senator RYAN**—I would appreciate those two questions being taken on notice. As a Telstra shareholder, and particularly given you have 4½ months where there will be no further

activity in your Telstra portfolio, some of these actions may require shareholder approval. Has the Future Fund undertaken any work—preliminary or otherwise—into the approach it would take to making such a decision if you were called upon to vote on some of these proposals?

**Mr Costello**—Probably it comes back to the same issue of when the proposal is clear. My understanding is that Telstra itself, before it put anything to shareholders, would be looking for the kind of clarity that we are looking for as to exactly what the proposition is. Again, it would be speculation to say how we would vote on something that is not clear. As you would perhaps appreciate, in addition to that there is some view by some shareholders that the Future Fund would be ineligible to participate in that vote. We read in the newspapers that that is a process going on. So at this stage how we would vote would be absolutely dependent upon the proposition that was put to shareholders. Some time over the next few months, I understand, that opportunity will present itself.

**Senator RYAN**—Have you had discussions with the Telstra board or management about the government's proposals?

**Mr Costello**—We have had a follow-up briefing. Because the Future Fund was transacting at the time of the Telstra results we did not take the opportunity then to be briefed by the company but perhaps about a month ago—a few weeks ago—we did take an opportunity to talk with them.

**Senator RYAN**—And that was just the Future Fund with Telstra management?

**Mr Costello**—That was the Future Fund with Telstra management.

**Senator RYAN**—That is the only confidential, private meeting you have had as a Telstra shareholder about these government proposals?

**Mr Costello**—It is.

**Senator RYAN**—Have you had communications with the government on the government's proposals and its impact upon Telstra?

**Mr Costello**—We have not.

**Senator RYAN**—That is all I have specifically about Telstra.

**Senator FIELDING**—In regard to the Future Fund and any direct investment strategy, is there a certain percentage between equities, fixed percentage and bonds and those sorts of things? What sort of policy do you have on those? I am getting to the Telstra bit very quickly, if I can, with just a bit of background.

**Mr Costello**—We do. It is not permanently fixed but we do set a target from time to time and review that and work towards that.

**Senator FIELDING**—Does the government direct that or is it really up to you?

**Mr Costello**—No, it is completely up to our fund.

**Senator FIELDING**—When it comes to investing in equities, does the Future Fund have a strategy for a fixed percentage in defensive stocks, or a fixed percentage in commodities or industrials?

**Mr Costello**—At this stage our position is largely determined by a regional allocation and within that we work at the sector exposure. At this stage as we are building the program out we are mostly focused on an exposure to the broad market—Australia, the rest of the world and developing world—rather than the more finessed sector allocations within that, although we do monitor that very carefully.

**Senator FIELDING**—Okay, so before the Future Fund sold off a large part of its stake in Telstra, what was the percentage of the total money invested in shares that was invested in Telstra?

**Mr Costello**—I am sorry, but—

**Senator FIELDING**—Before you sold off a large portion of your stake in Telstra, what percentage of the total money was invested in shares? How much did it change after you sold?

**Mr Costello**—Perhaps the best answer to that is that at the 30 June reporting period just over one-quarter of the fund, excluding the Telstra holding, was in listed—

**Senator FIELDING**—Was that including the Telstra portion?

**Mr Costello**—No. It was agreed when the fund was set up that it would report on its Telstra holding and the rest of the fund separately. So, leaving aside the Telstra holding, the rest of the fund had just over one-quarter in listed equity at the end of the year—at 30 June.

**Senator FIELDING**—Given that the Telstra shareholding was a sizeable proportion, which it was, was the government advised of the change before you made that sale?

**Mr Costello**—No. We had no conversations with the government on our intentions.

**Senator FIELDING**—From your perspective, going that way? I am just talking about conversations between you and the government.

**Mr Costello**—No, there was no conversation along those lines.

**Senator FIELDING**—Was there any conversation about selling the Telstra shares?

**Mr Costello**—No, none at all, apart from the conversations that I think have always been public. I think we have always said publicly that when the fund was set up it was expected over time to be a seller of Telstra shares and to integrate the proceeds of those sales into the portfolio. But beyond those comments we have made there was no discussion at all on that issue with the government at this time.

**Senator FIELDING**—Given the Telstra share price dropped significantly once the announcement about the break-up of Telstra was made by the government, have you looked at how much the Future Fund saved compared to if it had sold the shares immediately after the announcement? There is a different timing, essentially. The share price bounced around but it changed immediately.

**Mr Costello**—The Future Fund shares came out of escrow in late November last year, and it was not so long after that that the NBN announcement was made. My sense is it was a matter of weeks—perhaps I would need to clarify that. There was therefore a very short window of time between being able to sell Telstra shares and the market event and the drop in the share price. I am sorry—again, I am not 100 cent clear where you would like me to go with that question.

**Senator FIELDING**—The price that the Future Fund sold the shares at versus the price they were immediately after the announcement. There was a change.

**Mr Costello**—It was higher. The price that we sold it at was higher than the price that the share price held to at that time. In fact, since that period—

**Senator FIELDING**—Yes, I understand it has changed again. What is the difference in the value compared to what it would have been if you had sold them immediately after the announcement?

**Mr Costello**—That is something I could certainly take on notice and get back to you.

**Senator FIELDING**—If you could take that on notice for us—thank you.

**Mr Costello**—Just to be clear, it is the difference between the price immediately after the announcement—

**Senator FIELDING**—I understand. I could work it out, but I would rather get it from you.

**Mr Costello**—All right. I think I understand the question.

**Senator CAMERON**—Mr Costello, you indicated there may be some downsides being analysed in relation to Telstra shares. But would you agree that there is a very strong counter-opinion to the question of the value of Telstra shares and that UBS, the Royal Bank of Scotland, Goldman Sachs JBWere and Merrill Lynch have all still got Telstra shares on the buy list?

**Mr Costello**—I would certainly agree that—this is really the same answer as I gave before—depending upon the outcomes of discussions between the government and Telstra in terms of the value of the existing assets that Telstra holds and the terms upon which they might transfer, I think there is upside benefit. I appreciate that those organisations are conscious of that. Of course, as I said before, there are risks the other way. We would certainly acknowledge that there are both upside opportunities and downside risks as a result of these discussions.

**Senator CAMERON**—So the share price dived after the announcement then recovered, and on 16 September the share price was \$3.24. Investment bank UBS, who rate Telstra a ‘buy’ proposition, have a 12-month target price of \$4.55 for Telstra, and there is a strong view that this process could be in Telstra shareholders’ interests. It is contestable.

**Senator BERNARDI**—What was their research on Enron?

**CHAIR**—Questions—let us not interrupt, senators. Order!

**Senator CAMERON**—Is that right? That is a very contestable proposition.

**Senator BERNARDI**—I wonder whether UBS did do research notes on Enron.

**Senator Sherry**—I am sure they did, but I do not think they would like their entire research capability blackened because of Enron, like everyone else—

*Senator Bernardi interjecting—*

**Senator CAMERON**—Isn’t it great that the lion of the conservatives is now challenging all of the bankers?

**CHAIR**—Order!

**Senator BERNARDI**—As someone who used to work in the stockbroking area, I know that there are many more buy recommendations than sell recommendations.

**CHAIR**—Senator Bernardi, it is Senator Cameron's opportunity to ask a question. Is there a question remaining out of all of that?

**Senator CAMERON**—Yes, there is a question—

**CHAIR**—Can we have the question, please.

**Senator CAMERON**—and that is: is this a contestable argument in terms of the future share price of Telstra?

**Mr Costello**—I think the answer to that is yes. There are some that would say that the share price is pricing in all negative downside and therefore that there is upside and the share price will reflect that, and of course there are others who have a different view. I think the market, like us, is looking for clarity on how this issue will settle, and that will certainly enable all shareholders to finalise their view, act accordingly and, if called to vote, vote accordingly. Obviously that is in the future.

**Senator CAMERON**—And the Future Fund has a proposition not to act in a short-term knee jerk in terms of investments but to take a longer term view in relation to investments?

**Mr Costello**—That is certainly correct.

**Senator CAMERON**—Thanks.

**Senator RYAN**—I just want to come back to this issue, Mr Costello. We are currently confronted with legislation that, if Telstra does not perform certain activities, some of which we mentioned before—divesting itself of Foxtel, having functional separation—could see the minister deprive Telstra of access to new spectrum. Would you invest in another company that was subject to similar executive or legislative activity?

**Mr Costello**—I think that that would be a major risk for an investment.

**Senator RYAN**—Would it be a critical risk? Would it be the sort of thing that would scare away a fund manager such as you?

**Mr Costello**—I think it would depend upon the price at which it is transacting, the extent to which those risks are priced and possibly overpriced in, and there may well be upside. I think that is part of the discussion that Senator Cameron was talking about.

**Senator RYAN**—So do you have a view on whether that legislation, given that it is so intrinsically related to the NBN—and you mentioned potential upsides in that—should be delayed pending the NBN implementation study?

**Mr Costello**—I have to say that I do not have a view on that. I am interested in how Telstra will be treated as a result of the government initiative.

**Senator RYAN**—So are we!

**Mr Costello**—That is our interest. In terms of the process of legislation, I stress again that our interest in this is to be provided with a clear statement about how the company will be treated. Telstra itself clearly is vigorously trying to protect its position on behalf of its

shareholders. We are interested in the outcome of those discussions between the company and the government. Obviously we will respond accordingly, consistent with our broader requirement—which is not a surprise to the market—that over the medium term the Future Fund has been mandated to reduce its holding in Telstra down to an appropriate level. It is no surprise—

**Senator RYAN**—That is the point, Mr Costello. Presumably your mandate is to reduce your holding in Telstra—

**Mr Costello**—It is.

**Senator RYAN**—and we are faced with legislation that has a direct impact on the value of that holding, for which there appears to be a greater level of consensus that there is negative risk rather than opportunity for Telstra.

**Mr Costello**—Based on the information supplied presently—

**Senator RYAN**—Presumably Telstra would have done this itself if it saw opportunity, wouldn't it?

**Mr Costello**—Based on the discussion in the market at the moment, in the absence of a clear statement about exactly how the company will be treated, I think there are a lot of people pricing in downside risk.

**Senator RYAN**—Earlier you said, Mr Costello, that you had not had any contact with the government. Why not? You have \$4.8-odd billion in this. If this is an evolving process, you have not sought to influence that evolution as the largest shareholder in this company?

**Mr Costello**—As I think you would appreciate, the previous government, when the Future Fund was set up, and the current government, having taken on the role, have consistently stressed to us the value and the requirement that we operate independently. This is an issue where it seemed to us completely inappropriate that we would insert ourselves into that—

*Senator Cameron interjecting—*

**CHAIR**—Order, Senator Cameron!

**Senator RYAN**—I could not hear over the background noise, Mr Costello.

**Mr Costello**—It seems to us completely inappropriate that we would insert ourselves in a discussion like this on an issue of such importance.

**Senator RYAN**—No matter what the government might do to Telstra, you do not think it appropriate to express a view to the government about its direct impact on the value of your shareholding?

**Mr Costello**—I think that, for the Future Fund to do that in an environment as evolving as at present, it is our position that it is not our view—

**Senator RYAN**—That is an extraordinary revelation, Mr Costello, because—

**Senator Sherry**—It should not be—

**Senator RYAN**—Let me finish, Minister. You have just given a green light to the government—

**Senator Sherry**—Is this a question or a statement?

**Senator RYAN**—It is a question. If you would let me finish, you will hear the question, Senator Sherry.

**Senator Sherry**—It is a repeat of your previous question, which I have a right to answer.

**Senator RYAN**—No, it is not, Senator Sherry.

**Senator Sherry**—You should not be surprised. The Board of Guardians of the Future Fund have been set up as independent, at arm's length. The final point I would make about the Board of Guardians is that your government appointed them. The individuals who are members of the Board of Guardians were your appointments—

**Senator RYAN**—I have given the minister a fair bit of latitude. I was in the middle of asking a question.

**Senator Sherry**—made by Mr Peter Costello, the former Treasurer.

**Senator RYAN**—I was asking a question.

**Senator Sherry**—So you should not be surprised—

**Senator RYAN**—You have been remarkably quiet through this, Senator Sherry!

**Senator BERNARDI**—Chair, I raise a point of order.

**Senator Sherry**—I am surprised—

**CHAIR**—Sorry, minister; there is a point of order.

**Senator BERNARDI**—Senator Ryan was asking a question. Senator Sherry interjected, would not allow—

**Senator Sherry**—I am answering a question.

**Senator BERNARDI**—Senator Ryan to complete his question and continues to talk over the top of Senator Ryan. I ask you to draw the minister to order and let Senator Ryan ask his question.

**CHAIR**—I think that there was a bit of cutting across both sides on that occasion. The minister has an opportunity to clarify a point, which he was seeking to do. Senator Ryan will have the opportunity to continue with his question, and I think Senator Sherry has just about finished now and can do so.

**Senator Sherry**—Yes, I am just going to conclude on this point about the guardians, who your government appointed. I am surprised that you would so seriously reflect on the Board of Guardians, who you appointed.

**Senator RYAN**—I do not believe my question was anything about the Board of Guardians.

**CHAIR**—Senator Ryan, the question.

**Senator RYAN**—Mr Costello, you just made the point then that you did not believe contact with the government was appropriate—and I just want to clarify this, so this is the question, Senator Sherry. No matter what the government's legislation or policy proposed towards Telstra, you did not believe it appropriate for the largest shareholder of that company, entrusted with \$5-odd billion of public funds, to make any contact with the government and to

try and influence what you described as an evolving environment, to protect the value of your shareholding?

**Mr Costello**—I think it is important to remember, as I am sure Senator Fielding does, that up until a short time ago any approach like that would certainly have been at risk of receiving inside information, so we were scrupulously careful to not have contact with the government, which was and remains in a strong position to impact the value of the Telstra share price. We saw it as critical that—

**Senator Sherry**—To add to that, you should read the Corporations Act with respect to inside information. Have a read of the act and perhaps try and appreciate and understand the exposure which those guardians could have if they made such an approach.

**Senator RYAN**—I appreciate the value—

**Senator Sherry**—And, if in fact the guardians did do that, you would be accusing them of obtaining inside information and insider trading.

**Senator RYAN**—That is interesting—it is nice of you to do that!

**Senator Sherry**—You would accuse them of that, as some others have done, I notice.

**Senator RYAN**—Given that you, Senator Sherry, have just accused me of reflecting on people, it is nice that you returned the favour then and made an accusation about what you thought I would be doing. I would be doing no such thing.

**Senator Sherry**—You would. I am absolutely sure—

**CHAIR**—Order! Can we return to questions please.

**Senator BERNARDI**—This is completely out of order.

**Senator Sherry**—I am sure that, if the guardians that your government appointed made such an approach, they would be accused by you of insider information, as some others have done already.

**Senator BERNARDI**—Thank you for the benefits of your opinion—

**CHAIR**—Senator Ryan.

**Senator RYAN**—If only you had a crystal ball, Senator Sherry.

**Senator Sherry**—There are a number of questions being put.

**Senator BERNARDI**—Sorry; you have called Senator Ryan, Chair—

**Senator Sherry**—Senator Ryan made the point—

**Senator BERNARDI**—I raise a point of order, Chair.

**Senator Sherry**—Senator Ryan does not understand—

**CHAIR**—Just one moment, please.

**Senator BERNARDI**—Point of order.

**Senator Sherry**—I am responding to Senator Ryan's question.

**Senator BERNARDI**—You have called Senator Ryan, Chair, and the minister continues to babble on like a brook.



**CHAIR**—On the point of order: I hope you heard—because I certainly did hear—Senator Ryan make a comment which contributed to the minister making a further response.

**Senator BERNARDI**—He was further interrupted.

**Senator Sherry**—No. He interrupted me.

**CHAIR**—It was asking if we had a crystal ball, as I recall.

**Senator Sherry**—He interrupted my answer.

**CHAIR**—If Senator Ryan has an actual question, I would like to hear it.

**Senator Sherry**—Senator Ryan interrupted my answer. Senator Ryan made an interjection on the insider trading charge.

**Senator BERNARDI**—It is like a babbling Scottish brook. We have got one Scottish brook. We do not need another one.

**CHAIR**—Senator Ryan, do you have a question?

**Senator RYAN**—Yes. Mr Costello, are you of the view that, in communication with the government, expressing a view upon government policy, without necessarily getting any feedback from the government about that policy—but merely expressing a view—would constitute a breach of your obligations with respect to inside information?

**Mr Costello**—I think it could very well do. I am not saying every discussion would do that. What I am saying is that we have been extremely sensitive to the risk in any communication with the government while government policy is being communicated and while the marketplace is trying to understand it and while the government remains in a critical position to influence the value of the Telstra share price through its decisions. We took a view that we absolutely should not be involved in being part of discussions with the government about that. That is a correct statement.

**Senator RYAN**—I was not referring to discussions. I specifically referred to the situation where the Future Fund might express an opinion or a view without necessarily having any feedback from that, appreciating the risks you have outlined.

**Mr Costello**—I think I answered the question before. Once the Future Fund is able to form a view—and our preferred position would be to wait until the situation is clear enough to be able to do that rather than form a range of views based on a range of potential situations—I think that is a decision that we will take at the time. Your interest in seeing the largest shareholder make a position I will certainly communicate back to the board. But I need to repress at this point in time that it seems inappropriate for us to be drawn into—

**Senator RYAN**—We should get Senator Conroy in here. He has just been given a green light to do anything, I think. I would like to now turn to some matters that I have covered in previous estimates.

**CHAIR**—If you are moving on to another area, Senator Cameron had one further point on this matter.

**Senator COONAN**—I have some questions on Telstra too.

**Senator CAMERON**—Mr Costello, in your first annual report, signed by David Murray, in 2005-06, Mr Murray goes to the point of quoting the bill's explanatory memorandum. This is the bill established by the Howard government. Is that correct?

**Mr Costello**—That is correct.

**Senator CAMERON**—So the legislation is Howard government legislation. This is from your annual report:

The Future Fund Board of Guardians was established as a body corporate to provide a separate legal entity from the government with statutory responsibility for managing the investments of the Fund at arms length from government. The Board will hold investments in its own name and on behalf of the Commonwealth illustrating that the Board will take investment decisions independent of the Commonwealth but with the Commonwealth retaining beneficial ownership of the Fund at all times.

That is an accurate extract from the explanatory memorandum?

**Mr Costello**—I assume it is. I would certainly say that the sentiments expressed remain sentiments that we hold true and dear to this day.

**Senator CAMERON**—So would what you are being asked to do by Liberal senators here today be consistent with that government legislation and the explanatory memorandum about being at arm's length?

**Mr Costello**—It is such a nuanced discussion that I would perhaps need to consider that very carefully, but I do appreciate the point you are making—that we are operating as an independent investor trying to maximise the utility with the same insights and the same market participation as other Telstra shareholders. We think that that is consistent with the approach, the philosophy, for the board that was put in place when the Future Fund was set up. So we are certainly trying to operate in an independent way consistent with the behaviour of other shareholders.

**Senator COONAN**—The Telstra stake came out of escrow last November and the shares were not sold until 20 August 2009. Yet the shares fell in value by about 18 per cent from the time they came out of escrow, even though the wider market had rallied somewhat. Given the fact that there was a Telstra overhang anyway, or that you were overweight in Telstra anyway, and that there would obviously be some sell-down, why did you take that long, particularly when the market was rallying?

**Mr Costello**—There are two things. As I pointed out before, within a few short weeks of coming out of escrow, when there was a great deal of anticipation as to how the Future Fund might respond—and indeed some speculation which we thought unwise to satisfy that the Future Fund would immediately sell its holding upon it coming out of escrow—the NBN announcement was made and the share price fell substantially. The price at which we transacted in August was at a premium. I think I have agreed to confirm the size of that premium to the share price for all periods of time except those first couple of weeks between late November and early to mid-December. We would argue that we achieved a very satisfactory price. It is a price that was almost as high as it had been since that announcement and we feel—

**Senator COONAN**—Which announcement are you actually talking about—the break-up announcement? That was after.

**Mr Costello**—I am talking about the announcement that the government made—someone could help me with the date—pre Christmas, post 20 November last year.

**Senator COONAN**—Which announcement was that?

**Mr Costello**—It was the announcement made by the Prime Minister and Senator Conroy.

**Senator COONAN**—What was that announcement?

**Mr Costello**—I am being reminded that it was in the summer. It was the announcement that the government would move to establish its own NBN solution. It was the government's response to the proposals that had been put forward to it by a range of companies.

**Senator COONAN**—There is a long time between that announcement and August. What was happening given that you obviously had this overweight position? We are really wondering whether it was just coincidence that it took until August, a matter of days before the announcement about the break-up.

**Mr Costello**—I see. I understand the question. It absolutely was a coincidence, although I think that all shareholders were aware that the government, having announced a position, would clarify it later. There was certainly no clarity about exactly when that would happen, but there was a sense that it would happen some time in the—

**Senator COONAN**—Had you been speaking to Telstra about the likely outcomes of the government's deliberation on the NBN?

**Mr Costello**—Again, we had been extremely careful, just as we were with government—

**Senator COONAN**—I know you have to be careful. I said: did you have conversations?

**Mr Costello**—Not as we started to actively consider whether we would—

**Senator COONAN**—When did you or the Board of Guardians last have a conversation with Telstra management or board about this matter?

**Mr Costello**—The matter of the NBN announcement?

**Senator COONAN**—Yes.

**Mr Costello**—To answer that question accurately, I would need to confirm that. What I would say is that it was some significant time before the transaction we undertook, for exactly the reasons that I indicated before—any perception that the Future Fund would be in possession of information that other shareholders would not be.

**Senator COONAN**—I have been in the situation that Senator Sherry refers to, where I have been unjustly accused of getting inside information from Telstra. That was found to be absolutely not correct—after a full briefing on a detailed proposal. So it is absolute nonsense that you cannot have a detailed conversation when you are a 12 per cent shareholder as to what the company's view is about how this is going.

**Senator CAMERON**—They did not really talk to you at times anyway, did they? They just treated you with contempt.

**Mr Costello**—To answer the question: remember that the Future Fund's job is to consider the Telstra stake over the medium term. Since it came out of escrow, we had clearly been very busy executing the investment of the remainder of the portfolio and trying to manage that

through some extremely trying circumstances. It was really as we started to come out of that situation that we reflected on how the program as a whole would cope with additional cash potentially released from a Telstra sale.

That partly goes to your question about why it took some time from the beginning of the year to August. We then had to work through it at a portfolio level. We sold the stake because we think long term the Future Fund portfolio will be a superior portfolio if it is not as heavily exposed to a single company. So there were discussions with Telstra in the early part of that process, just trying to understand basically how the company—

**Senator COONAN**—What time frame was that?

**Mr Costello**—This was pre the end of the financial year, perhaps going back to April or May. Again, I think I would need to clarify that.

**Senator COONAN**—Could you take on notice and give to the committee a chronology of discussions that you or any one of the guardians have had with the management of Telstra or any board member of Telstra between November and 20 August 2009?

**Mr Costello**—If that is information which an independent investor would be required to provide to the Senate, absolutely. I would like to be advised as to whether that is appropriate or not.

**Senator Sherry**—Why don't you just take it on notice and we will deal with any issues that flow.

**Senator COONAN**—This is absolutely the most extraordinary evidence I have heard for a very long time. We know, for example, that in the past two years the fund has been in hyperdrive and very critical of Telstra's handling of its relations with government. In 2007 it virtually led a shareholder revolt against Telstra, particularly in respect of some of the matters to do with the former management, remuneration structures and various things. The fund has been very active—proactive, you would say—in its dealings with Telstra across a range of issues. That is a matter of public record.

**Mr Costello**—I would like to put on the record that the Future Fund has only ever made one comment in relation to that. There has been a great deal written by a number of journalists about what the Future Fund was supposed to have done and supposed to have said.

**Senator COONAN**—Did the fund vote its shares against the remuneration package of Mr Trujillo?

**Mr Costello**—It certainly did, at the previous AGM.

**Senator COONAN**—And you actively lobbied in respect of that.

**Mr Costello**—That is absolutely a true statement that we did vote against that.

**Senator Sherry**—Are you still seeking that information?

**Senator COONAN**—Yes, I am. I definitely am.

**Senator Sherry**—Perhaps you could clarify what the question is.

**Senator COONAN**—I wanted to know all of the contacts—

**Senator Sherry**—Who spoke to whom when?

**Senator COONAN**—yes, between November of last year and 20 August this year.

**Senator Sherry**—We will take that on notice.

**Senator COONAN**—It is very interesting that in respect of some matters there does not seem to be any reticence on the part of perhaps Mr Murray or the Board of Guardians. I am not being critical of them; I am simply stating it as a fact that, quite rightly, they are out there looking after a very big stake in this company and looking at getting value for shareholders. It simply puts into very sharp relief the fact that there appears to be an eerie silence on the part of the fund, you, Mr Murray and everyone else when there is likely to be, on any view, a spear through the heart of these shares. It is just baffling that you would be so proactive in respect of some matters and not prepared to tell the committee about actions taken when it affects 12 per cent of the shares in a company that is facing a real threat to its viability.

**Mr Costello**—Perhaps in response to that I would say that when we approach any issue we approach it very much from the perspective of a shareholder in a company, and those discussions were really from that perspective. We are extremely careful about crossing that line and being a publicly owned investor of government money, with the same government that is setting a very important national agenda for broadband which will have a significant impact on the company.

Your point is how could we appear to be so inconsistent. We will continue to work as a shareholder seeking information from the company and trying to drive through standard corporate governance mechanisms, improvements to shareholder return. That has been our approach in the past and it remains our approach. The only exception to that is an acute sensitivity around the time that we would consider any transaction of not wishing to create a perception that we are in receipt of information from the company or the government that would in any way be inside.

**Senator COONAN**—From my perspective—I do not know about my colleagues—I am relieved to hear that you are prepared to work appropriately with the company in respect of maintaining the value of this shareholding. You have taken on notice, and I expect a reasonably fulsome answer, please, on each and every contact that I have asked for, together with the substance of the contact.

**Mr Costello**—Just picking up your point, I would absolutely confirm our commitment and our interest in trying to maximise the return to Telstra shareholders through the governance mechanisms that exist for shareholders with the company. We have always been committed to that and remain committed to that. We will be a substantial owner of Telstra shares for some considerable further time in the medium term. I appreciate that the market is always interested in our views and we have always indicated this is a medium-term holding. I will ensure that that question is answered fulsomely.

**Senator COONAN**—My last question on this matter is, when was the decision actually taken to sell down this first tranche of shares and when was UBS instructed to commence a book build?

**Mr Costello**—UBS was instructed to commence the book build immediately after the close of trading on the day of the transaction. The decision to test the market to sell the shares had been discussed in the abstract in terms of how that would improve—

**Senator COONAN**—How you would place it.

**Mr Costello**—Both. First of all in terms of the impact on the portfolio, the price, the different approaches, the importance of managing any leaking of that information—

**Senator COONAN**—Who advises on that? You have got an external adviser.

**Mr Costello**—As our public statement said, we engaged Caliburn as a private investment bank to assist us to explore a range of different methods and to work with us—

**Senator COONAN**—When was Caliburn engaged?

**Mr Costello**—A matter of days, perhaps a week or so, before the transaction was taken, so very close. Having made the decision, we then explored it.

**Senator COONAN**—Can I please have the chronology of when the decision was taken by the board or the guardians or however it was taken—it would have been a board decision, I assume—and when the firm was engaged.

**Mr Costello**—Certainly.

**Senator BERNARDI**—I asked at the last estimates a question reference number F44. You probably do not recall it but it was in regard to the expected rate of returns in global economic growth. The answer that was provided to me, just to refresh your memory, was an average annual growth rate of 0.8 to 3.7 per cent between 2009 and 2014, and 2015 onwards average annual growth rate of 2.1 per cent to 3.6 per cent. Has there been any cause to reconsider those figures?

**Mr Costello**—Certainly there has been a lot of cause to reconsider the outlook. The situation has changed, as we are all well aware, a great deal since then. Our outlook for near-term growth is rosier than it was at that time, and our portfolio and the way we have adjusted the portfolio reflects that. We do remain, of course, cognisant of risks to that growth over the medium term and again we continue to try and guide the portfolio through a range of scenarios. But to answer your question, the world is a much more optimistic place that it was when we last spoke.

**Senator BERNARDI**—Are you willing to provide me with an update of those figures, say, in the near term, where you had 0.8 to 3.7 per cent?

**Mr Costello**—Perhaps I could take the same question on notice and provide you with the same range of responses.

**Senator BERNARDI**—Thank you. I would seek your comment. As a very big manager of money or administrator of a significant amount of money, your growth estimates are quite significantly different than those of Treasury and those that the government is relying on. How do you account for that?

**Mr Costello**—A point I made last time—I am not sure if it was well communicated—was that, while the government is very focused on the Australian economy, our program is considerably wider than that. So when we think about growth we look at it in a global context and the Australian situation within that. I think Australia is obviously very well positioned globally and there have been a number of people who have commented on that and a number of observations made. So I think that our view will always be different. We approach it from a

different perspective and it is an input for us into a range of different investment paths that we could go down. We use that to try and determine pricing for a particular transaction or for a particular point of entry into the market. So I think the fact that we may from time to time have a different view about the range, our growth estimates versus the government's, is probably driven by the fact that we are looking at a wider range of economies than the Australian government. Secondly, for us everything is relative to pricing. Our business is to try and buy assets at the best price, the cheapest price we can, and pick up that growth. So we are less sensitive, I think, to the specific figures that Treasury or others might produce. For us it is one of a range of inputs but primarily it is our sense of price.

**Senator BERNARDI**—You mentioned that your aim is to buy assets at reasonable prices. I do not have the figures in front of me, so if they are available somewhere please tell me. Did you become an investor investing cash surpluses into the stock market in February, March, April, May? Were there significant inflows into investments?

**Mr Costello**—We continued to invest through that time, although it is true to say that the equity markets took off faster and stronger than many investors, including the Future Fund, had expected. So we were very conscious of managing risk through that time. I have not had the opportunity but perhaps this is now a good time to do it. We filed our annual results at 30 June and the fund did incur a loss last year of just over four per cent. In this first quarter, so the update we have just produced, that loss has been fully recovered, so the Future Fund has incurred no loss at all since inception and there is some \$3.2 billion worth of investment gains sitting in the Future Fund as at 30 September from May 2006, when the first contribution was made.

**Senator BERNARDI**—Let me confirm that apart from Telstra you are a direct investor in equity positions, or do you invest solely through other fund managers?

**Mr Costello**—Under the act the Future Fund board is required to invest through external managers, with the exception of Telstra.

**Senator BERNARDI**—As such, they would provide you with a range of economic forecasts themselves on expected rate of returns?

**Mr Costello**—That is often part of their commentary and expectation for the market. Certainly we receive a range of views from a wide variety of people on future outlook. As with any market participants, some are extremely optimistic and some are quite bearish.

**Senator BERNARDI**—I am actually interested in the range of views. Let me cut to the chase. The Treasury has said we are going to have 4.5 per cent growth in perpetuity, or for the foreseeable future. I think that is highly unlikely and my understanding is that lots of other people think it is highly unlikely as well. I am wondering what your managers have indicated to you about the growth in the Australian economy which they would undertake because they invest in Australian equities.

**Mr Costello**—I think it is fair to say that would be within a range, and some would not share that view and some would. For ourselves, we place a different reliance, as you do and the government does, on that estimate. We think there are many positive drivers of future growth, particularly over the near term, but we are also extremely conscious that, certainly globally, there are a number of structural issues in other markets in the world—Australia is

very well served in this respect—which could meaningfully impact on growth in those markets and that could flow through to Australia. We always think in a range; it helps us. Obviously we have got to make decisions at a particular point in time within a range of potential outcomes.

**Senator BERNARDI**—I would be interested in seeing what range of potential outcomes was given to the Future Fund by your respective fund managers immediately after the federal budget. There would have been an analysis and a critical assessment about what it means for growth in the Australian economy. I have no doubt that you would have received that. If you did not receive it I feel confident that you would have requested it. I would like to see copies of those—

**Senator Sherry**—We will take that on notice.

**Senator BERNARDI**—I did not expect that he could give it to me today, Mr Costello. Thank you, Chair.

**Senator RYAN**—Mr Costello, I want to turn to some questions you regularly have here regarding the investment mandate. With respect to the Future Fund—I will go to the nation-building funds next—has there been any change in the investment mandate at all?

**Mr Costello**—No, there has not.

**Senator RYAN**—No discussions with the government are currently underway about changing the investment mandate?

**Mr Costello**—There are not.

**Senator RYAN**—Do you currently hold any Commonwealth or state government debt securities in the Future Fund?

**Mr Costello**—We do not.

**Senator RYAN**—Has there been any discussion with members of the state or Commonwealth governments with respect to funding state government infrastructure or federal government programs like the National Broadband Network out of the funds in the Future Fund?

**Mr Costello**—There has not.

**Senator RYAN**—I just want to explore the comments with respect to the nation-building funds which are in the document you tabled today. These new investment mandates—I understand these were funds that came into play last year. I just want to get a sense of the history here. Your third paragraph says:

New investment mandates for each of the Nation-building Funds came into effect on 29 July ...These mandates set a benchmark return of the Australian three month bank bill swap rate +0.3%

Does that represent a change from the previous investment mandate?

**Mr Costello**—You would recall the Higher Education Endowment Fund was an existing fund that that was managing, and that was not as clear in its mandate. The mandate there was to try to maximise return with a low probability of capital loss. It was expressed in those broad terms. When the nation-building funds were created, the arrangement was that we would manage the new funds with the mandate that the Higher Education Endowment Fund



had, even though that fund was subsumed into the Education Investment Fund. So there is a very small difference between perhaps the interim mandate, if I could express it as that, which was the old Higher Education Investment Fund mandate, and the new one. The key difference is that it has quantified the expected excess return of 30 basis points over the bank bill swap rate and it has been quite clear that the risk of capital loss should be managed within a single year horizon—managing the money in a very similar way. I hope that answers your question about the difference.

**Senator RYAN**—What words did you use in relation to the old Higher Education Endowment Fund? Did you say it was to maximise returns with limited or no capital loss?

**Mr Costello**—I wonder if anyone from the department might have that. I think it is important.

**Senator BERNARDI**—What is the maturation date of those funds?

**Mr Costello**—There is no firm date. The government determines spending going out over the next few years, so there is no end date or maturity date or termination date.

**Senator RYAN**—Is there a date at which you expect to stop managing those funds?

**Mr Costello**—There is not.

**Senator BERNARDI**—Is there an expected level of draw down on those funds identified annually?

**Mr Costello**—Yes.

**Senator BERNARDI**—Can you tell me what the annual draw down is on those funds?

**Mr Costello**—Again, it is set by the department and they would have that information. We manage the program so that we get a sense of the demands and we manage that part in a more liquid way. Moneys that we are holding that are not required as part of those draw downs we invest for a slightly longer term, and that is how we generate the excess return.

**Senator BERNARDI**—This comes to the excess return. I am sure—while the officers are finding the information—that 30 basis points over the bank bill swap rate is not an onerous achievement.

**Mr Costello**—In this environment, no. In other environments, going back a year or so, it would have been really quite a significant achievement. So it is very much a function of where credit markets are at. But certainly at this point in time—and this was part of the arrangement with this mandate—with such clarity around the risk tolerance, in that we are required to manage these funds so as not to lose money over a single year, then we are trying to maximise the return within that very specific constraint. You would appreciate that.

**Senator BERNARDI**—I do, but in actual fact to manage a significant amount of money with a determined draw-down period and a lengthy investment period as well on the basis of not losing money in a single year would strike me as imprudent financial management, because I do not know of too many entities that would pursue that sort of investment policy, given that there are a range of certainties attached to it.

**Mr Costello**—I am not so sure about that. I think there are many investors who have had very clear expectations about when they would need capital, including institutional investors,

who have allocated to it to managers to manage in a low-risk way consistent with them being able to deliver capital protection and a modest return who have been bitterly disappointed with managers who took risks with that capital that were completely inconsistent with the instructions. We are operating to instructions here.

**Senator BERNARDI**—I understand you are operating within your instructions. This goes to the instructions themselves. They look reasonable at face value, but I do not think they actually are acting in the long-term interests of the fund, because of their short-term focus. But you cannot really comment on that. I have made that comment.

**Senator RYAN**—Do any of the three nation-building funds hold any Commonwealth or state government debt securities or similar instruments?

**Mr Costello**—It is my understanding that they do not. Because it is such a low-risk fund, it is possible. I will take that on notice. It is not my understanding that they would.

**Senator RYAN**—I would appreciate that. I know we had a previous discussion about how those would only be used in a low-risk, capital-protecting fund. If there were, I would appreciate knowing when those funds, or the Future Fund on behalf of them, purchased them and the amounts involved.

**Mr Costello**—I must clarify that. This money is managed by external firms, as we published. So the Future Fund is not directly involved in any purchasing transaction. I would need to look at the mandate and see whether it prohibits Commonwealth securities that a manager might purchase on our behalf.

**Senator RYAN**—If in those portfolios there are any Commonwealth or state government debt securities or similar instruments, I would appreciate it if we can get that information.

**Mr Costello**—Certainly.

**Senator RONALDSON**—Does the board see its primary responsibility as being to the government or to the preservation of the financial integrity of the fund?

**Mr Costello**—It sees its primary responsibility as delivering on the investment mandate set by the government.

**Senator RONALDSON**—I do not think you are actually answering my question. You know exactly what I am getting at, don't you? Does the board see its primary responsibility as being to the government and the directions of the government or to the preservation of the financial integrity of the fund?

**Mr Costello**—I do not see that as a choice.

**Senator RONALDSON**—Would the board put the government ahead of the financial integrity of the fund or would the board put the financial integrity of the fund ahead of the government? It is quite simple.

**Mr Costello**—The board would put the achievement of the mandate, which I think is consistent with the financial integrity of the fund—if I understand that part correctly—ahead of everything.

**Senator RONALDSON**—I presume you mean the government mandate.

**Mr Costello**—That is correct.

**Senator RONALDSON**—If the government mandate were actually not in the interests of the preservation of the financial integrity of the fund, would the financial integrity of the fund take precedence over those directions from the government, or would the government directions take precedence, to the detriment of the financial integrity of the fund?

**Mr Costello**—I know you think it is a clear question, but I am struggling to understand the difference.

**Senator RONALDSON**—I think it is quite clear.

**Mr Costello**—The government sets its expectations in terms of a return and its tolerance for risk, and the investment mandate is expressed in those terms, so I think the financial integrity of the fund is managing within the risk and return requirements of the government. We would see achieving the government's expectations and the financial integrity of the fund as being completely integrated and as unlikely to need to face a choice between those two.

**Senator RONALDSON**—Mr Costello, I put to you that your prevarication has made it quite clear to this committee that you do not—

**CHAIR**—No, I am sorry, Senator; you will have to speak for yourself. This is not a position of the committee's.

**Senator RONALDSON**—I will rephrase it.

**CHAIR**—Thank you.

**Senator RONALDSON**—I put it to you, Mr Costello, about your prevarication in relation to an answer to my question, which was quite clear—whether you owe your primary responsibility to the government or to the preservation of the financial integrity of the fund, and the fact that you have refused to nominate which—that, in my view, the committee would be entitled to view that as a clear indication that you are actually putting the wishes of the government ahead of the preservation of the financial integrity of the fund. I put it to you, Mr Costello, that that explains clearly the answers that you have given to Senator Bernardi and Senator Ryan today about any contact with the federal government in relation to their plans for Telstra.

**Senator Sherry**—I think you are being very harsh, unjustly harsh, in your reflections there on Mr Costello and his responses. He has taken a number of matters on notice. He has made it clear that the guardians and he, as an employee of the Board of Guardians, put the interests of the fund and the mandate that your government set down above all else.

**Senator RONALDSON**—Minister, are you proud of the fact that the board of the Future Fund would now appear to be more concerned about meeting the imperatives that you give them as opposed to the maintenance of the integrity of the finances of the fund, which was actually set up to deliver services to Australians?

**Senator Sherry**—I am pleased, and indeed proud, that the board and the employees of the board are continuing, in accordance with the act and the parameters set down by your government—and that we have continued unchanged—to follow the legislation and the mandate set out, and I believe they are doing that.

**Senator RONALDSON**—Minister, are you proud of the fact that, as a result of the evidence given to this committee today, you will put at significant risk the best interests of those mum-and-dad shareholders in Telstra by the simple fact that this board, which is such a significant shareholder, allegedly owes its allegiances to you and not to the preservation of the financial integrity of the fund?

**Senator Sherry**—That is your political rhetoric—

**Senator RONALDSON**—No, it is not, Minister.

**Senator Sherry**—addressed to me, Senator Ronaldson.

**Senator RONALDSON**—It certainly is not.

**Senator Sherry**—It is political rhetoric and political debate. The time for that is on the floor of the Senate when we debate the legislation. I do not believe it is an appropriate claim to make about the guardians or the employees of the fund. I think they act with the utmost integrity. I believe the former government, of which you were a member, chose wisely when they chose those guardians, and I believe they have upheld very well—

**Senator RONALDSON**—It is no reflection on the guardians, I can assure you, Minister; no reflection at all.

**Senator Sherry**—It is a political debate to have another time, Senator Ronaldson.

**Senator RONALDSON**—Would you allow—

**CHAIR**—Just one moment. Mr Costello was seeking to respond then, so I think we should allow that.

**Mr Costello**—I feel that is a very grave charge that you have alleged, and I would reject—

**Senator RONALDSON**—Mr Costello, I am sorry; my question was not directed to you.

**CHAIR**—Senator, please allow him to finish.

**Senator RONALDSON**—My question was not directed to Mr Costello; it was directed to the minister.

**CHAIR**—It is not whether your question was directed; I as the chair indicated that I thought it was appropriate, given the nature of the question and that Mr Costello was seeking to make a comment, that he be allowed to do so. Now, you did not challenge—

**Senator RONALDSON**—Point of order, Madam Chair—

**CHAIR**—No, let me finish, please. You did not challenge me at the time when I said that I thought Mr Costello should be able to respond in the way he was indicating that he wanted to, so please do not cut across him now.

**Senator RONALDSON**—Madam Chair, I took a point of order just before when you indicated that to Mr Costello, and I said to you that my questioning was directed to the minister and not to Mr Costello.

**CHAIR**—No, Mr Costello had already commenced and was interrupted by you. Mr Costello, please continue.

**Senator RONALDSON**—Point of order, Madam Chair: I actually do not think that is right. Mr Costello had not started to say anything. He indicated he wanted to say something, at your direction, at which stage—

**CHAIR**—No, Mr Costello had commenced, and the *Hansard*, when we reflect on it, will demonstrate that fact.

**Senator RONALDSON**—Okay. I will bet a Tim Tam with you that it won't.

**Senator Sherry**—As the minister, I am more than happy for Mr Costello to respond. It is my right to delegate, for additional comment, to a witness.

**CHAIR**—Mr Costello?

**Mr Costello**—I wanted to respond to what I thought was a sense that the Future Fund board and the employees of the Future Fund would put some sense of political allegiance ahead of the achievement of the investment mandate of the Future Fund. I want to make it very clear that that is not the case. There has certainly not been the history and there is absolutely no sense that it will be the future. If I misunderstood the question, I apologise, but we believe that we are acting with integrity and discipline to achieve the mandate of the Future Fund and we continue to remain focused on that. We are proud of the fact that we have been through this tumultuous event in financial markets and we have provided. The integrity of the Future Fund is in good shape, the fund is positive and no losses have been incurred. I would hope that that is acknowledged as part of the broader discussion.

**Senator RONALDSON**—Mr Costello, I will finish on this note: if you put your primary responsibility to the government ahead of the preservation of the financial integrity of the fund, in my view you have some very serious issues.

**Mr Costello**—And we do not do that, to be clear.

**Senator RONALDSON**—I will wait with great interest.

**CHAIR**—Thank you, Mr Costello and Minister.

[4.25 pm]

**CHAIR**—We will now move on to outcome 3.

**Senator RONALDSON**—Ms Mason, could you provide the usual estimates documentation to me in relation to changes to ministerial staff, establishments et cetera—the normal fare?

**Ms Mason**—Certainly. We will table the usual documents.

**Senator RONALDSON**—Thank you very much. How many consultants under part 2 of the MOP(S) Act are employed in ministerial offices and the offices of parliamentary secretaries?

**Ms Clarke**—The answer is none.

**Senator RONALDSON**—Are there any staff working in ministerial offices who are not employed under the MOP(S) Act or by a government department?

**Ms Clarke**—We would not necessarily know that. If there are people who are not employed under the MOP(S) Act in ministerial offices, it would not come to our attention.

**Senator RONALDSON**—Are you able to take that on notice?

**Ms Clarke**—No. You would do best to ask each minister. MAPS would not know.

**Senator RONALDSON**—In relation to these new communications regulations and the department's committee, can you please indicate who is on this new committee who is vetting MPs' printed materials? Are those officers here today and who is the chair of that vetting committee?

**Ms Clarke**—The committee is made up of senior officials from Ministerial and Parliamentary Services and our Legal Services Branch. I am a member of that committee.

**Senator RONALDSON**—Who is the chair of the committee?

**Ms Clarke**—I suppose if there is an official title, I am the chair of that committee.

**Senator RONALDSON**—Are you happy for me to direct my questions to you as the chair?

**Ms Clarke**—Please.

**Senator RONALDSON**—I suspect it does not come with extra remuneration.

**Ms Clarke**—Alas.

**Senator RONALDSON**—Could you please give me some indication of the guaranteed turnaround time for this material?

**Ms Clarke**—I cannot at this stage give a guaranteed turnaround time. We have just commenced this function and we are still settling into the kind of material that we are getting and the kind of advice that we need to give out. Our turnaround time really depends also on how much information is given to us by senators and members, whether or not we need to go back out to the senator or member to clarify an issue or ask a further question. We are also in the process of getting some legal advice on certain issues as well. So it is hard at this stage to give a guaranteed turnaround time.

We are advising senators and members to factor in around about three working days to their planning for their printing, because that is how long it seems to be taking at the moment. Once we get more familiar with the material, and of course as senators and members get more familiar with the material, and once we have our legal issues bedded down I think we will improve the turnaround time quite markedly. But, again, it really does depend on the quantities of material we get as well. If we get inundated with 100 inquiries on one day, that will clearly slow us down.

**Senator RONALDSON**—When it beds down, what would you hope the turnaround time to be? Presumably you have some KPIs in relation to this. What will the KPI be, do you believe, in relation to turnaround once things are bedded down? What are you aiming for?

**Ms Clarke**—We do not have any targets just yet. As I said, we are still becoming familiar with this new function. We are operating on three days at the moment and I think we can better that, but at this stage there are too many variables and we are too new to the process to be able to make any kind of judgment at this time.

**Mr Tune**—We will set KPIs, though.

**Senator RONALDSON**—And you will make those known? I think for the benefit of members and senators it would be useful to have those.

**Mr Tune**—Of course we will, absolutely. We will, yes.

**Senator RONALDSON**—Ms Clarke, if you receive material which is, in substance, identical to other material that has been cleared by the committee, such as budget newsletters and other standard productions, are you going to guarantee a quicker turnaround time if they are identical? Will the committee need to meet to determine those if they are identical to cleared items or will there be some streamlined process for that?

**Ms Clarke**—The committee will meet and decisions on each piece of material are taken by the parliamentary entitlements advisory committee. It is certainly anticipated that, if something is identical, and assuming all other aspects of it are identical, then it is something that can be processed very quickly.

**Senator RONALDSON**—Ms Mason, if a SMOS—and I am not talking about this SMOS—requested a copy of any piece of draft opposition material, what right as a departmental officer would you have to refuse him or her?

**Ms Mason**—We do need, under the Public Service Act, to be responsive to the government of the day. If we are requested to provide briefing on particular matters that are within the portfolio responsibilities of a minister, then we need to comply with that request.

**Senator RONALDSON**—Ms Mason, you will appreciate that that is an extraordinarily dangerous precedent. I am making no reflection on the minister at the table at this stage, because I do not for one minute believe that he would engage himself in that behaviour. But effectively what you are telling me is that there is the opportunity for a special minister of state to keep such a close eye on material that is being given to the committee that they would know in advance about material that an opposition may wish to put out in relation to the government or other matters.

**Ms Mason**—I do not really have a comment to make on your question. I have made a general observation that, as a public servant, we are required to comply with the Public Service Act—

**Senator RONALDSON**—Absolutely. It is no reflection on you on, Ms Mason, I assure you.

**Ms Mason**—and we are required to be responsive to the requirements of ministers. If a minister seeks briefing on a matter which is within their portfolio responsibilities, I think it is incumbent upon a public servant to provide it. As a general comment, the department, in providing advice on entitlements matters over the years, has sought to provide that advice in a balanced way and we have sought to protect the confidentiality of requests that come to us from various senators and members.

**Senator RONALDSON**—But this is not about balanced responses. I understand all that. This is about a request that you would be required, as a public servant, to obey. Minister Ludwig, can I ask you, on behalf of all our colleagues, including yourself, how we can get around what I would view as a very dangerous potential situation?

**Senator Ludwig**—I was just thinking about that as you were speaking. Of course, if you think of a person in the position—we will not use myself, we will use the SMOS of any persuasion under any government—they have a range of information that comes to them, from travel entitlements and a range of parliamentary entitlements right through to a whole range of other occurrences that arise under what we might more broadly call entitlements or parliamentary entitlements—

**Senator RONALDSON**—If I could just interrupt. They of course are all post-event access. This is pre-event access.

**Senator Ludwig**—Some of them, as you say, are post-event. Some of them, I hazard a guess, may not be post-event. They might be seeking approval for types of travel, so the events may not have already occurred. They may be seeking advice on a particular matter that has come through the department. It can be prospective as well. I think the Special Minister of State in both this government and the previous government took the same view—that it is a sensitive position. Information does remain confidential within the Special Minister of State's office for all of those reasons, particularly the nature of the information that comes across the table. When I took over the role, I quickly discovered there was a range of information that does remain extremely sensitive to all and should remain confidential.

In relation to the printing matters, I can leave the department to comment on how they might handle the actual procedures. I thought I would just set that out and then leave the department to deal with how they could ensure the integrity of the process.

**Mr Tune**—It is an extremely difficult area and extremely sensitive. We acknowledge that. Ms Mason is correct: we have obligations under the Public Service Act. But, given the situation we are in, it seems to me that, in the scenario that you were talking about, where in relation to, say, the printing entitlements someone was asking a view of the department about whether it was in or out, we would try and provide that advice on an independent basis, in effect. I guess where I would like to get to with this is depersonalising any of that sort of advice and trying to generalise that and get it out there and disseminated so that everybody is learning as we go. I think we are dealing with a new set of entitlements—

**Senator RONALDSON**—I hope you were not insinuating that I had personalised this.

**Mr Tune**—No.

**Senator RONALDSON**—I went to great lengths not to.

**Mr Tune**—I was thinking about member A or member B, without naming any names, and we would just say: 'Here's the scenario that has come to us; we think this is okay,' or 'we don't think this is okay,' and we would get that out there to the extent that we can so that everybody has a better feel for what is in and what is out. I think that would be beneficial for everybody concerned.

In terms of the situation with the minister, if it was just a situation where advice was being sought and it was not seeking the minister's approval for a particular course of action like a charter flight or something like that, where the minister has to approve those things, I hope I would be able to set up some arrangements with the minister of the day to ensure that we maintain that confidentiality.



**Senator RONALDSON**—If a minister said to you, ‘I want to be provided with all information that is sent to this committee by members and senators prior to its consideration,’ under the Public Service Act would you be required to provide that information or could you refuse to?

**Mr Tune**—I think I would be required to provide it if it was insisted upon. I would advise my minister of the day.

**Senator RONALDSON**—I would be more surprised if you said you would not advise your minister, but that is not the point, as you appreciate.

**Mr Tune**—No. I would advise them of that and, if the minister insisted, I would comply.

**Senator RONALDSON**—Is there any way that there can be effective legislative exemptions under the act to ensure that that did not occur?

**Mr Tune**—That is an issue for government to decide, of course, whether they want to make an amendment to the act. What I was suggesting was something less formal than that, I suspect. But that is the ultimate, I suppose, to provide that protection inside the legislation.

**Senator RONALDSON**—So the issue is not whether it is you—and I have no doubt that you personally, from my knowledge of you, would make your views very strongly felt with the minister. I know the minister pretty well as well, and I am very confident that he would not put you in the position where you had to do it, but this is actually not about, as you said, the personalities. This is about the principle. The principle is that I find this a quite extraordinary potential interference with the rights of members and senators. Minister, I really think we need to sit down and work out some way around this. I think the potential outcomes of this are quite appalling.

**Ms Mason**—Senator, the potential risk that you point to has existed for many, many years. I have been working with parliamentary entitlements for almost a decade, and that risk has been ever present. The nature of the work done by Ministerial and Parliamentary Services and by special ministers of state of various political complexions is, of its nature, work that deals with quite sensitive inquiries from senators and members from all sides of politics about their use of entitlements. The Entitlements Management Branch within the department deals with many of those matters every day, and it does so in a way which has regard to the sensitivity of the matters dealt with and does protect the confidentiality of those inquiries. So, in practice, it has not proven to be a risk that is frequently realised.

**Senator RONALDSON**—I understand that but, as I said to you earlier on, Ms Mason, a lot of the matters that you consider are post event. They are post claimed travel. They are post claimed TA forms. They are post a series of events. Whether those events occurred or not, you are indeed reacting to an event that has, in the main, occurred. This is entirely different. This is actually prior to an event on which you are making a determination. I want to assure you, and the MAPS officers who I am sure are sitting in 4 Treasury Place at the moment and all around the country listening to this in case someone asks a question about their state, that this is no way a reflection on any one of you. There is, however, potentially a real opportunity here for gross executive interference in the rights of members and senators. Minister, can I ask you on behalf of our colleagues to take on notice the question of how we can address this situation? I am sure your colleagues would be concerned about this as much as I am. As you

know, and as we have said before, these things go round eventually. At some stage it is going to be someone from our side sitting where you are and vice versa. Can I ask you, please, to therefore take that matter on notice?

**Senator Ludwig**—I would be happy to. I think it is clear that I am keen on ensuring that we have an open and accountable system in place that is also surrounded by simple rules—one that is clearly accountable and works for all members. To that end, as you would appreciate, there is already a consultative committee that has been set up to deal with some of those matters. But I will take it on notice.

**Senator ABETZ**—For what it is worth, I have a gratuitous suggestion: that within the framework or the regulation there be a requirement that before the member submits any such information, especially if the printing is provided to the minister, the member has the right to withdraw it, and there is a mechanism in place. That, potentially, would be a way to get around it, because what Senator Ronaldson is saying is quite right. For example, if the coalition in these circumstances were to develop a theme and then submit a similar newsletter from a whole lot of members en bloc with that particular theme, and there was a closely fought election about to come up or a hot issue coming up, given that human nature is what it is a minister might be tempted, and as a result, get prewarning. That minister might be able to ensure counteradvertisements saying something like, ‘Shortly you will be receiving in the mail from coalition senators,’ or similar. So we do need a protection. I think that Senator Ronaldson has made a very good point. I do not know if potentially the regulation or whatever can fetter the minister’s access and if that were to be debarred or the member concerned be contacted in the event of a ministerial request, the member could then have it withdrawn or be immediately alerted about a ministerial request. I think that sort of a framework would tend to reduce the potential temptation of a future SMOS.

**Senator Ludwig**—Thank you, Senator Abetz. I am keen to look at all ways to ensure that the system works.

**Senator RONALDSON**—Ms Mason, can I ask you another question which has been asked four times today from colleagues all in the same political party? If I were to produce something in-house, given the new regulation where the material that is printed in the electorate offices is not subject to the electioneering rules per se, but then wished to distribute it using the communications entitlement, would the material still have to meet the new anti-electioneering rules and would it still need the new authorisation at the bottom of the letter? There is a lot of confusion about this. I assumed that communications could be used for the distribution of that material, but there seems to be some uncertainty about that.

**Ms Clarke**—Under the regulations, anything printed in-house and not under the printing entitlement does not require the statement, ‘This was printed at the Australian government expense.’ However, if something is sent out using the printing and communications entitlement, it must satisfy the purpose of the printing and communications entitlement. Subsection 3AA(3) of the entitlement says:

... must only be used for parliamentary or electorate purposes and must not be used for party, electioneering, personal or commercial purposes ...

**Senator RONALDSON**—In other words, if there was wording in there which denigrated and disparaged the definition of electioneering as well as I do and if there was anything that was deemed to be electioneering with the use of those words that are precluded, would the department then require the refund of every postage spent on that material?

**Ms Clarke**—If it was found to not comply with the purpose clause then, yes, it would be outside of entitlement and reimbursement would be sought.

**Senator RONALDSON**—Minister, I am sure that your staff are listening. I think that your caucus will be as interested to hear that as mine will be. I hope, if my staff are listening, in about five minutes they send out a note, because I think there are a large number of our colleagues who view otherwise.

I will get onto electioneering soon. A number of my colleagues have also said to me that they have been advised that you are seeking legal advice on Christmas cards. Is this something significant like the separation of church and state or whether the production violates section 116 of the Constitution? What is it actually about?

**Ms Clarke**—We are seeking legal advice on what constitutes a page. That is particularly relevant for Christmas cards because, as you know, Christmas cards can come in many sizes, shapes and forms. It is not clear until we get certain legal advice whether, if the Christmas card is printed under the printing entitlement, the statement that it has been printed at Australian government expense needs to go on each of the readable surfaces.

**Senator RONALDSON**—This is the authorisation?

**Ms Clarke**—That is right.

**Senator RONALDSON**—With the greatest respect, how much is it going to cost to get advice about where on a Christmas card there has to be an authorisation? What is the likely cost, Mr Tune?

**Mr Tune**—Not very much, I do not think. I do think we need some certainty in this area.

**Senator ABETZ**—But why weren't these things thought of before the regulations were promulgated?

**Mr Tune**—There are so many scenarios that come to light that it is almost impossible to cover everything upfront. What we are trying to get is a common-sense solution. If the legal advice tells us something that does not sound like commonsense—that is, that it has to be on every page—I think we may need to change things.

**Senator ABETZ**—Why wouldn't you sort it out before?

**Senator RONALDSON**—This will just go from the sublime to the ridiculous if we are getting down to the minutiae of whether a Christmas card, for goodness sake, has to have it on each page or on one page. We are actually asking the Australian taxpayer to fund legal advice to ascertain that.

**Mr Tune**—The legal advice is being undertaken inside the government.

**Senator RONALDSON**—There is still someone paying for it.

**Senator ABETZ**—That comes free of charge to the taxpayer, does it?

**Mr Tune**—It costs the department of finance something out of its pocket, but there is no extra money involved.

**Senator ABETZ**—No. The taxpayer actually pays for the department. Do not forget that.

**Mr Tune**—That is correct.

**Senator RONALDSON**—Is the department so bundled up in red tape on this that they are actually not able to make what I would have thought was the fairly simple decision that the authorisation goes on one part of a Christmas card? How many extra staff, may I ask, have been reallocated to this committee to work on legal matters or anything else associated with these new regulations?

**Mr Tune**—I do not think anybody extra has been put on; they have been asked to do some extra things. What we are trying to get here is a balance—

**Senator RONALDSON**—Sorry, I missed that.

**Mr Tune**—No extra people have been put on. We have extra staff who have been given extra responsibilities, but these particular issues are part and parcel of what is being done inside the department.

**Senator RONALDSON**—This is not part and parcel. The committee meeting every day is not part and parcel of what has been done in the past.

**Mr Tune**—Sure, but we are on a learning curve here. Can I just make a general statement? What we are trying to get to is a balance between certainty, which is what we were talking about earlier, and using commonsense and discretion. The two things do not necessarily go hand-in-hand, so what we are trying to do is find common ground, particularly in the early days. My feeling is—and I am new to this, I must admit—that people are looking for more certainty, at least initially. That seems to me a desirable thing for everybody concerned. Maybe we have erred a bit too far on the side of caution on that, but at the moment that is a judgment that we have made.

**Senator ABETZ**—Do you know what will happen? We will develop a convention as to what a page is and the Auditor-General will then give us the advice that a page can be folded to create two pages and therefore the department is misadministering the regulation.

**Mr Tune**—That is the sort of certainty—

**Senator ABETZ**—That is the sort of nonsense we have gone into with this latest audit.

**Mr Tune**—That is what I am trying to prevent—exactly that scenario. I do not think I or the officers here could ever do that with absolute certainty, but at least we need some degree of that. It may look a bit minor at the moment but I think once we settle down we might have a bit more commonsense about this.

**Senator RONALDSON**—My great fear is that this will be revisited in another three years and if the paper was folded up and made into a paper plane and sent 15 metres there will be some decision about whether that is postage or otherwise. I am not being flippant. I understand the difficulties you are going through. But there has to be a huge overlay of commonsense with this.

**Mr Tune**—Absolutely.

**Senator RONALDSON**—I have to say, I think that getting legal advice on where authorisation should go on a Christmas card is right at the end of that commonsense.

**Ms Mason**—The legal advice being sought is in relation to what constitutes a page. Yes, it has some application to greeting cards but it also has an application to other printed material, which, as you quite rightly point out, can be folded in different ways. So it does have broader application. It seeks to put the matter beyond doubt.

**Senator ABETZ**—Do not get us wrong. Our criticism is of the minister and the government, not the department that has to try to administer these quite bizarre rules and regulations.

**Senator RONALDSON**—One of my colleagues is waiting at the moment for authorisation to get a Christmas card printed. It is now 20 October and there is printing, distribution et cetera to do, so there is a lot of time sensitivity with this. Can I take you now to the minister's circular no. 2009/24.

**Senator ABETZ**—Before we get off Christmas cards, if I may, I will ask a question. Minister, what about your Christmas card as a minister?

**Senator Ludwig**—I have been a little bit busy. I have not turned my mind to it yet.

**Senator RONALDSON**—This is an interesting question.

**Senator ABETZ**—Will that have on it 'paid for by the Australian government' or do the rules that apply to me and other senators on this committee not apply to you?

**Senator LUDWIG**—I have not turned my mind to a Christmas card at this point in time. I will certainly take that on notice at this juncture.

**Senator ABETZ**—Mr Tune, can you indicate to us whether the regulations apply to ministerial Christmas cards or not?

**Mr Tune**—We will have to take that on notice.

**Senator ABETZ**—Please.

**Senator Ludwig**—It is clear that if they are used under the printing entitlement then they will.

**Senator ABETZ**—Ministers do not, as a matter of course, use their printing entitlement; they get the department to fund their Christmas cards. That is quite normal and quite proper. I have no complaint about that. So all the Labor ministers can send out Christmas cards into their electorates and people will say, 'Oh, this is decent. At least the Labor guys have paid for theirs.' But shadow ministers from the coalition who send out Christmas cards will have to have embossed on them 'paid for by the Australian taxpayer' or 'paid for by the Australian government'. How is that fair, reasonable or balanced? Anyway, the point has been made.

**Senator RONALDSON**—That is actually a good segue into my next question in relation to electioneering. I was going to get to the point raised by Senator Abetz, but I will do it now. The realities are that a minister of the Crown can denigrate or disparage to their hearts content if they are not using their personal communications and printing allowance; is that right? There is no restriction on what words a minister can use when communicating nationally. So, for example, the words 'dreadful' or 'inept' or 'mismanagement' or 'reckless' or

'incompetent' or 'irresponsible' would not be vetoed, would they, if they are being used by a minister?

**Ms Clarke**—If it is not being produced under the printing entitlement, different rules apply.

**Senator RONALDSON**—That is right. But there are no rules. If a minister is using their ministerial printing allowance or whatever it might be, there would be no restriction on the use of those words—'dreadful', 'inept', 'mismanagement', 'reckless', 'incompetent', 'irresponsible'?

**Ms Mason**—Senator, we would rather answer it differently and say that if people are using the entitlements that are administered by Ministerial and Parliamentary Services then they need to adhere to the regulations. Any senator or member, be they a minister or an opposition senator or member, who is using other sources of funding to produce material is not bound by the regulations that apply to that entitlement.

**Senator RONALDSON**—And that was an appropriate response, Ms Mason. Minister, I will ask you: is it reasonable for you to be able to print material as a minister and distribute it nationally, potentially, in relation to what I may or may not have said as a shadow minister; but as a shadow minister I have no entitlement at all with anything to respond to that or to express my views about what you may have said in relation to various matters? Indeed, if I were to use my printing allowance to describe anything you had done as being dreadful or inept or if I said that there had been mismanagement or that you had been reckless or incompetent or irresponsible, I would not be able to do so. I know it is highly unlikely that you would fill the requirement or need to do so, but if you wanted to you could describe me as dreadful and inept and a mismanager and reckless and incompetent and irresponsible. I know that you would not do that, but I cannot—

**Senator Ludwig**—Thank you; I am not sure I would, but—

**Senator RONALDSON**—I cannot guarantee that for others. Is it reasonable for those restrictions to now be placed on oppositions when there is *carte blanche* for governments of the day?

**Senator Ludwig**—There are two things. One is that the rules apply to the entitlement. Secondly—and I will consider what you are putting very carefully—that is also the reason behind the issues that you raise as to why it was not to apply to your office printing facilities inhouse. But, as I said, I will consider this very carefully. It was also part and parcel of the reason that we struck it out from those facilities. I think that was a sensible conclusion. I think you would all agree that that was a sensible conclusion.

**Senator RONALDSON**—As one of my colleagues just said—I do not know whether it was Senator Parry or Senator Abetz—effectively I can certainly print that but I have got to buy a set of runners to distribute it to households or to businesses, wherever it might be, and I will be a very busy boy running around delivering that internally printed material having a go at you as minister; but you can just put it in the mail and you can wear a pair of thongs in your office, without the requirement to leave it. I have got to buy a pair of runners to go and hand deliver this material that I have produced out of my office. I quite frankly fail to see how in

any way the government can allege that there is impartiality in the effect of these new rules. Ms Clarke?

**Ms Clarke**—The definition of ‘electioneering’ does not apply to websites under the regulations, so that restriction does not apply in those circumstances. So you could use electronic means to deliver that message if you so chose.

**Senator ABETZ**—How is that consistent, Minister, in the way that you have drafted these regulations, which are clearly designed and skewed in a direction to support an incumbent government? To get the material printed, there is one set of rules but different rules apply to the website where, potentially, you could contact a lot more people. There is no consistency, there is no integrity of thought in these things other than one common theme: to make it more difficult for an opposition.

**Senator Ludwig**—I was going to get the department to go through this issue, because I think there is some confusion about exactly where the rules do and do not apply. They certainly have been applied to the printing entitlement. But with respect to electioneering, I think it would be worth while for the department just to go through it so we are all working off the same page with respect to where the regulations will and will not apply. And that will apply to all senators and members.

**Senator RONALDSON**—To all?

**Senator Ludwig**—It applies to all senators and members.

**Senator ABETZ**—But not to ministers of the Crown and parliamentary secretaries.

**Senator RONALDSON**—We understand all that.

**Senator Ludwig**—You have made that point. I think it is worth while for the department to briefly take us through what items and websites that electioneering principle applies to.

**Ms Clarke**—Under the printing and communications entitlement, it says:

- (2) The entitlement is for the cost of commercial services for:
- (a) printing; and
  - (b) the communication and distribution of information both in hard copy and electronic format (including the establishment and maintenance of web sites).

And further:

Subject to subregulation (4), the entitlement—for printing and communications—must only be used for parliamentary or electorate purposes and must not be used for party, electioneering, personal or commercial purposes, or for the production of how-to-vote material.

Subsection (4) goes on:

If the entitlement is used on or after 1 October ... for the establishment or maintenance of a website, the entitlement must only be used for parliamentary or electorate purposes and must not be used for party, personal or commercial purposes.

So the distinction there is that the website must be used for parliamentary or electorate purposes and not for the other three purposes, whereas the more broader printing and communications entitlement must only be used for parliamentary or electorate purposes but not party, electioneering, personal or commercial purposes.

**Senator RONALDSON**—That is really just a reinforcement of what we have just been saying for the last 10 minutes. Minister, are you prepared to approach the Prime Minister and seek his consent to imposing the same rules on ministers and departments in relation to the definition of electioneering for any material printed or distributed by ministers or departments in the same definitional terms as is the requirement for members and senators as a result of the changes to these rules?

**Senator Ludwig**—As I said earlier, I will take it on notice and have a look at that.

**Senator RONALDSON**—That is good, but I am asking you: will you specifically seek the Prime Minister's consent?

**Senator Ludwig**—What I said is that I will take it on notice and have a look at the issue.

**Senator PARRY**—Just for clarification, are websites exempt or not exempt? We have just heard two variations of this. You originally said they were exempt and when you read out what you read out it did not appear that they were. Are websites exempt?

**Ms Clarke**—I will read it again.

**Senator PARRY**—No; can you just give me an answer? Are websites exempt?

**Ms Clarke**—Exempt from what?

**Senator PARRY**—Exempt from the electioneering clause.

**Ms Clarke**—You must not use websites for party, personal or commercial purposes. They are the only exemptions that apply to websites. But you must use them for parliamentary or electorate purposes.

**Senator ABETZ**—So we can use the words 'reckless' et cetera in that?

**Senator PARRY**—Can we can bag the government on our website? That is what I want to know. Can we do that?

**Ms Clarke**—As I said, under the definition of 'electioneering' the exemption does not apply to websites.

**Senator RONALDSON**—I will ask another question which might clarify this. Do these come under the long established rules in relation to the definition of electioneering? Because I think that might resolve this issue. What were the words you used before? Not 'electioneering'; what was the other word? I am sorry, Ms Clarke.

**Senator ABETZ**—Party political?

**Senator RONALDSON**—Electioneering purposes, where there are, effectively, no restrictions to the extent that you can put out material that in effect is for your own re-election and, effectively, does not limit commentary.

**Ms Clarke**—The definition of 'electioneering' is in the regulations themselves. If you are talking about the previous convention, which said that senators and members may use their entitlements for their own re-election then the regulations now in place cut across that to some extent in relation to the printing and communications entitlement.

**Senator RONALDSON**—What about in relation to the specific question that was asked by my colleague in relation to websites?



**Mr Tune**—The definition of ‘electioneering’ does not apply in the case of websites.

**Senator RONALDSON**—That is good. Don’t anyone ask any more questions. We have got a definitive answer. Don’t you ask a definitional question.

**Senator ABETZ**—On the how to votes, does that extend to referenda how to votes? Was that not thought of by the minister but just rushed through yet again?

**Senator Ludwig**—There is a review of the divisions of the parliamentary Machinery Act I have instigated to deal with—

**Senator ABETZ**—To deal with these regulations that have been in for a month.

**Senator Ludwig**—One of the difficulties is the last referendum, I think—someone might correct me if I am wrong about this—was not conducted under the provisions of the Machinery Act. I have referred the matter to the relevant parliamentary committee to have a look at because, broadly, we do need to ensure that we have up-to-date rules around referenda. I will have a look at what that committee finds and reports.

**Senator ABETZ**—What do the how-to-vote regulations say and how do the how-to-vote regulations apply to referenda?

**Mr Taylor**—I could assist. There is no specific reference. It just refers to how to votes. There is no definition of ‘how to vote’ so on that basis I cannot see why it would not apply to referenda as well as to any other how to vote.

**Senator ABETZ**—You can have within this country referenda that are completely non-political such as the last republic referendum where there were Liberals writing out and saying ‘vote yes’, other Liberals saying ‘vote no’ and similarly on the Labor side of politics. It was clearly not party political at all, and you would be denying them in those circumstances, even where the parties do not have a fixed position. What gives here? I thought we were in a democracy with freedom of speech. Why has the government set up a regulatory framework that denies individual members of parliament to advocate a vote one way or the other on an issue that is clearly not party political or non-partisan?

**Senator Ludwig**—We do not have a referendum which were facing at the moment. Clearly, we can have a look at that. I can take it on notice and examine the issue.

**Senator ABETZ**—So you did not consider this either, Minister, before you rushed through these regulations? It does not reflect well, does it?

**Senator Ludwig**—I know you raise it as freedom of communication, but it is a disconnect from the ability to use your expenditure or to use your printing entitlement. No-one is constraining your freedom of political communication.

**Senator ABETZ**—I cannot, under these rules, write out to my electorate and say, ‘Put a yes in the box in the referendum,’ because that would in effect be a how-to-vote. I am being denied that right. I just find that offends against every principle of democracy.

**Senator Ludwig**—No, you are not being denied the right. If you look at it from another perspective, you are not being denied the right; you simply cannot use that pot of money, that expenditure, for that purpose. That is different. I am not constraining your ability to inform or

write to people. This is about how you use the entitlement itself. I think you can differentiate between the two.

**Senator ABETZ**—But I would have thought this ticks all the boxes of being in the national interest and being of interest to your constituents, to your electorate et cetera—communicating with your electorate on something that is absolutely non-partisan. And we are not allowed to use our communication entitlements.

**Senator Ludwig**—It would in part depend on the type of referendum that we were faced with but, as I said, I am certainly happy to have a look at the issue.

**Senator RONALDSON**—I am going to again pursue what I believe is effectively the censorship question shortly. Before that, Ms Clarke, can I just clarify: does the definition of ‘electorate business’ still include campaigning for your own re-election? I take it that it does, but I just want clarification of that, please.

**Ms Clarke**—Sorry, the definition of?

**Senator RONALDSON**—The definition of ‘electorate business’ has always included campaigning for your own re-election. I just want to make sure that that aspect has not changed. I do not think it has, from my reading, but I just want to make absolutely sure.

**Ms Clarke**—The regulations mean that you cannot use your printing and communications entitlement to campaign for your own re-election. If we go to the specific definition, it says:

*electioneering* means a communication that explicitly:

(a) seeks support for, denigrates or disparages:

(i) the election of a particular person or persons; or

(ii) a particular political party or political parties; or

(b) encourages a person to become a member of a particular political party, or political parties; or

(c) solicits subscriptions or other financial support.

With that definition, you could not use your printing and communications entitlement for your own re-election.

**Senator RONALDSON**—Minister, will you take that on notice? I think the outcomes of that for members and senators are, again, absolutely disastrous. Will you take that on notice and review that as well, whether it is via the committee or via you in your capacity as minister?

**Senator Ludwig**—As I understand it, the audit called for that to be ruled out. I am not about to go back and revisit the ANAO. You may agree with me or you may disagree with me. If you want to go back and revisit what the ANAO said, you are welcome to do that should you return to government. But I am not minded to.

**Senator RONALDSON**—You are not going to take it on notice?

**Senator Ludwig**—No.

**Senator RONALDSON**—Well, I will not be telling your caucus minister what you have just told me, but I am sure there are others around here that will be inclined to do so pretty quickly.

*Senator Cameron interjecting—*

**Senator RONALDSON**—I do not think, Senator Cameron, you have got any idea what the impact of this is. I suspect a lot of your colleagues do, because they have spoken about—

**Senator CAMERON**—Do not come here lecturing me on what I know and what I do not know.

**CHAIR**—Order! Questions to the department or minister, please.

**Senator CAMERON**—Senator Ronaldson, you should get on with the job you are not doing very well at the moment, and that is questioning the minister and questioning the secretary.

**Senator BERNARDI**—Chair, Senator Cameron interjected on Senator Ronaldson. It is like a worm on the end of hook. You just do not need that.

**CHAIR**—You are right: we do not need it. I think the two of them are encouraging each other. I would suggest that Senator Ronaldson concentrate on questions to the department.

**Senator BERNARDI**—There is only one worm on the hook. There is a big fish, but there is a worm on the hook.

**Senator RONALDSON**—Senator Cameron, you are an extraordinary little man, aren't you? You never cease to amaze me. You are an extraordinary little man. I would love to know what goes on inside your head. I suspect not much.

**Senator CAMERON**—I know what is going on inside your head!

**CHAIR**—Senator Ronaldson, if you do not have a question, I will move to another senator.

**Senator RONALDSON**—I have got a question.

**CHAIR**—Well, please ask it.

**Senator RONALDSON**—I will ask it if I can get a word in. Thank you very much. Can I refer you please to the minister's circular No. 2009/24 which gives a definition of electioneering which is pretty broad. "Denigrate" may be defined as to sully, defame or blacken a person or persons' reputation.' "Disparage" may be defined as to bring reproach or discredit upon, or lower the estimation of, or to speak of or treat slightly, deprecate or belittle a person or persons' reputation.' 'Senators and members can comment on policies and issues in relation to state, federal or international issues if the comments are factual, are not subjective and are not denigrating or disparaging in nature.' That is a remarkably wide definition, you would acknowledge, Ms Mason.

**Ms Mason**—It is a definition drawn from the *Macquarie Dictionary*.

**Senator RONALDSON**—I am sorry?

**Ms Mason**—It is drawn from the *Macquarie Dictionary*.

**Senator RONALDSON**—Good. I am glad you mentioned that because I have got a couple of things from the *Macquarie* here as well which I will return to in a second. Can I take it that that means that you cannot use strong adjectives or emotional language to criticise a policy, for example?

**Ms Clarke**—It is actually very difficult to make judgements about the questions that you are asking without seeing the context of the material and it having been considered by the parliamentary entitlements advisory committee.

**Senator RONALDSON**—Can I take you to some specific examples. What happens if a member or senator sincerely and genuinely believes that a particular policy of an opposing party is disastrous or ridiculous or disgraceful? Why would they not be able to say that—Minister?

**Senator Ludwig**—I am going to get the department to provide the response. It is the department, as I have indicated, which will be administering these entitlements. I think it is important that we do hear the answer from them and we hear it clearly. The aim, of course, of all of this, if you go back to the statements you have made, is to ensure that we (a) we accept all the recommendations of the ANAO report, which I think both you and I have done, and (b) implement a framework that is clear, has accountability and is simple to use for senators and members. That is the position that we are all trying to achieve. I did not really want to touch on this, but I will touch on it briefly. No-one wants to contemplate going back to the vagueness of the previous system where it was not supported by regulations, there was convention, there was opacity around interpretations, and there was no clear advice provided. But I will not go into that in any detail. I will leave the department to answer the question.

**Senator RONALDSON**—Ms Clarke, can I go back to seek some clarification again in relation to one's own re-election. I take it that what you are saying is that, where there are no anti-electioneering rules but there is a rule allowing the use of entitlements for electorate business—for example, electorate office material—you can use those to campaign for your own re-election as a component of electorate business.

**Ms Clarke**—The definition of electioneering that applies in the regulations does not apply to what I think you are raising—the item 7 items under the Parliamentary Entitlements Act, which is the electorate office requisites. The traditional convention that has applied to those is—and this is in the handbook I believe—that there are certain incidental use for those in terms of one's own re-election. In fact, those pieces of advice are actually given out in the election letters that are sent out to all senators and members just after an election is called, and which just set out what you can and cannot use your entitlements for.

**Senator RONALDSON**—I think the answer to my question is yes—unless you disagree with that. If you are using item 7 entitlements then you are able to use that material for your own re-election because it is under the old rule of electorate business and it does not come under the electioneering definition.

**Ms Mason**—Those items are provided for electorate purposes—

**Senator RONALDSON**—Yes, okay.

**Ms Mason**—and I think there is a convention that acknowledges that advancing your electorate business may have the consequence of making it more likely that you may be re-elected.

**Senator RONALDSON**—Indeed. But you have not changed that definition, have you? Perhaps I might ask that question, which will clarify all this.

**Ms Mason**—The regulations do not have impact.

**Senator RONALDSON**—They do not alter that definition.

**Ms Mason**—No.

**Senator RONALDSON**—Thank you. Terrific. Can I give you an example of some material that a colleague has given me? Minister, you might be interested in this, as might my colleagues, as an indication. This colleague wrote the following—and I will be amazed if my colleagues on the other side of the political fence are not as surprised as I am: ‘Sadly, after two years the Labor government has not spent 1c on weeds in the area, instead has made the disgraceful decision to remove the \$450,000 of funding previously committed for’ et cetera. I understand that the word ‘disgraceful’ was vetoed by the committee on the back of it being disparaging and therefore coming within the definition of electioneering. Minister or the department, how could the word ‘disgraceful’ in that context—when describing the removal of funding—in a robust political world, ever be described as being disparaging? In a robust political world, how could that ever be described as being disparaging?

**Ms Clarke**—That item was before the committee and that advice was given to the senator or member who sent it in. The committee took the view that that word and the context in which it was placed conformed to the definition of electioneering. While I appreciate that public servants may have a different view on what is a robust political debate, we are required to apply the regulations as we see them. The government has asked the committee to make those sorts of decisions. In our view, that word fell within the definition of electioneering.

**Senator RONALDSON**—If a government member at any particular time wrote out—using the printing entitlement—that there was a \$450,000 weed program that was ‘wonderful’, I presume that would be allowed under the rules.

**Ms Clarke**—The committee would have to make that decision based on what was said.

**Senator RONALDSON**—I think you know the answer to that, Ms Clarke. The answer is yes. If an opposition member wrote out and said that that \$450,000 funding was ‘disgraceful’, it would not be allowed.

**Senator ABETZ**—You would have to say ‘not wonderful’.

**Senator RONALDSON**—That is right, ‘not wonderful’. Doesn’t that indicate that these rules are going to potentially throw up for oppositions of any political colour an absolute and utter disadvantage in relation to the government of the day? Another colleague spoke to me some three hours ago and said that they had a piece vetted and then some words vetoed. The words ‘dreadful’, ‘inept’, ‘mismanagement’, ‘reckless’, ‘incompetent’ and ‘irresponsible’ were vetoed.

**Senator ABETZ**—Truth is no defence.

**Senator RONALDSON**—Taking up the point that my colleague Senator Abetz raised before: an opposition might use a key campaign message in relation to a government which might include—it would probably often include—words such as ‘reckless’, ‘inept’ and ‘mismanagement’. Those words are now precluded under these new rules. I presume they are, because you have met and taken them out.

**Ms Mason**—It is certainly correct to say that the department will be seeking to apply its understanding of the regulations in a consistent manner.

**Senator RONALDSON**—In the same document, the words ‘failed’, ‘damning’ and ‘deplorable’ were permitted.

**Senator Ludwig**—There are three things. Firstly, that is why we have got the department—to be able to deal with it independently from me. Secondly, I am not going to be the arbiter or interpreter of the rules. I think it really comes back to the issue that you raised earlier—that you do not want me to be pre-screening personally. Thirdly, I am not briefed on the specific decision the department has made in relation to this. But it would apply not only to the opposition but to the minor parties and Independents. If there is a systemic failing of the department in this regard then I would welcome you bringing this matter to the attention of the committee that I formed to deal with it. That is why I have dealt with it in that way.

**Senator RONALDSON**—We have met. As you know, I am a member of that committee. Despite our views in relation to some common-sense interpretation, since we have last met all this material has been vetted. I take you to the *Macquarie Dictionary*. As I said before, ‘deplorable’ is in. ‘Deplorable’ is defined as:

1. causing or being a subject for grief or regret; sad; lamentable
2. causing or being a subject for censure or reproach; bad; wretched.

‘Disgraceful’ is defined as:

bringing or deserving disgrace; shameful; dishonourable; disreputable.

Is ‘wretched’ any worse than ‘shameful’ or ‘dishonourable’? Or is ‘bad’ any worse than ‘disreputable’?

**Ms Mason**—The Parliamentary Entitlements Advisory Committee will view the proposed printed material and the words used in it in their context. It will do as the government has asked it to do and form a judgment on the application of the regulations to the proposed printed material.

**Senator RONALDSON**—Thank you very much, Ms Mason. You are absolutely right. I suspect that a decision was made in context in relation to the word ‘deplorable’. The wording you allowed through was ‘the deplorable move by the Burmese regime comes several months after,’ et cetera. What you are effectively saying is that it is all right under these new rules to describe a foreign government as deplorable but members and senators are banned from describing their own government, of any colour, in any context, as being dreadful. Minister, that is about as close to censorship as I reckon you can get. I ask you to take that example on notice and again review that situation. Basically, Ms Mason, I could not say in relation to this policy that the whole scenario is utterly ridiculous and a clear indication of incompetence, could I? I could say it was ridiculous, but I could not call it incompetent.

**Senator Ludwig**—You did agree to the ANAO recommendations. I take it you are not resiling from those now. I take it you are not resiling from the ANAO recommendations that you agreed to.

**Senator ABETZ**—We are dealing with your regulations, Minister. Do not try to hide behind the ANAO. They are your regulations. Or are they Mr Rudd’s regulations?

**Senator Ludwig**—I think you need to come back to the primary issue. As I have indicated, I am not going to get into a contest of linguistics or interpretations with you. It is a matter for the department, not for me.

**Senator ABETZ**—It is hugely unfair on the department, because they have been given this difficulty as a result of—am I allowed to say?—inept preparation of regulations. But can I ask—

**Senator Ludwig**—Senator Abetz, we can get into a—

**Senator ABETZ**—Can I ask—

**CHAIR**—Order! Senator Abetz, the minister is responding to your earlier comment first.

**Senator Ludwig**—If we want to get into questions about ineptness, we might go back and look at how a previous government ignored the ANAO reports of 2001. The previous government ignored the ANAO reports of 2001 and found itself in the position of not only ignoring those recommendations but finding a subsequent ANAO report to deal with what was left undone and not addressed by that ANAO report back then—if we want to talk about ineptness.

**Senator ABETZ**—By the same author from the ANAO, so it is not surprising. Let's cut through to this—

**Senator Ludwig**—You might want to mount your defence.

**Senator RONALDSON**—Can I jump in?

**Senator ABETZ**—Yes.

**Senator RONALDSON**—Minister, you could call the previous government inept in this regard, but if you as a member or senator wanted to put that in a newsletter you would be unable to do so. But as a minister you could use that word 'inept' if you wanted to distribute a newsletter or something to someone else. That is the utter fallacy—

**Senator Ludwig**—What you may want to print is distinct from what you may want to access taxpayer funded money to do. I will continue to explain that there is a difference, although you do not seem to accept that there is a difference.

**Senator ABETZ**—We have this ridiculous situation that language that is acceptable in the parliament is not acceptable for use in a newsletter. I am allowed to say in the parliament—

**Senator Ludwig**—You may use it in a newsletter. The question is whether you can access your printing entitlement, which is taxpayer funded, to be able to do so.

**Senator ABETZ**—You know what we are talking about, Minister. Stop playing these silly games.

**Senator Ludwig**—Senator Abetz, you are the one, if you want to talk about silly games, who did not take on board the ANAO report of 2001 and put at risk—

**Senator ABETZ**—Because we did not want to get into the muddle that you are drowning in.

**Senator Ludwig**—politicians from both sides. I am sure you sleep with that every night.

**Senator RONALDSON**—You know full well that the coalition supported recommendations in relation to that ANAO report on the back of their view that there had been an abuse of entitlement. The ANAO report did not mention that words such as dreadful, inept, mismanaged, reckless, incompetent and irresponsible are not allowed to be used and it most certainly did not make any reference to words such as failed, damning and deplorable being permitted. It is a seriously cheap shot to have a go at the opposition about the ANAO report. You know full well that I came out and backed you right to the hilt in relation to that. That is a cheap shot. What we are doing here to day is trying to ascertain how these rules that you have put in place with a description of electioneering have come out with the most farcical outcomes which you are trying to get the department to implement. If you are not prepared to do something about it, so be it, but do not blame the ANAO or us for that.

**CHAIR**—Senator Ronaldson, take a breath, please.

**Senator Ludwig**—After 12 years the ANAO indicated that not only was the system was broke but that neither the ANAO nor any lawyer you could find could interpret what the rules were. The response I am making is in response to what Senator Abetz has raised. If you are going to take cheap political points then I will respond, in fairness. If you want to progress this in a sensible manner, as I indicated earlier, I can take some matters on notice to deal with and other matters fall clearly within the recommendations of the ANAO, which we have all signed up to.

**Senator RONALDSON**—We are discussing the interpretation of electioneering and—

**Senator LUDWIG**—I will congratulate you and give you a big tick for agreeing to the ANAO recommendations. I am not being facetious about this at all. It is important that we do provide clear and accountable rules for members of parliament and senators so that they can access their entitlements and use them according to clear rules and guidelines that are provided. I think we are all on board with that. I have said constantly that we are all on board with that. If there are matters that get raised here or in other forums, like the consultative forum that I have put in place, then, as I have said, we will respond to those matters. In fact, in good faith, I have responded to some of the issues and concerns that were raised in the early part of that forum. My bona fides are clear. It is about making sure we do have clear guidelines for senators and members, because unfortunately they have not been clear. They have been unclear. They have been difficult to work through. They have been difficult to ascertain in the past. The ANAO found that. No-one, I think, would contest that proposition, quite frankly.

**Senator RONALDSON**—But, Minister, the issue is that you have actually hand passed the responsibility for this to the department. I am putting to you that that is not reasonable to them and is not providing the sort of clarity that you have demanded, quite rightly, as a result of the ANAO report. I am happy for Senator Abetz to hop in.

**CHAIR**—Perhaps we can respond to your comments first, Senator Ronaldson, and then go to Senator Abetz. Minister, do you have a response to that?

**Senator Ludwig**—I am sorry. I was not sure whether that was a question or a statement.

**Senator RONALDSON**—It probably was a statement, actually.



**Senator Ludwig**—I suspect it was a statement, in truth.

**Senator ABETZ**—So your regulations are that clear and that certain that we now need specific legal advice for the definition of what a page is. This is how clear your regulations are. I am sure that the Auditor-General in bringing down his report said, ‘One of the things we need clarified is whether an A4 sheet of paper folded in half is one page or all of a sudden becomes four pages.’ That is the muddle you have got yourself into.

**Senator Ludwig**—We will not go through the muddle you have got yourself into.

**Senator ABETZ**—We are rushing through these regulations without consultation.

**Senator Ludwig**—Let us look then at how we can ensure that we do have clarity.

**Senator ABETZ**—All right. Let us get—

**Senator Ludwig**—If it requires legal advice to provide clarity then the department will obtain it.

**Senator ABETZ**—That is how clear it is.

**Senator Ludwig**—Would you object to that? It seems to me that what you are putting is that you would prefer to have something unclear with no legal advice then to provide legal advice to ensure that it is clear. It is an odd position to adopt.

**Senator ABETZ**—It is your regulations that have created the uncertainty that require the legal advice.

**Senator Ludwig**—I will answer that. It is the uncertainty that was presided over by the previous administration that caused it.

**Senator ABETZ**—We never needed legal advice on what page was.

**Senator Ludwig**—So you have never gotten legal advice in the past in relation to any of your entitlements? That is perhaps the reason the ANAO found itself in that position. I am sure you have read your parts in the ANAO report. I am sure you have read the ANAO report in detail. It did find that the circumstances surrounding printing entitlements were particularly unclear and opaque and that the rules were difficult to apply. We are trying to resolve that. That is no easy task, quite frankly.

**Senator ABETZ**—The way you have resolved it means—and this is what I am trying to get to—I could give a speech in the parliament saying the government is inept and incompetent and the President would not stop me from saying that and would not require me to withdraw. It would be completely within standing orders. If I then sought to publish my speech in a publicly funded newsletter, you, Minister, through your regulations would say, ‘Sure, it was broadcast over the ABC airwaves, it was broadcast by A-PAC and journalists can put your statements, Senator Abetz, on the front page of all the newspapers, but, no, we are not going to allow you to put it in your newsletter.’ Can you see the stupidity of the situation you have got yourself and the poor department into? Things I am allowed to say in the parliament I am not allowed to say in my publicly funded newsletter. Let me give you another scenario.

**Senator Ludwig**—Let me answer that for you first.

**Senator ABETZ**—All right.

**Senator Ludwig**—I am only placing conditions on your taxpayer funded entitlements.

**Senator ABETZ**—We know that.

**Senator Ludwig**—That is all I am doing. I am certainly not placing any fetter on your ability to communicate.

**Senator ABETZ**—The ABC is publicly funded and they will be broadcasting it to, chances are, a lot more people than I have would be sending it to in my publicly funded newsletter. Are we now going to say to the ABC, ‘Look, this could in fact be electioneering and so you are not allowed to broadcast it?’ You are tying yourself up in knots.

**Senator Ludwig**—No, I am not. Unfortunately, you seem to be confusing a range of issues. Nevertheless, I will go through it again. It seems that you are confusing the difference between that which you can say and deal with in parliament under parliamentary privilege and that which you can print under the printing entitlement. They are two distinct issues. One certainly does have conditions. The taxpayer would expect that you would not use taxpayer money for electioneering purposes. You know the difference between those.

**Senator ABETZ**—Let us go down to the local pub and ask the people if they would find the word inept offensive in a publicly funded newsletter. Would they be horrified? They are your regulations. The department have been served up a problem. I feel pity for them. I feel even more pity for you, Minister, that you dreamt up these regulations that now mean that—

**Senator Ludwig**—Is there a question in that for me or are you simply making statements?

**Senator ABETZ**—Can you see the difficulties in your regulations?

**Senator Ludwig**—It seems that you cannot distinguish between the ability for you to use parliamentary privilege to articulate a debate in the Senate and using taxpayer money for an entitlement. There are conditions attached to accessing it. That may be why the ANAO found what it found in response to the previous 12 years of rules that were opaque and difficult to interpret. That is why I am now fixing them. It seems clear to me. Unfortunately, Senator Abetz, it does not seem clear to you. Be that as it may—

**Senator ABETZ**—Tell me this then. What is the difference between the taxpayer funded newsletter from my printing entitlement and the taxpayer funded printer and paper in my office? Both are paid for by the taxpayer. In one I can write ‘inept’ and in the other I cannot. Where is the commonsense? Where is the logic in that? It is still paid for by the taxpayer. Explain that to us. What is the difference in the quality of the money that the taxpayer is spending here?

**Senator Ludwig**—There are a range of issues that you confront with that, but if you are arguing—

**Senator ABETZ**—Tell us the range of issues.

**Senator Ludwig**—If you would let me go on without your interruptions—

**CHAIR**—Let the minister have an opportunity to respond, please.

**Senator Ludwig**—One of the important areas is that we do have to ensure that we have simple rules that apply.

**Senator ABETZ**—Very simple!

**Senator Ludwig**—The other area is that if you want me to extend it—I think this was offered in the committee that I looked at—I am happy to look at extension. If that is what you want as a simple rule to apply across the board, I am happy to look at it if it would be simpler for you, Senator Abetz, and your colleagues. I took it out on the basis that it was difficult to monitor in relation to officers, but if you think it is a rule that should apply then I am happy to take it on board.

**Senator ABETZ**—It should not apply to either.

**Senator Ludwig**—The ANAO disagrees with you on that, but I am happy to look at how we can extend it.

**Senator ABETZ**—So the ANAO have said that the word ‘inept’ should not be allowed in a printed newsletter? We will ask the ANAO about that when they appear before Treasury tomorrow.

**Senator Ludwig**—That is not what I said, and you know that.

**Senator ABETZ**—That is the effect of your regulations. You are trying to hide behind the petticoat of the ANAO for your inept—I will use that term here—regulations.

**Senator Ludwig**—What I am not hiding behind is the ineptitude of the previous administration in ensuring that parliamentarians were put at risk—

**Senator ABETZ**—At least they had freedom of speech.

**Senator Ludwig**—That is not being taken away from them.

**Senator ABETZ**—It is.

**Senator Ludwig**—I am sad to see that you cannot distinguish between the freedom of political communication and accessing taxpayer funded entitlements for that purpose.

**Senator ABETZ**—They are both taxpayer funded.

**Senator Ludwig**—I cannot see why you do not understand the difference, but it nevertheless appears that you do not. That may in part explain the position that you got to you under the previous government where the ANAO provided a report.

**Senator RONALDSON**—The issue with this definition is that it is not a de facto form of offset censorship; it is actually a quite specific form of censorship. I put it to you that if a member of the government were to put out a newsletter which said, ‘We have put in place a \$6 million program for carers, and the government should be elected on the back of its care for carers,’ that would not be allowed. But, if a government member put out a newsletter saying that X program had been introduced by the government of the day, the opposition, if they had any concerns about that package, particularly if they thought it was unfair, inept, reckless or incompetent, could not do so. These rules are providing a form of censorship on oppositions that is not there for government members.

But, if a government member put out a newsletter saying that X program had been introduced by the government of the day, the opposition, if they had any concerns about that package, particularly if they thought it was unfair, inept, reckless or incompetent, could not do so. These rules are providing a form of censorship on oppositions that is not there for government members.

The definition of electioneering has got to be changed. I do not know how you are going to do it, but something has got to be done, in my view. Are you prepared to revisit the definition of electioneering so it is not censorship of oppositions? Oppositions are unable to use any language that appropriately attacks government policy, but government members—of whatever political persuasion—are able to extol the virtues of a government policy as long as they do not tag it with the requirement that someone should vote for the government on the back of that policy. That is the real issue that we have here. Is my interpretation of that incorrect?

**Senator Ludwig**—What I was going to say is that, first of all, I cannot give you a blanket rule. Secondly, I think it depends on individual cases and I think the department should be in a position to provide guidance in relation to that.

**Mr Tune**—A number of senators have said that this is a difficult situation to be in, and I agree entirely. We are trying to give meaning to the term as set down in the regulations. This is early days and we are learning as we are doing. I for one will take on board what you have said and we will have a look at that. If that means that we may have been a bit too strict and over the top, I am happy to admit to that and we will adjust. If we think we are still in the right place, we will let you know. If you still feel that is not reasonable, the minister has mentioned that there is the consultative committee. You can go to that and another discussion can take place.

I am quite prepared to have a look at all of these things—there is no problem about that whatsoever. We are not stuck in what we are doing at the moment, but we are feeling our way. We have some words here that we are trying to put some meaning to. Whilst they look as if they are simple, they are not in practice, as we all know, and we have to take it from there.

**Senator RONALDSON**—But the issue is that positive commentary is not electioneering under this definition.

**Mr Tune**—I have heard what you have said.

**Senator RONALDSON**—I will just repeat it. Yet under this definition, negative commentary is electioneering, and that is the fundamental issue of effective censorship in relation to that definition as it stands. I will just ask you one more question on this. Do you intend to address this by having a list of government approved adjectives and adverbs?

**Mr Tune**—No, we do not.

**Senator RONALDSON**—How do you intend doing it?

**Mr Tune**—I will go back to what I said at the very outset: that we are trying to get to a situation where we can provide some material—in effect, some case studies about what might be okay and what seems to be not okay. It will never cover every scenario—there are no two ways about that—but we will do our best. I think that is the only way we can actually start to

apply this—with the protections that exist, which I have just given and which the minister has given, around the consultative committee.

**Senator RONALDSON**—But you will be looking at this matter in the definitional sense, as I said before, about the positive versus the negative commentary?

**Mr Tune**—Yes, I will take that on board.

**Senator RONALDSON**—I take you at face value on that. I have no further issues in relation to the definition, but I know that Senator Parry has.

**Mr Tune**—Sorry—Ms Mason was going to add something to that.

**Ms Mason**—I was going to add something to the secretary's remarks. The need for the regulations arose, as we all know, from the ANAO report, where the ANAO was critical of the use of taxpayer funded entitlements for electioneering purposes. I think it is also true to say that electioneering can have either a positive or a negative dimension. Either an opposition or a government can, during an election campaign, indulge in either positive or negative commentary on their own or the other side's policies. So the regulations seek to provide a framework that will allow consistent application to either the government's or the opposition's desire to make comments on their own or the other party's policy. We are seeking to apply those definitions in a way that is consistent.

**Senator RONALDSON**—You are seeking to interpret a definition at the moment that is completely biased and unbalanced in its only possible interpretation, and that is the issue. I think Mr Tune is fully aware of what I am saying in relation to that positive and negative commentary definition. I do not want to pursue this any further. I am taking at face value the fact that the message has been clearly articulated and I hope there will be a response accordingly.

**Senator PARRY**—Can I ask you, Mr Tune, or one of the other officers, for a couple of further clarifications. If I wanted to send out a complete *Hansard* for one day of Senate proceedings, can I do that under entitlement under the new rules?

**Mr Tune**—It would depend.

**Mr Taylor**—It would depend on exactly what is said in it, just because—

**Senator PARRY**—So *Hansard* cannot be sent out in its entirety?

**Mr Taylor**—It depends if it meets the conditions for the entitlement, and I think the minister has previously set that out. So if it contains electioneering material, and the printing and communications entitlements were proposed to be used—

**Senator PARRY**—So a verbatim transcript of the parliament of Australia cannot be sent if it contains any words that might offend or might be interpreted as electioneering?

**Mr Taylor**—It can clearly be sent but if it is proposed to use the printing and communications entitlements—

**Senator PARRY**—That is how I would send it, yes.

**Mr Taylor**—It needs to adhere to the rules concerning the printing and communications entitlement, which excludes electioneering.

**Senator PARRY**—I just cannot believe that an accurate record of the parliament of Australia, the transcript of a day's proceedings of the House of Representatives or the Senate, cannot be sent out using our printing or communications entitlement if it contains any form of words that have been discussed just previously. Minister, you have to take that on board. That is appalling. It is a sad state of affairs that we have now got to that we cannot even send the *Hansard* of this parliament. If, for example, I said, 'Vote 1 for Michael Forshaw,' that could not be sent out. If we have gone down to this level, it is absolutely appalling.

**Senator BERNARDI**—This is a travesty of democracy, minister. That is what this is.

**CHAIR**—Can we contain the statements, please, and deal with the question?

**Senator Ludwig**—I am sure you have all read the ANAO report and I am sure you understood the import that the recommendations surrounding this issue were quite clear about electioneering purposes. It does not—

**Senator BERNARDI**—You cannot send out the *Hansard* of the parliament; this is outrageous.

**Senator Ludwig**—You keep changing the language. It does not mean that you cannot send it out.

**Senator BERNARDI**—It is a disgrace and you are endorsing it, Minister.

**Senator Ludwig**—It does mean that there are conditions—

**Senator BERNARDI**—Shame on you!

**CHAIR**—Order, Senator!

**Senator Ludwig**—Thank you, Chair. It does mean that there are rules around how you use your printing entitlement. Quite frankly, I would encourage you to read the ANAO report to see what your previous government presided under and how you—

**Senator BERNARDI**—We have been told, Minister, that the *Hansard* is not good enough for your government to be distributing to the Australian people.

**Senator Ludwig**—I am not going to get into a shouting match with you.

**Senator BERNARDI**—That is a disgrace.

**Senator Ludwig**—The difficulty is—

**CHAIR**—Order!

**Senator Ludwig**—It is a question of how you use taxpayer funded money.

**CHAIR**—Sorry, Minister, Senator Forshaw has a point of order.

**Senator FORSHAW**—I think we should have some regard for the poor people who are actually recording *Hansard* by not interrupting. Their job is made a lot more difficult if everybody tries to talk over each other.

**CHAIR**—Yes, can we all please settle down. Senator Parry, is there an outstanding question that you asked?

**Senator PARRY**—Yes. There are some other definitions I would like explained as well. Can we define what is a how-to-vote card? If I send a letter out encouraging people to vote for me, is that a how-to-vote card?

**Mr Tune**—In a letter form?

**Senator PARRY**—Yes, in a letter form.

**Mr Tune**—If you are using your printing and communication allowance then, yes, that is electioneering.

**Senator PARRY**—I can, so—

**Mr Tune**—No, that is electioneering.

**Senator PARRY**—So I can not do it?

**Mr Tune**—That is correct.

**CHAIR**—Senator Parry, while you are on this, there is another one that I would like to clarify. If you are responding to a request for information, such as a request for a copy of a day's *Hansard*, are you able to do that under the communications allowance or not?

**Mr Tune**—If the constituent was asking for it?

**CHAIR**—Yes.

**Mr Tune**—That would be a letter, wouldn't it, if you were responding to an individual constituent?

**CHAIR**—But you would be using the communications allowance to post it.

**Senator PARRY**—Unless it comes under the definition of electioneering.

**CHAIR**—Sorry, Senator, I am dealing with my own question quite adequately, thank you.

**Senator PARRY**—But you are not getting an answer.

**Mr Tune**—I would have thought that, if it were electorate business, it would be okay.

**CHAIR**—That is the point I am seeking to clarify.

**Mr Tune**—I do not think I can sit here and give rulings one by one as these issues come, but we will take them all on board and address them. We will address that one.

**Senator PARRY**—With all respect, Mr Tune, we have just had two rulings—one on my *Hansard* that I cannot send out and one on a request for *Hansard* which I can send out.

**Mr Tune**—I am taking them all on board, Senator. Whatever comes, we will examine them all and get back.

**Senator PARRY**—Could I stress that we understand this is not your doing. You are just answering our questions. But it just seems incredible that, based on what you have just indicated, we have one form of *Hansard*—it could, in fact be the same *Hansard*—which can be posted out under entitlement if it is requested. But, if I want to send it out, it cannot be posted out under entitlement. Minister, do you have a response for that?

**CHAIR**—Senator Parry, please allow me this moment because the nature of my question feeds into what you are asking. The officer said earlier that it depends on the context. If the

context is a constituent related request, that is one circumstance. If it is in the guise of electioneering, presumably it is another.

**Senator BERNARDI**—Why are you answering the question?

**Senator PARRY**—Minister, this just highlights how ridiculous the whole scheme is when you can have the same *Hansard*, one format—upon request it is okay, without request it is not okay. Can you see the problem, Minister?

**Senator Ludwig**—What I think we have said is that we will certainly look at those matters. That is why I established the consultative group to do exactly that. As I said earlier, we have already moved to clarify some matters and, as issues arise, they will be resolved. Where we want to get to—make no mistake about this—is a simple system with clear accountability rules surrounding it. But also bear in mind that it is not to be used the way the ANAO found that a range of printing entitlements were used. That is the purpose of it all. That is the framework. I think we would all agree, broadly, that that is the position we want to arrive at. As the department has indicated, if there are a range of issues that you throw up now, they will take them on board and get back to us.

**Senator PARRY**—I hope it happens as soon as possible. I have a range of constituents, as I am sure other senators and members do, who actually like receiving copies of *Hansard* after things like today's estimates. Now I have to be very careful whether I send them out or not— or do I send them a letter saying, 'Please write to me and ask for the *Hansard* and then I will send it out to you, but I cannot send it out to you without writing to you first'? That is costing taxpayers more money through us having to write to them to ask them to write back and ask for the *Hansard*. It is just ludicrous, but anyway you have heard that and taken it on board.

**Senator Ludwig**—There are a range of complex issues around what you may use it for. What I have indicated is that we will take it on notice and the department will have a look at it.

**Senator FIFIELD**—I was just going to comment, Senator Parry. I had better throw myself on the mercy of the committee, the department and the minister because I am sure I have breached these new guidelines. I would be amazed if I have not sent *Hansard* recently to some constituents, so I had better plead guilty here and now.

**CHAIR**—Is there a question, Senator Fifield?

**Senator FIFIELD**—No. In the interests of full and continuous disclosure, I thought I had better take this opportunity to throw myself on the mercy of the court.

**CHAIR**—You came all the way to this committee hearing just to disclose? Can we not have grandstanding and move on to any questions, please?

**Senator PARRY**—If MAPS give you a ruling and you are not happy with the ruling, is there a right of appeal and to whom?

**Mr Taylor**—Perhaps I can assist you there. There is no formal right of appeal. I think one of the matters that has been raised is whether there would be a right of appeal to, say, the Administrative Appeals Tribunal, but no, there is no right of appeal to the Administrative Appeals Tribunal.



**Senator PARRY**—So, once it is reported back to me in writing that I cannot send this material out because it does not fit within the entitlement, that is the end of the matter?

**Mr Taylor**—Except to the extent that I would imagine that someone would have regard to the comments of the committee and would consider whether they would want to amend the material to send it out and for it to be within entitlement.

**Senator PARRY**—But I would have to submit a revised version of what I wanted to send out?

**Mr Taylor**—I think some of the responses of the committee actually indicate that if the senator was to take one action or another it would then be within entitlement. An example I could give is if the acknowledgement was included on the page then the senator would know that it was within entitlement and could send it out.

**Senator Ludwig**—Senator Ronaldson sits on the committee and can raise these issues. As I have indicated, we have dealt with this in a proactive way, we have dealt with this very quickly and we have settled a range of issues. It is going to be a tough road to get to where we want to be, but it is a better road than where we were, quite frankly.

**Senator PARRY**—So, Minister, if I received advice back from MAPS that my material I wanted to send out did not fit within entitlement then could I come to you about that?

**Senator Ludwig**—As I indicated earlier, the best way of dealing with it is to use your representatives on the consultative committee, which in this instance is your whip and Senator Ronaldson. I will meet as often as necessary to deal with these matters. We have already met a couple of times. I have already taken matters away from that consultative committee to deal with.

**Senator PARRY**—Did you take into account, Minister, the fact that we have all been elected on a political platform? I think people expect that we promote the Liberal cause or promote the Labor cause because that is what people elect us to do. To that extent, why is there the exclusion of seeking membership for a political party? I will give you a particular example: through a website. If the website says, 'If you wish to join the Liberal Party, click here,' would that be outside of entitlement?

**Senator Ludwig**—It matters whether you are within or without. The way we have been dealing with them is for the department to respond. I think that is the sensible course. If the department needs to take it on notice and get back to you with a definitive answer then that is also a sensible course to adopt.

**Senator PARRY**—Just prior to the answer from the department, minister, could you indicate if that was taken into account—the fact that we are elected on a political platform? We do not arrive in parliament with no political bias, and the public understand that.

**Senator Ludwig**—Where you have a title such as 'Labor senator for Queensland' or 'Liberal senator for Tasmania' you can rest assured that all of these matters were taken into account. In addition, what clearly was taken into account was the ANAO report.

**Senator PARRY**—People are not going to seek membership of a political party by going to the post office and asking who to apply to; they would go to a Liberal senator or a Labor senator, depending on their political preference—or a Green senator or a Family First senator.

Going back to the direct question, if you had, 'If you wish to join the Liberal Party, click here,' on a website then is that outside of entitlement?

**Ms Clarke**—That would have been outside of entitlement under the old rules as well because, under the communication allowance that was in the Remuneration Tribunal, you could never use that for party business either. So that has not changed. It is still party business. It was before; it still is now.

**Senator PARRY**—Would that then render the entire cost of the website invalid or just the proportion that involved the 'please click here'.

**Ms Clarke**—That is not a matter we have considered.

**Senator PARRY**—Well, how would you invoice me if I claimed this and I had on my website, 'Click here if you wish to join the Liberal Party.'

**Ms Clarke**—That is something we would have to work through and has not been considered at this time.

**Senator PARRY**—Minister, do you have an idea as to how that would happen?

**Senator Ludwig**—As I indicated earlier, those matters that you want to raise we will certainly take on notice. As I understand it, that was a pre-existing rule in any event. So if you are seeking to champion a pre-existing rule to be overturned, and it seems to be the Senator Abetz rule, then certainly we will have a look at that and respond.

**Senator PARRY**—Thank you.

**Senator FORSHAW**—I missed the first part of your question. Were you asking the question in relation to a link to a website or a specific icon on your website?

**Senator PARRY**—That is a very good point, Senator Forshaw. That is complicating it even further, and it is a very good question. What if there was a link to the Liberal Party of Australia on my website? That is not soliciting membership.

**Senator FORSHAW**—Let us be open about it. There are. There are links to all these sites on our websites.

**CHAIR**—I think the answer remains the same.

**Senator PARRY**—No further questions from me, thank you Chair.

**Senator EGGLESTON**—I would like to change the subject somewhat and ask you some questions about Comcars and the Comcar fleet and its operation. I wondered, first of all, if you could tell us how many Comcar drivers there are and how many cars there are in the Comcar fleet in each city around Australia. You might have to take that on notice, I would think.

**Ms Mason**—It is possible that the acting national manager of Comcar can assist you with that.

**Mr Stopp**—I have got the current numbers of the make-up of the Comcar fleet. We currently have 150 vehicles in the fleet. By state, 74 of those are based in Canberra, 28 in New South Wales, 22 in Victoria, 10 in Queensland, eight in South Australia, six in Western Australia and one in Tasmania.

**Senator EGGLESTON**—And how many drivers are there? I suppose they should be broken up into full-time and part-time drivers.

**Mr Stopp**—Yes, I have those numbers. Currently we have a total of 276 drivers, of which 25 are ongoing.

**Senator EGGLESTON**—Twenty-five are full-time?

**Mr Stopp**—Ongoing drivers full time. And we have 206 casual drivers who are direct employees of Comcar. We also have 45 contractor drivers who are employed through agencies and work on a casual basis.

**Senator EGGLESTON**—Forty-five of them?

**Mr Stopp**—That is correct.

**Senator EGGLESTON**—Do they use their own vehicles?

**Mr Stopp**—No, they drive Comcars.

**Senator EGGLESTON**—I see. Could you tell us what the average income of a Comcar driver is? Are they paid on a full-week basis or an annual basis or an hourly basis?

**Mr Stopp**—An ongoing driver is on an annual salary and annual allowances. Our casual drivers are paid an hourly rate.

**Senator EGGLESTON**—So we have 25 ongoing and the other 206 are casual, and they are paid an hourly rate?

**Mr Stopp**—That is correct.

**Senator EGGLESTON**—Over the last year I have noticed an increasing use of private cars instead of Comcars at Perth Airport and in Canberra. I was here in Canberra some weeks ago. When I arrived on a Sunday night I was picked up by a Comcar. When I sought to arrange a Comcar for the Monday morning I was told I would have to take a taxi. Could you tell us the details of the use of private vehicles at capital city airports that have been used by federal members and senators over the last three years instead of Comcars?

**Mr Stopp**—I would have to take that on notice, but I know that it is a downward trend.

**Senator Ludwig**—Sorry, Senator Eggleston, just for clarification: is that where they have volunteered to use a taxi?

**Senator EGGLESTON**—No, when a taxi has been provided.

**Senator Ludwig**—Yes. Sorry, I may have missed the first part of the question, because I do understand that there are some senators and members who have voluntarily undertaken to use a taxi, so we would want to exclude those.

**Senator EGGLESTON**—No, I mean provided cars—when you book a Comcar you may get a private-plated vehicle instead. I would like to know the details of that: the incidence of the use of private-plated cars instead of Comcars, some details of the companies involved and the frequency with which they are engaged. The broader questions are: is the government changing the role of the Comcar service away from its original purpose of providing safe transport for federal members and senators, and is there a policy in place to wind down the Comcar service?

**Senator Ludwig**—There has been no change to existing policy.

**Mr Tune**—No change, no.

**Senator EGGLESTON**—Then one must ask, if there is no change in policy, why it is that private-plated vehicles are being used increasingly instead of Comcars when I am told by Comcar drivers that there are, presumably, stand-by Comcar drivers available who are not being engaged.

**Mr Stopp**—That question will be taken on notice in terms of the detail that you requested. But I can advise that the trend in terms of hire-car usage has fallen over the last nine years. It is an indicator that we monitor and report on in terms of our internal financial reports, and that information will be tabled. But that has continued to trend downwards, as a percentage of the overall—

**Senator EGGLESTON**—You are saying that the trend for the use of private hire cars is downwards?

**Mr Stopp**—No, I am talking about the proportion of our work that is performed by hire cars or taxis as opposed to Comcars.

**Senator EGGLESTON**—Is downwards?

**Mr Stopp**—That is correct.

**Senator EGGLESTON**—That is certainly not the information I have been provided with by the Comcar drivers in Perth and elsewhere, particularly in Canberra. There is a view that the Comcar service is not being used, the drivers who are available for work are not being called in and private hire cars are being used instead. What you are saying is totally the opposite of what I have been informed is the case by the drivers, particularly in Perth.

**Mr Tune**—We will look at the data for you and break it down by state; that might help, particularly in relation to the Perth issue. We will see if there is anything there.

**Senator EGGLESTON**—Certainly it has also been my experience in Canberra. So, as I said, Minister, this service has been provided to provide safe transport for members and senators. Is the government prepared here to reaffirm a commitment to providing the Comcar service and maintaining it as a safe means of transport for federal members and senators?

**Senator Ludwig**—What I can assure you of is that there has been no change of policy. But we will get a look at the statistics and make them available to you. I think it is important that we operate on what are actually the facts of the circumstances. That is why I wanted to differentiate earlier. I was not trying to intrude into your questioning. I wanted to be sure of what we were talking about: that there are those senators and members who have not opted for a private-plated vehicle but have taken alternative means of transport. There are also senators and members who have opted for the use of a taxi or other means of transport voluntarily, and those who do require and continue to require the valuable Comcar service. Can I take the opportunity to also indicate on the record that it is a very good service and has always provided senators and members with an excellent service. Let us get the information and then, if necessary, we can come back to this issue.

**Senator EGGLESTON**—You see, Minister, it has been put to me by Comcar drivers in Perth that there is a deliberate policy of not using the Comcar service and the Comcar drivers—who are paid when they are on stand-by, I presume, on an hourly rate—and that their incomes are falling; they themselves are apparently precluded from driving hire cars. And the view has been expressed to me that this is a deliberate policy to reduce their incomes so that they will resign as Comcar drivers and that in that manner this service is being slowly eliminated. Would you like to comment on that?

**Senator Ludwig**—As I have indicated, I will get the department to provide the additional comment, but there has been no change of policy.

**Ms Mason**—Certainly, the department's management has been quite the reverse. It has sought to use Comcar vehicles and Comcar drivers as much as possible because that is the service that clients prefer. That is the service that they value and we seek to provide it to them as much as we are able to and as much as that is sensible to do so.

**Senator EGGLESTON**—As I said, your answer is quite contrary to the views that have been expressed to me in Perth but I look forward to being provided with more details.

**Senator RONALDSON**—Just on that point, there is a mass casualisation of this workforce. I am sure you are acutely aware of the campaign of the Australian Workers' Union in relation to their drive for permanent part-time work where that option is possible. Has the government considered an approach to Finance in relation to ceasing the mass casualisation and employing drivers on a permanent part-time basis?

**Senator Ludwig**—As I said, there has been no change of policy. But I am interested in getting the figures because I think, as Senator Eggleston said, you always hear particular anecdotal stories about a range of things. I think it is important to get the facts of the matter out and we can then come back to the issue itself. There is no change in policy in the provision of Comcar services for senators and members—certainly none that I am instigating or doing or that I am aware of.

**Senator RONALDSON**—My question was certainly not about Comcar services. My question was quite clearly narrowed down to the question of the mass casualisation and the permanent part-time.

**Senator Ludwig**—I answered that in the first instance—there is no change in policy.

**Senator RONALDSON**—Okay.

**Senator BERNARDI**—Mr Tune, earlier I started to raise a question about a community cabinet meeting and the use of hire cars, Comcars and taxis. You may not have the information at hand but I am interested in how often taxis and hire cars have been used to transport ministers and other members of parliament to community cabinet meetings. Could you take that on notice, because I presume you will need to do that?

**Mr Tune**—In terms of the detail about the frequency, I will have to take that on notice.

**Senator BERNARDI**—Also, I am advised that the Port Macquarie community cabinet meeting actually had a shuttle bus available for travel to and from the meeting. Is that correct?

**Mr Tune**—I think that is correct.

**Mr Stopp**—Yes, that is correct.

**Senator BERNARDI**—Minister, did you use that shuttle bus?

**Senator Ludwig**—You are over Port Macquarie. I will come back but you have reminded me of another matter.

**Senator BERNARDI**—I do not want an answer to another matter. I want an answer as to whether you were on the shuttle bus.

**Senator Ludwig**—I will come back to that. The shuttle bus from Port Macquarie to the community cabinet—

**CHAIR**—Or back or both.

**Mr Tune**—Do you want from the airport to the community cabinet, which was at a local high school?

**Senator Ludwig**—Yes, so in part the answer is I was on a shuttle bus for parts of the journey. But I will take it on notice and make sure I get back to you with a complete picture. I would not want to mislead the Senate. That is what I may have inadvertently done yesterday and that is why I wanted to correct the record.

**Senator BERNARDI**—Please, correct the record.

**Senator Ludwig**—There are two matters: (1) in terms of invites to community cabinets I will make sure that all senators and members for the relevant state get an invite so that no-one feels excluded and (2) I think there was an answer where I said that my advice was that the CCSTU staff had not travelled to attend community cabinet meetings. I have been made aware that on one occasion a staff member from the CCSTU did travel to and attend a community cabinet in Adelaide. That is in your home state.

**Senator BERNARDI**—At taxpayers' expense?

**Senator Ludwig**—They were on the CCSTU, so it would have been—I will check what the actual full details were but I was just made aware of that either last night or this morning. So I wanted to—

**Senator BERNARDI**—Thank you, I appreciate that. Do you know if they received travel allowance or any other allowances on top of their travel?

**Senator Ludwig**—My note does not say that but the department may be able to assist us with that.

**Senator BERNARDI**—All right, thank you for clearing—

**Senator Ludwig**—No, I think the department can tell you.

**Ms Clarke**—Yes, the person received travel allowance.

**Senator BERNARDI**—Thank you. Minister, I would appreciate, just in following up on that, if you could provide us with the details.

**Senator Ludwig**—I will do that.

**Senator BERNARDI**—Is there a second matter of inadvertently misleading?

**Senator Ludwig**—No, the first one was to invite you all to community cabinets in your relevant state. I may not have made that explicit yesterday but certainly—

**Senator BERNARDI**—I thought it was just Senator Ryan and me.

**Senator Ludwig**—No. I think I said all senators and members. If you want to turn up at community cabinets, they are public forums.

**Senator BERNARDI**—Will you be doing that or will the department be doing that?

**Senator RONALDSON**—Can we get a ride on the bus?

**Senator Ludwig**—I will take that on notice.

**Senator FIFIELD**—Senator Ludwig, Senator Heffernan probably would not need an invitation to anywhere in New South Wales.

**Senator Ludwig**—But not all members. We are talking about local members and senators in the area. We do not want to get too carried away.

**Senator FIFIELD**—So Liberal patron senators?

**Senator RYAN**—Duty senators on our side too?

**Senator Ludwig**—If you give me a list of your duty senators in the various states, I might be able to help.

**Senator BERNARDI**—The department is going to provide us with a list of your duty senators. We will deal with that first.

**Senator Ludwig**—I hope we will be able to provide one for you too.

**Senator PARRY**—We will not be able mail it to you, though.

**Senator BERNARDI**—Can I get back to the point of my question. I understand we need adequate transport arrangements and I understand that there are occasions when ministers and shadow ministers have to use transport other than what its defined. But there was a report in the press in which apparently Minister Ellis kept a car waiting for many, many hours at some \$250 cost. She claimed she had not organised it, did not book it and it was just there for her. I was told that there was a bus available and Minister Ellis did not avail herself of it. I have read that the car was put at her disposal and discretion all day. I want to get to the bottom of it. I want to know who booked the car, why it was there and kept waiting for so many hours when other transport facilities were available, what cost there was to the taxpayer and whether it is true that indeed a taxi was engaged all day to ferry Minister Ellis around Port Macquarie.

**Senator FIFIELD**—Senator Bernardi, I think that is called ‘doing a Reba Meagher’.

**Senator BERNARDI**—A Reba Meagher? It has gone into the famous lexicon—there we are.

**Mr Tune**—We can provide some information on that now. We cannot answer every question you have raised there, but in general terms car transport bookings, including in the case you have raised, are made by parliamentarians or their staff. That is the way it operates.

**Senator BERNARDI**—Just a moment—that contradicts what Minister Ellis has told the press.

**Mr Tune**—That is the way it operates.

**CHAIR**—While you are on this point, are you talking about a booking through Comcar or are you talking about booking made directly with a taxi company?

**Mr Tune**—It is to Comcar. They make the booking. My understanding is that there are no Comcars in Port Macquarie.

**CHAIR**—No, but if the press report is saying that the minister's spokesperson was saying they did not book 'the cab', that can be an honest representation that they had sought to have transport arranged via Comcar.

**Mr Tune**—Yes, that is correct. If car transport costs include the use of a Comcar, or a taxi in lieu of a Comcar, the ministers and parliamentary secretaries are met by their respective home departments. So the costs involved would probably be best directed to that department. That is basically it. The other things we can take on notice. Some, as I said, are probably best directed to the minister's home department.

**Senator BERNARDI**—My concerns are noted. I note the information you have provided. Any further information which you have undertaken to give on notice I would appreciate.

**Mr Tune**—Will do.

**Senator RONALDSON**—Ms Mason, can you tell me how many staff employed by the Prime Minister have either resigned or been dismissed from his office since December 2007?

**Ms Mason**—We do not have the figures over that period.

**Senator RONALDSON**—Can you obtain those for me—take it on notice?

**Ms Mason**—We could take it on notice, yes.

**Senator RONALDSON**—Were you aware of weekend reports about a very substantial turnover in the Prime Minister's office?

**Ms Mason**—Yes.

**Senator RONALDSON**—When you see reports like that, does Finance conduct exit interviews to ascertain why staff may or may not be leaving?

**Ms Mason**—Finance offers exit interviews to departing staff and has done so since—Ms Clarke will correct me if I am wrong—1 July this year. Whether or not the staff avail themselves of that opportunity is a matter for the departing staff members.

**Senator RONALDSON**—How many staff who have left the Prime Minister's office have requested exit interviews—do you know?

**Ms Mason**—We would need to take that on notice.

**Ms Pitson**—The exit interviews are conducted on a confidential basis so unless that exiting staff member elected to be identified, the information we would get would only ever be in a generic form.

**Senator RONALDSON**—I can absolutely assure you that I was not asking for the names of the staff members who had requested exit interviews.

**CHAIR**—The ones you recited yesterday?



**Senator RONALDSON**—Yes. Do you want me to go through those again?

**CHAIR**—No. I would rather you not waste the time of the committee.

**Senator RONALDSON**—I have got some of them here, but—

**CHAIR**—I would just rather you be consistent.

**Senator RONALDSON**—I presume from what Ms—

**Ms Pitson**—Perhaps I have misunderstood your question, Senator.

**Senator RONALDSON**—I do not want the names; I just want the numbers.

**Ms Pitson**—I would have to take that on notice. When we checked about two weeks ago, nobody had availed themselves of the exit interview program, but perhaps that has changed in the last couple of weeks.

**Mr Tune**—I think the point is that we would not be able to tell who they worked for. It is all totally de-identified.

**Ms Pitson**—Yes.

**Senator RONALDSON**—I suspect they would want to be absolutely convinced it was going to be confidential before volunteering the information coming out of a particular office. What is the normal turnover rate? Do you have figures for the turnover ratios of MOPS?

**Ms Pitson**—Your question relates to staff turnover rates. We have prepared some information recently in relation to the negotiations for the enterprise agreement. If we were to indicate, the higher turnover rate for 2007 and 2008 calendar years is likely due to the 2007 federal election. There is a higher turnover rate in the end of the Senate term in 2008 and the change in the opposition leadership in 2008 as well. But we would be happy to table this.

**Senator RONALDSON**—Yes, could you table all that information?

**Ms Pitson**—Yes, we can table that.

**Senator RONALDSON**—Does that give averages across the—

**Ms Pitson**—It relates to total turnover over calendar years for ongoing employees who were on board at the start of the year and ongoing employees as at the end of the year. If an employee has had several periods of employment within that period of time, though, that will not necessarily show up in the turnover figures.

**Senator RONALDSON**—You can provide that information for me, I presume, in relation to the Prime Minister's office?

**Ms Pitson**—No, this is aggregated data.

**Ms Clarke**—This is aggregated data for all MOPS Act employees.

**CHAIR**—That would be useful.

**Senator RONALDSON**—I presume you will need to take this on notice, but would you be able to give me the total cost of all severance payments, relocation costs, recruitment costs, security clearance costs and any other costs associated with the staff changes in the Prime Minister's office?

**Senator Ludwig**—We can do that, Senator Ronaldson. Going back to that issue with the request for the Comcar, Senator Bernardi, I think Senator Collins clarified the fact—and I think Mr Tune did so as well but it just struck me while I was sitting here that it might not be clear on the record—that the office of Senator Ellis, as I understood it, booked the Comcar service and that a taxi was then provided as a consequence of that. I think that was the import of the evidence.

**Mr Tune**—That is correct.

**Senator BERNARDI**—Yes, I understand that.

**CHAIR**—I was very careful to clarify that point.

**Senator Ludwig**—Sorry, are you waiting for a response to your question, Senator Ronaldson?

**Senator RONALDSON**—I am, yes.

**Senator Ludwig**—I think I said yes, that we would take it on notice. I was just using the opportunity to seek that clarification.

**Senator RONALDSON**—That's fine.

**Senator CAMERON**—I have a question on this issue. I am sure you will take this on notice, Mr Tune, but could you provide information on the cost of staff changes in Leader of the Opposition Malcolm Turnbull's office? Could you provide the turnover rate in Leader of the Opposition Malcolm Turnbull's office and could you tell me how many staff have opted for the exit interview from the Leader of the Opposition's office?

**Mr Tune**—Yes, we will do that.

**Senator RONALDSON**—You are learning, Dougie!

**Senator Ludwig**—Should he include you as well, Senator Ronaldson, or shouldn't I suggest that!

**Senator RONALDSON**—No, I am impressed; he has come a long way in the last 12 months.

**CHAIR**—We have now concluded with the department. After dinner we will move to the Australian Electoral Commission and then onto the Department of Human Services. So, thank you for your attendance.

#### **Proceedings suspended from 6.31 pm to 7.30 pm**

##### **Australian Electoral Commission**

**Senator RONALDSON**—I want to ask you some questions about electoral roll management. If a person moves from their enrolled address to a new address, they have to enrol at that new address, don't they?

**Mr Killesteyn**—That is correct. If they are at that new address for a period of more than 30 days, then they should enrol at the new address.

**Senator RONALDSON**—What is the penalty for failing to enrol at the correct location?

**Mr Pirani**—The offence is a strict liability offence. It is in section 101(6), and it is one penalty unit, which \$110.

**Senator RONALDSON**—Is that for failing to enrol at the correct location?

**Mr Pirani**—That is for failing to change their enrolment details where they had moved to the new address for a period of one month and had a further 21 days in which to give notice of that change of address. That is section 101(5) of the act.

**Senator RONALDSON**—Is the penalty attached to not notifying of a change of address, having left an address, or is the penalty attached to the failure to enrol at the correct location? I thought it was the former, but I could be wrong.

**Mr Pirani**—It is both. Section 101(6) says that the person who fails to comply with subsection (1), which is a new enrolment, with subsection (4), which is a change within a division, or with subsection (5) is guilty of an offence punishable on conviction by a fine not exceeding one penalty unit. So the penalty is attached to failing to enrol and failing to update your enrolment details.

**Senator RONALDSON**—Is that the way you would view a failure to enrol at the correct location? Someone would be subject to a penalty under that section; is that right?

**Mr Pirani**—I have only one equivocation.

**Senator RONALDSON**—This is not a trick question. I am just trying to ascertain the position.

**Mr Pirani**—I agree with you in principle, but there is another variable, and that is section 99(5), which says that the validity of any enrolment shall not in any case be questioned on the ground that the person enrolled has not in fact lived at the relevant address in the subdivision for a period of one month. There is a slight dichotomy between the offence provision in section 101(5) and in section 99(5) about the validity of the actual enrolment.

**Senator RONALDSON**—My understanding was that there was no penalty for failing to enrol at the correct location, but you are suggesting that is not correct.

**Mr Pirani**—Within the time period specified in section 101(5), there is a penalty. It is one month plus 21 days, and the offence penalty is one penalty unit, which is \$110.

**Mr Killesteyn**—You would appreciate—I know I am stating the obvious—that that is not a penalty imposed by the AEC. That is a matter that has to be taken before a court.

**Senator RONALDSON**—Who ultimately makes that decision?

**Mr Killesteyn**—Ultimately it would be the DPP that would make the decision to take the matter forward. We would mount a brief of evidence if that was the case and it would be for the DPP to make the decision as to whether the prosecution should be mounted.

**Senator RONALDSON**—Do you think the AEC should actually have some legislative authority to impose penalties?

**Mr Killesteyn**—As you probably know from some of the submissions that we have put to the joint standing committee, we think the broad regime of sanctions is worth looking at. That would include at least some sanctions that the AEC could impose. There is probably an

argument around expediency but as well the very heavy resource requirement that is needed to mount prosecutions by the DPP and the fact that at the moment we would not really rate as a strong priority with the DPP to take these things forward.

**Senator RONALDSON**—To your knowledge, has there ever been a prosecution by the DPP for failing to enrol at the correct address?

**Mr Killesteyn**—Like I said, there has not been in my time. But that is not terribly far back. I would have to ask Mr Pirani or Mr Dacey whether they can recollect such a prosecution in their time.

**Mr Pirani**—I have only been in the AEC since July 2007. There certainly has not been in my time. The other precursor that we have to go through is getting a brief of evidence prepared. Because electoral offences are specifically listed in the Commonwealth Fraud Control Guidelines 2002, we have a process where we have to go through the Australian Federal Police to assist in the development of the brief so that persons can be interviewed in accordance with the Fraud Control Guidelines. At the moment, I am not resourced to have skilled investigators to investigate these types of offences in accordance with the Commonwealth Fraud Control Guidelines.

**Senator RONALDSON**—Mr Dacey, I presume your knowledge does not go back—

**Mr Dacey**—My knowledge goes back further, but I do not have any knowledge of a successful prosecution. I do recall a couple of cases where we have gone to court but before entering the court the person has completed an enrolment form and therefore there is no longer an offence.

**Senator RONALDSON**—How long ago was that?

**Mr Dacey**—I would guess and say it was in the early- to mid-nineties.

**Senator RONALDSON**—This may be a subjective question. I am happy for you to say so if it is. There is effectively no incentive in reality for people to meet these requirements. As such, if the AEC was able to impose its own penalty, what would be the difference in administrative requirements of you doing that compared to the administrative requirements of preparing a brief for the DPP?

**Senator Ludwig**—Not to intrude, but wouldn't the nature and type of penalty regime that you implement depend on the nature and type of offences that you create. There are a range of different mechanisms you can now employ and other departments are employing to ensure compliance. I did not want to cut across the witness's contribution. It just struck me that it would depend on the type that you were looking at, whether it be, for argument's sake, a scheme which Customs use for a scheme which other departments have used or a straight offence type scheme.

**Senator RONALDSON**—I was assuming it would be a straight offence regime. If I did not make it clear, I apologise. I am of course talking about the failure to enrol. Can you make any value judgment about this? If for a failure to enrol there was a simple administrative process where you imposed a fine, I would assume the administrative requirements would be substantially fewer.

**Mr Pirani**—There is already a precedent in the act in relation to non-voting, section 245, where we are able to issue a notice. If the person pleads guilty in relation to that notice it is a \$20 fine. If they plead not guilty then the matter has to go to court and then we go through the full criminal process in relation to that. Yes, as a general rule of thumb, to deal with the matter administratively would involve fewer resources than doing a formal referral to the AFP, the AFP then having to do an investigation and preparing the brief of evidence and it going to the DPP. The only caution I would express is that, if we are talking about administrative penalties, there would need to be review rights. Therefore, we are probably talking about having a body like the Administrative Appeals Tribunal or something of that ilk to review rights in relation to that.

**Senator RONALDSON**—Are they attached to the failure-to-vote penalty regime?

**Mr Pirani**—They are not in there at the moment. Again, as I said, the regime in section 245 at the moment is: we issue a notice that they have nonvoted; if they plead guilty, it is a \$20 fine; if they plead not guilty, then they go to court and then it is a \$50 fine plus court costs that a court imposes and it is a criminal offence in relation to that. The current provisions involve that a lot of the work in that criminal process in section 245 is done on paper, but if a person pleads not guilty then we have to get the DPP involved and run it as a full criminal trial.

**Mr Killesteyn**—The only thing I would want to add is this. You prefaced your remarks by saying, ‘Effectively there is no deterrent,’ and I guess, if you look at it, at first blush, on the basis of the lack of the ability of the AEC to impose an administrative penalty and the practical issues around mounting a prosecution, you might be lead to that conclusion. But I think there is still a deterrent. Certainly, the understanding that I have—particularly when I talk to people around the divisions and ask them about their views as to the issues around penalising people either for nonenrolment or nonvoting—is that there is a view in the community that there is a deterrent, that it is illegal not to complete the enrolment, and that there is some fear. I guess any compliance issue has an element of concern that you are doing the right thing as well as the reality of taking action. So I think I would not be as bold as to say that there is no effective deterrent. I think the fact that we are out there encouraging people and reminding them of their obligations is a deterrent.

**Senator RONALDSON**—Yes, and I acknowledge the significant work that the commission does in relation to advising people of both their rights and their responsibilities in that regard. Over a 12 month period, are you able to provide me with rough numbers of people who failed to enrol at the correct address coming to your attention?

**Mr Killesteyn**—That is a difficult question to answer. We can give you statistics, for example, of the number of letters that we would send out to people for whom we have information which, prima facie, would suggest that they are not at the address at which they are currently enrolled. We can give you information on the responses to those letters. But it is information which goes to the process, if you like, of our continuous roll-update activities to find and locate people. We also take the view—quite properly, in my opinion—that our job is to get people on the roll, not to penalise them in any way. So we will go to considerable lengths to find them at their new address and to provide the facilities for them to complete their enrolment. In one way, we are offering a service.

**Senator RONALDSON**—Minister, I presume you would agree with me that people are responsible for keeping their drivers licence details up to date and their Centrelink and Medicare records. I would assume you agree with me that the responsibility to keep your enrolment details up to date should also be a fairly fundamental responsibility.

**Senator Ludwig**—I take it that that is a rhetorical question. I think we all agree that keeping your enrolment details up to date is an important consideration. However the records show—and I am sure you have had a look at green paper No. 2 and also the JSCEM recommendations—that sometimes the reality falls a little short of that. I think we have also heard some evidence from the commission this evening about that. I will not quote the figures to you. But if you look at the JSCEM recommendations they unanimously supported a number of recommendations relating, I think, to modernising the AEC's interaction with electors, including things such as online update of enrolment and direct update of the address of enrolled electors using information obtained from trusted agencies—these are the types of issues that they canvassed, I think, which you have now gone to. The government is considering the report and its recommendations and will respond in due course.

**Senator RONALDSON**—I am sure you would agree with me that our electoral laws should be enforced, given the discussions this evening and previous discussions, you say, in JSCEM and other forums, including the colloquium, which was a great success. If there are methods that will enable the Electoral Act to be more rigorously enforced, such as providing the AEC with an appropriate penalty regime, would you agree that that would be an appropriate course of action?

**Senator Ludwig**—What I have indicated is that many of these matters were partly canvassed, and in some instances canvassed in detail, in JSCEM. They are also matters that I have canvassed in the green paper No. 2. There are two parts to that. Firstly, green paper No. 2 is open for consultation—and I take this opportunity to encourage people to provide their consultation and input into that. If you do have a view about a penalty regime, that would be a helpful contribution. I have also indicated that the government is considering the JSCEM recommendations and will report on those recommendations in due course.

**Senator RONALDSON**—Minister, I am sure you are aware that this was a matter that I raised at the colloquium. Are you aware that this is a matter also raised by Antony Green on *PM* recently—the lack of penalties being a disincentive for people to enrol? I believe the community should have an expectation that people will enrol as required.

**Senator Ludwig**—I am sorry. Was there a question there?

**Senator RONALDSON**—Yes, there was.

**Mr Dacey**—I was just going to say, as Mr Killesteyn pointed out in relation to the administrative penalty we impose for non-voting, we certainly get a pretty good response to that, rather than people taking the option of a court penalty or going to court. What we find particularly frustrating is that we have evidence that *prima facie* says that a person entitled to be enrolled has moved address and we can write several letters to that person and perhaps not get a response. If that letter were to include the possibility of an administrative penalty in lieu of an enrolment form, then perhaps more people would respond and more people would be more proactive in changing their address with us.

**Senator Ludwig**—Both JSCEM and the green paper No. 2 have turned to a range of issues. It is not only about enforcement; it is about encouraging people to be on the roll and to advise us of changes in the details of their addresses so that the roll remains up to date, so that they do not fall off the roll and then fail to enrol at a later date or find that an election comes around and, because the period for them to get back on the roll was foreshortened by the previous government, they have insufficient time to be able to get back on the roll. I am not particularly having a sharp point at the previous government, but there are issues such as the restoration of the minimum seven-day close of rolls period to allow people to fix their enrolment, ways to encourage people to enrol—I think the AEC did that before the last election, with a campaign to encourage people to enrol—and ways to ensure what JSCEM looked at with regard to online update of enrolments and direct update of addresses.

All of those things are about, firstly, encouraging people to get on the roll and stay on the roll and having mechanisms in place so that the roll remains up to date; secondly, supporting that with education; and, thirdly, supporting it with an appropriate, targeted and systematic way of ensuring compliance. Rather than using the word ‘enforcement’, it is about complying with your obligations. This is a franchise. It is an important right enjoyed by Australian citizens. It is about ensuring we look at all of those, and the green paper No. 2 is a great opportunity for people to engage in that process and provide solutions for those three issues that I mentioned—and the many more in green paper No. 2.

**Senator RONALDSON**—Mr Killsteyn, I congratulate you on that colloquium. I think sometimes we fail to adequately celebrate those things that we do well in this country. Whilst an organisation such as the AEC will always have its detractors, I think there are far more supporters. And, having seen what is available in some parts of the rest of the world on a recent study tour, it is clear that the AEC takes both its rights and responsibilities very seriously. I think there is much to celebrate and I am sure I speak for the minister when I say that the colloquium was a great success and it was a great privilege for both of us to be there and celebrate that 25 years of success. I do not want you to take as a carte blanche for an open slather for increased powers, Mr Killsteyn, but I do congratulate you on a very successful 25 years.

**Mr Killesteyn**—Thank you, Senator. I appreciated your involvement and obviously the involvement of the minister, and the congratulations go to the staff who organised it.

**Senator RONALDSON**—Yes, it was a great day. I now want to turn to the issue of the names of political parties. I have some questions in relation to that. Mr Killesteyn, where there is an application for the registration of a political party is there a restriction on what the party can officially call itself?

**Mr Killesteyn**—I will defer to my expert, Mr Pirani.

**Mr Pirani**—The relevant restrictions are in section 129 of the Commonwealth Electoral Act, and in particular section 129(1). The name cannot be more than six words; it cannot be obscene; it cannot be the name, abbreviation or acronym of another party; and it cannot ‘so nearly resemble’ the name, abbreviation or acronym of another political party. So there are six major restrictions that are listed in section 129(1).

**Senator RONALDSON**—Can I just stop you there. It is the issue of having a name similar to another party that I want to pursue with you further.

**Mr Pirani**—There are two paragraphs—there is section 129(1)(d), which was enforced at the time of the Woolard case, which was known as the ‘Liberals for Forests’ case, and then there was the subsequent amendment that was added in 2006, I believe, in section 129(1)(da), which was the test that a ‘reasonable person would think suggests that a connection or relationship exists between the party and a registered party if that connection or relationship does not in fact exist’.

**Senator RONALDSON**—Does that process of adjudicating whether a proposed name is substantially similar to an existing party pose a problem for the AEC?

**Mr Pirani**—As you are aware, we have obtained extensive legal advice and there was a very lengthy legal advice that was the subject of a freedom of information hearing at the AAT earlier this year that we have now put on our website to give some guidance as to the sorts of factors and the sort of evidence that we would need to take into account. But, in general terms, yes, there is an issue about the interpretation of section 129(1)(d) and section 129(1)(da)—in particular the reasonable person test that was put in in section 129(1)(da) and also having regard to the way the full bench of the Administrative Appeals Tribunal interpreted section 129(1)(d) in the Woolard case.

**Senator RONALDSON**—Would you agree that there needs to be a process whereby this passing off is stopped or avoided? Is the AEC the right body to do that and, if not, where should that protection lie to avoid deliberate attempts at misrepresentation?

**Mr Pirani**—That was an issue, I think, in relation to the amendments that were put in in section 129(1)(da). After the full bench AAT decision in Woolard, the previous views of the AEC were turned upside down in relation to the similarity of names. The tribunal in that case put a very rigid test that it was to be a reasonably informed voter and whether it was likely to mislead or deceive that voter. It is not the same passing-off test that is in the Trade Practices Act, but you are correct, there are issues around it, there are review rights in relation to it, and we publish our reasons in relation to our decisions on the internet so that people are informed about the basis of our decisions.

**Senator RONALDSON**—Do you think you have appropriate powers at this stage to make those decisions?

**Mr Pirani**—Frankly, I think we do have appropriate powers, but it would make my life a lot easier if we had a list of protected names. But the parliament did not go that far when it amended the act in putting in section 129(1)(da).

**Senator RONALDSON**—Can you explain the current arrangements for the gazettal and use of postal vote applications?

**Mr Dacey**—The postal vote applications are an approved form, obviously. The act stipulates that, as approved forms, those forms must be gazetted, which we do on a regular basis when forms change.

**Senator RONALDSON**—Would it be fair to say that the AEC has some concerns about the distribution of PVAs by incumbent members and senators and political parties?



**Mr Killesteyn**—I think our views have been fairly commonly expressed on many occasions.

**Senator RONALDSON**—Can you briefly elaborate on those?

**Mr Killesteyn**—The process is such that the transparency of the way in which postal votes are dealt with by the political parties is not as it should be. The process goes through parties on the basis of electoral information that we provide. The postal vote applications are posted out to the individuals and usually include considerable political material. The postal vote applications are then brought back through the parties. We are not always certain as to how long that material is contained or held by the parties before it is forwarded on to us. So the lack of direct engagement between the AEC and the individual is the major issue of concern.

**Senator RONALDSON**—Are you seeking to copyright or otherwise restrict the use of PVAs?

**Mr Killesteyn**—Not at all. In fact, postal vote applications provide a significant opportunity for those people who cannot attend a polling station personally. What we are concerned about is the extent to which there could be unnecessary or undue influence in the way in which those postal vote applications are managed by the individual.

**Senator RONALDSON**—But you do not seek to restrict their use?

**Mr Killesteyn**—Not at all.

**Senator RONALDSON**—And you do not seek to effectively copyright the postal vote applications?

**Mr Killesteyn**—What we are trying to do is ensure that the information that goes to the elector is accurate and presents both the obligations they have when they are making an application and their entitlements. To the extent that our ability to do that is constrained in any way, then we would be concerned. It is about ensuring that the elector has the right sort of information.

**Senator RONALDSON**—Can I take you to the discussions that we had about the member for Dobell—I think it was at the May estimates, was it?

**Mr Killesteyn**—That is correct.

**Senator RONALDSON**—The BOD Kendalls report, I think from recollection, was coming from the Health Services Union. Have you received that yet, Mr Pirani or Mr Killesteyn?

**Mr Killesteyn**—No, we have not received the report, but we have received the political donations and expenditure returns from the HSU. They were lodged on 13 October and they are now on our website available for public viewing.

**Senator RONALDSON**—What was the nature and extent of that declaration?

**Mr Pirani**—Three returns were lodged with the AEC on Tuesday last week. The first return was a political donations return. That was for the 2007-08 financial year and that disclosed a total of \$12,511.40, being a donation made up in two parts to the New South Wales branch of the ALP. The second return was a third party political expenditure return for the 2006-07 financial year and that disclosed the total expenditure of \$404,292. The third

return was a third party political expenditure return for the 2007-08 financial year. That disclosed a total expenditure of \$586,673, and the national office of the Health Services Union also lodged a return for the 2008-09 financial year but that is not made public by us until 1 February next year.

**Senator RONALDSON**—Given the lengthy delay in the lodging of some of these declarations—and I presume the earlier ones have certainly breached the act—what action do you intend taking in relation to them?

**Mr Pirani**—We are currently considering our position in relation to that and examining it, trying to identify which person or persons with the union would be likely to be found liable and then we will be preparing a brief to go to the Director of Public Prosecutions.

**Senator RONALDSON**—The BDO Kendalls report was not received?

**Mr Pirani**—You are correct. The newspaper articles referred to two documents that have been sought by the union. The first was legal advice from the law firm of Slater and Gordon and then the newspaper reports also indicated that Slater and Gordon were seeking an audit report from BDO Kendall. At the last Senate estimates hearing I indicated my view at the time that we would be seeking the BDO Kendall report. We have not obtained that. Instead, we got full disclosure returns for those financial years. For me to exercise the statutory powers under the act to request further information, there is a restriction in section 316, subsection 3, of the Electoral Act where I have to have reasonable grounds for issuing a notice to a person who may have evidence that indicates there has been a contravention of the act. The fact of the non-compliance in lodging the returns in time is already known and the BDO Kendall report itself would not assist us in going beyond that. As to the delay, we have been in regular contact with the lawyers from the Health Services Union and part of the delay has been caused by the ongoing investigation that was initially started by the Industrial Registrar and is now being undertaken by the general manager of Fair Work Australia.

**Senator RONALDSON**—If the BDO Kendall report may or may not provide you with further evidence to take further action, why would you not have requested that report?

**Mr Pirani**—The issue is whether we have reasonable grounds to require the production of evidence that shows a contravention of the act. The BDO Kendall report in itself would not provide us with any additional evidence in relation to the contravention of the act.

**Mr Killesteyn**—The obligation is to lodge returns, not to lodge the BDO Kendall report, so the returns are currently with us. We are examining those returns. We will make comparisons of those returns with other information that we have from the parties and at some point we will reach a view as to whether the BDO Kendall report might inform us. But at this stage, as Mr Pirani says, there may be some issues about our legal entitlement to obtain that report.

**Senator RONALDSON**—I take it that you are seeking that legal advice, are you?

**Mr Killesteyn**—At this point we are examining the returns to determine whether we need further information to determine whether the obligations have been met.

**Senator RONALDSON**—Mr Killesteyn, I am sure I do not need to indicate to you that the lodgement of these returns—perhaps I will address this to the minister—on 13 October quite

simply does not pass the political sniff test. Minister, in my view clearly this was done to pre-empt further inquiry at the Senate estimates, and I would have thought everyone's alarm bells would have gone off in relation to the lodgement of this return. Minister, to ensure that this matter is resolved in a satisfactory sense, to ensure that the openness and transparency that your government constantly refers to is met in this case, are you prepared to seek from Mr Killesteyn an undertaking that he will request the BDO Kendalls report? Will you initially request that Mr Killesteyn seeks legal opinion in relation to obtaining that report, and if that legal advice indicates that the AEC does have an entitlement to it that that report will be sought?

**Mr Killesteyn**—It is a matter for my decision, not the minister.

**Senator Ludwig**—Thank you.

**Mr Killesteyn**—There are two issues. One is the prime facie breach of the failure to lodge the returns by the due date. As Mr Pirani indicated we are looking at our position and that includes putting the matter before the DPP. The second issue is in relation to the content. As I said before, the content of the returns is currently being examined and we will come to a view on the basis of that examination and other comparisons we make as to whether we need further information, including perhaps the BDO Kendalls report or any other information that we think might be necessary.

**Senator Ludwig**—Senator Ronaldson, I would like to clarify a point in your question to me about what I will do in relation to the AEC. I take it you were not seeking to direct the minister to deal with the AEC in that manner. I think the AEC is independent from this office. It would worry me more if you were seriously asking the minister to direct the AEC's independent investigation. That would concern me greatly, but I am sure that is not the position that you are adopting.

**Senator RONALDSON**—You are absolutely right and I do not think I use the word 'direct' at any stage during my request to you, Minister. It was a request for you to make a request as opposed to a direction. Mr Killesteyn, if you had any concerns that these returns may be fraudulent, would that influence your decision to seek legal advice in relation to obtaining the BDO Kendalls report?

**Mr Killesteyn**—We are delving into the hypothetical again and I seem to recall that in the May estimates we also pursued hypothetical issues. These are very early days. The returns were lodged—

**Senator RONALDSON**—Can I hold you there? I am sorry to interrupt. What is not hypothetical is that there was a BDO Kendalls report which I think was authorised and sought by the Health Services Union. Is my recollection correct?

**Mr Killesteyn**—As I understand it, the Health Services Union engaged Slater and Gordon to assist them in resolving the matter and Slater and Gordon commissioned the report from BDO Kendalls.

**Senator RONALDSON**—So there is nothing hypothetical about the existence of the BDO Kendalls report presumably.

**Mr Killesteyn**—That is a matter of fact, yes.

**Senator RONALDSON**—Yes, thank you. On the basis that that is a matter of fact and on the basis that it is a matter of fact that on 13 October these returns were lodged, I put it to you that a delay such as that would possibly indicate to you a lodgement of convenience which would then require you to make further investigation to ascertain the veracity of these lodged forms.

**Mr Killesteyn**—I am not going to make any assumptions about what the delay means or does not mean. As I said, it is early days. The returns were lodged last week and we are going through them. We will make an assessment as to what the appropriate action is. I can give you one assurance and that is that this matter will receive priority, notwithstanding that the amounts are relatively small in the context of other electoral expenditure. But it will receive priority. That is my assurance to the committee.

**Senator RONALDSON**—Thank you, Mr Killesteyn; I take that at face value. Do you have any plans for the amalgamation of divisional offices over the next 12 months and, if so, which offices?

**Mr Killesteyn**—Amalgamations are one of those issues that we look at constantly, but there are no specific plans at this point in relation to amalgamations. As you would be aware, this is one of the few areas in which the electoral commissioner has no discretion at all and I need to seek the permission of the minister in relation to any proposal to amalgamate offices.

The other thing I would add is that amalgamations have been on the agenda of the AEC for some considerable period of time—since well before my time. We currently operate in a structure which sees 150 electorate offices already in 121 locations. So there are amalgamations already in place. There are questions of whether co-locating offices provides a better model for the AEC, particularly from the point of view of staffing issues that we have to confront. One of the things that I was first confronted with when I came in to the job was some concerns that emerged out of surveys that were conducted by the Public Service Commission. You may be aware of them. They are called state of the service surveys. State of the service surveys try to provide an assessment of Commonwealth agencies against something that the Public Service Commission calls an employee engagement indicator. It is a general level of satisfaction. Regrettably, the employee engagement indicator for the AEC puts us at number 41 out of 47 agencies. One of the clear issues that have emerged as a consequence of that is that it has something to do with small offices—that in terms of opportunities for career and development, as well as communication issues, the small office network around Australia presents some difficulties. So the issue of co-locations or amalgamations continues to bubble up because of those concerns.

**Senator RONALDSON**—Thank you.

**CHAIR**—I am conscious, Senator Ronaldson, of the need to move on to questions with the Department of Human Services. There are still three senators who want to ask questions in this area.

**Senator RONALDSON**—Mr—

**Mr Killesteyn**—Sorry, Senator, I need to correct the record. I have just been advised by the minister that he did sign off on a couple of amalgamations today, and so I was waiting for that approval. The two are related to areas that are involved as a consequence of the redistribution

proposals in Queensland and New South Wales. One is the new division of Wright, which is the new electorate finally decided by the augmented Electoral Commission last week. That would be to be co-located with the divisions of Blair and Oxley. The second is a proposal to co-locate Cook and Hughes temporarily, pending issues around the appropriate locality for the division of Cook. That accommodation needs to be examined.

**Senator RONALDSON**—Mr Killesteyn, I am mindful of the matters raised by the chair and I will put some matters on notice in relation to defence personnel and voting. Minister, I return very briefly to the matter involving the member for Dobell. Would it be reasonable to assume that the government will want to see this matter fully canvassed and would it be reasonable for me to put to you that there has been an allegation of a secret undeclared donation to a political candidate, in this case one of your own members? Do I assume that you would find it unusual for there to be absolution by way of lodgement? Is the government anxious to ensure that there is a degree of openness and transparency in relation to this matter that would require full investigation?

**Senator Ludwig**—The government is anxious to ensure the AEC remains undirected and unfettered in respect of its independence to be able to investigate these matters and report to parliament. I am not about to engage in what I think, quite frankly. The AEC is an independent statutory authority. I think the answer that the AEC has provided is accurate. I certainly have full confidence in the AEC's ability to deal with this and all other issues. That is why we have the Australian Electoral Commission and that is why we have it independent from government—to deal with not only these issues but a whole range of matters.

**Senator RONALDSON**—Is the government prepared to undertake that the appropriate level of openness and transparency will occur for this matter to be fully investigated in light of the very serious allegations that have been made?

**Senator Ludwig**—You seem not to understand the point, Senator Ronaldson. It is not for me to direct or ask the AEC to deal with—

**Senator RONALDSON**—I understand the point you are trying not to answer, Minister.

**Senator Ludwig**—No, quite frankly—quite the opposite. The AEC provided the accurate response to you. I cannot direct the AEC in relation to this matter. There are very few matters that I can direct the AEC in relation to, and I think that is appropriate. The AEC has responded to your questions and, of course, you have estimates to continuously ensure that the AEC is acting appropriately. You can check on their service and you can put notices—

**Senator RONALDSON**—I actually did not ask you to direct the AEC.

**Senator Ludwig**—I think you are falling into that territory.

**Senator RONALDSON**—What I asked you was: is it the government's view that this matter should be fully investigated in light of the serious nature of the allegations made?

**Senator Ludwig**—There you have it. You are actually outlining what the government may or may not want the AEC to do. The AEC is independent of government. That is clear and I have stated that a number of times this evening. I remain confident that the AEC will deal with this matter appropriately.

**Mr Killesteyn**—I assume your question does not imply that you believe that the AEC will not fully investigate the matter.

**Senator RONALDSON**—Mr Killesteyn, my questions to you were about process and my question to the minister was about the politics of this issue and, indeed, whether the government was prepared to ensure this matter was fully investigated. Rest assured there is no reflection on the process that might have been undertaken by the AEC but there are some very serious questions about the government's reluctance to ensure that the politics of this matter were covered appropriately.

**Senator Ludwig**—No, I think that is inappropriate. What we have said, and what I continue to say, is that we are certainly allowing the AEC to run its investigation as it sees fit and not cavil in the way the AEC conducts its investigation. They will refer the matter to the appropriate authorities in due course depending on the results of their investigation. That is why the AEC is independent of government—so that they can run their own race in respect of these matters. What worries me, Senator, is that you seem to be suggesting that somehow I should influence the AEC. That would be entirely inappropriate.

**CHAIR**—I think we have covered this ground twice and I will now give the call to Senator Fielding.

**Senator FIELDING**—Mr Killesteyn, you may have mentioned this figure before, but how many eligible voters are not registered on the electoral roll at the moment?

**Mr Killesteyn**—Our estimate at this point is that there are about 1.2 million eligible Australians not on the roll.

**Senator FIELDING**—What proportion, in age groups, are those? Can you give a rough percentage? I do not need an exact percentage. I think there are quite a bit in the 18- to 24-year age group.

**Mr Killesteyn**—About one in four 18- to 24-year-olds are registered, so 20 per cent are not, and as you progressively move up to older age brackets, up to about 34, you find that the percentages start to decline. But, from memory—and I can get the statistics for you—

**Senator FIELDING**—If you can.

**Mr Killesteyn**—I will take that on notice but, from memory, about 60 per cent of all of those—oh, thank you very much. Those statistics have just appeared, magically! For those 18 to 24 years of age it is over 370,000, which is 30 per cent; 25 to 34: over 318, 000, which is 25 per cent; 35 to 44: over 250,000, which is 20 per cent; 45 to 54 years: over 170,000, which is 14 per cent; 55 to 64 years of age: around 86, 000, which is seven per cent; and 65-plus years: around 55, 000, which is four per cent. These are figures which I provided in a press release some weeks ago.

**Senator FIELDING**—Is it true that one in two 18-year-olds are not enrolled to vote at any one stage, roughly? Is that right—one in two?

**Mr Killesteyn**—That is a reasonable estimate, yes.

**Senator FIELDING**—So 50 per cent are not enrolled at 18?

**Mr Killesteyn**—That is correct.

**Senator FIELDING**—What are you doing differently to try to change that figure? That is a high proportion, isn't it? That is 50 per cent of 18-year-olds.

**Mr Killesteyn**—I agree with you; it is an alarming figure.

**Senator FIELDING**—It is an alarming figure.

**Mr Killesteyn**—Yes, and I have made the point in evidence before the Joint Standing Committee on Electoral Matters that there does need to be a different approach. There are some constraints within the legislation, and I have made that point too. If we want to engage with younger people then we at least ought to have greater facilities for allowing enrolment to occur online. Essentially we have a young cohort that is much more familiar with and capable of doing things online. The legislation does not allow us to do that, but we have just recently gone some way to providing an online facility which allows anyone, including young people, to complete their enrolments online and to transmit that information to us electronically. We hold that in a pending electronic file, waiting for the paper form with the signature to follow. That is as much as we can do with the current legislation.

**Senator FIELDING**—I will come back to that, maybe. Go on.

**Mr Killesteyn**—At the same time, however, we continue to follow up our traditional methods, which have worked reasonably well for us over many, many years. So just recently we sent out nearly 800,000 letters to people for whom we have information from other databases, particularly drivers license databases, where there is an indication that they are not at the address at which they are currently enrolled. For young people generally we also engage in other activities such as Enrol to Vote Week, where we enlist the assistance of schools. We have birthday card programs where we send out birthday cards to people turning 18 and invite them to enrol through application forms. So there is a considerable level of activity. Notwithstanding that, it is still quite an alarming figure.

**Senator FIELDING**—It is still quite low. When did the 800,000 go out? You said 'recently'.

**Mr Killesteyn**—Yes, they have been going out over September.

**Senator FIELDING**—Have you had any feedback on that yet or not?

**Mr Killesteyn**—It is early days but typically we would get a response rate of 20 to 25 per cent of people updating their enrolment. We do not leave it there; we send further reminder letters after that, and you would probably find typically another 20 to 25 per cent. We are trialling some other activities in some of our states with, I guess, call centres, which are using information we have about telephone numbers and calling people just to remind them. So there are lots of different things that we try, to bring the enrolment rate up.

**Senator FIELDING**—I understand that the Melbourne and Adelaide centres—I have forgotten what they are called.

**Mr Killesteyn**—The electoral education centres?

**Senator FIELDING**—Thank you very much. They were closed down. What cost savings came out of that? What did you save just on those closures?

**Mr Killesteyn**—The overall cost saving per annum for the closure of the two centres was in the order of \$620,000 per annum.

**Senator FIELDING**—For each, or combined?

**Mr Killesteyn**—That is combined, yes. Primarily, they were costs associated with staffing but there were also rental costs included in that and other running costs.

**Senator FIELDING**—I was just thinking that you actually have the data, don't you? Because you post that out to people and you ask them to actually sign the form and post it back.

**Mr Killesteyn**—We have data from various sources, including drivers licence databases; births, deaths and marriages; Centrelink information and so forth.

**Senator FIELDING**—Obviously you do not control policy so I have to be careful here but it seems odd to me that you have got all the data and you are just after a signature. Can't you sort of do it the other way around? Is there a way of getting around this? It just seems odd to me that you have got everything you need and then you are sort of asking someone. Can't you do it the other way around and have people opt out if they do not want to be on the electoral system sort of thing? That way they can get a fine or whatever. It just seems odd that we are going to all this effort to mail out to people saying, 'Look, this is you. Just sign the form and then we will have you registered.' We go to all of this expense.

**Mr Killesteyn**—There are a range of options that have been included in the government's green paper to look at more effective methods of getting people onto the roll. We are obviously supportive of those methods, including changes to the act to allow us to automatically update the roll or directly update on the basis of third-party information. There are also trials going on in other jurisdictions, including New South Wales, which includes for people turning 18 that they would directly be put on the roll without having to make an application. So there are initiatives and there are good ideas, but I think it is a matter now for those ideas to be promulgated with the community and for government to consider those responses. Issues like technology and technological responses through online arrangements are something that we would strongly support.

**Senator FIELDING**—What is being done to get into schools and go to them rather than getting them to come into, say, your Canberra centre? I know that quite a few kids go through that each year.

**Mr Killesteyn**—The National Electoral Education Centre in Canberra is now reaching the point where we are probably going to get very close to 100,000 students going through that centre per annum. It continues to grow. Indeed in September this year the National Electoral Education Centre had a record 13,000 students go through it in one month. So it is clearly a success. But we do not confine our activities for primary and secondary school children only to the National Electoral Education Centre. As I said, we have National Enrol to Vote Week, which was conducted in July this year. We do that every year. We do that with schools. Our divisional officers also spend time on what are called school and community visits, where they go out to schools and either deliver presentations to both primary and secondary school children or indeed help them conduct elections for prefects and other officials. All of that is part of the education process. We work with teachers. We have an activity where we train



teachers in electoral matters and indeed provide resource materials and learning materials for them. We are also now currently exploring whether there is scope for us to work with the Australian curriculum and assessment reporting agency on an approach to a national curriculum that might be rolled out to both primary and secondary schools. So there is considerable activity.

**Senator FIELDING**—Just getting back to the one in two 18-year-olds who are not enrolled at one stage, is there a target that you are working towards? Obviously you want it to be 100 per cent but what are you working towards? How do we know that you are performing? Is that your responsibility or is it not your responsibility?

**Mr Killesteyn**—The actual target in our public documentation and in the portfolio budget statements is 80 per cent. So we are at the target.

**Senator FIELDING**—But for 18-year-olds there is no target?

**Mr Killesteyn**—Yes, it is 80 per cent. So in one respect we have met the target. But, from my own personal point of view as the Electoral Commissioner, I think the key to achieving substantial inroads into the 1.2 million unregistered Australians is to very strongly focus on youth. So that is right through the 18- to 24-year-old group. So there is a target. We have made it, but I am not satisfied with the target; we have to do better.

**Senator FIFIELD**—Good evening. You might recall that at the last estimates we had a discussion about the recommendations of the Joint Standing Committee on Electoral Matters in relation to the discontinuation of the trial of electronically assisted voting for blind and vision impaired people. You would be well aware of the distress and upset of that section of the community at what appeared to be a fairly blunt recommendation with full stop at the end of it.

The experience of the Disability Discrimination Commissioner, Graeme Innes, at the time of the trial was well publicised. I think he said that he had tears in his eyes at the opportunity to cast a genuinely secret ballot. I think that was a not uncommon experience for blind and visually impaired people who had that opportunity for the first time. I know that it is an area of concern and keen interest for you as commissioner to seek to facilitate that opportunity at future elections.

The government, as you would be aware, tabled its response to the JSCEM recommendations on 17 September. That response indicated that the AEC is to report to government by December of this year on consultations that it is currently having. I was just wondering if you could give us an update on those consultations—which stakeholder groups you have met, what stage those consultations are at and, if your thoughts have formed to a degree that you could share them with us, how secret ballots for blind and vision impaired people could be facilitated in the future.

**Mr Killesteyn**—I recall the discussion we had at the last estimates. Since that time we have been working very actively with the representative groups. We formed a reference group with representatives from the peak organisations. That reference group includes Graeme Innes, the Human Rights Commissioner; Mr Michael Simpson, from Vision Australia; Ms Robyn McKenzie, from Blind Citizens Australia; Mr Wayne Hawkins, also from Blind Citizens Australia; and Mrs Margaret Verick, from the Australian Blindness Forum.

Incidentally, the Australian Blindness Forum is now regarded as the peak representative body for those groups I have just mentioned. We have now had three meetings with that reference group, on 11 August, 18 September and, most recently, yesterday.

At the same time, Vision Australia, using the information and the ideas that we have been discussing in the reference group, has conducted a number of focus groups with others in the community. Those focus groups have been held quite extensively throughout Australia. Sessions were held on 28 and 29 September in Enfield and in Woolloongabba, in Queensland; there were sessions in early October in Kooyong; there was a teleconference in October; and there have been focus groups in the ACT and Adelaide right throughout—representing, I think, some 90-odd people who have been involved in those focus groups. The idea with the focus groups was, I guess, to bounce ideas off and get reactions from them.

I will just go back. One of the issues that emerged with the original trial was the assumption that the way to provide independent and secret voting facilities was to roll out the hardware associated with the trial that we conducted in 2007. Essentially, it is hardware that involves a telephone pad; headphones, which can give instructions; the ability of a person to cast their ballot using the telephone pad; and a printer next to the equipment, which produces the ballot paper. That ballot paper is then managed in the same way that other declaration votes are managed—put in an envelope and sent to the relevant division.

So the notion was that that hardware would be distributed throughout more and more centres, starting with 29 centres and then potentially moving out to other centres. That notion of distributing the hardware is where the cost is. The more you distribute hardware; the more the cost starts to escalate. The more you have to manage the hardware; the more there are issues about maintenance and so forth. And so what has been discussed with the reference groups is a different approach where it is still accessible to people in many more locations but it is not based on a rollout of physical hardware. It is based rather on the rollout of a virtual technology but centralising the hardware capability within a centralised site.

We have looked at various options. Obviously, the preferred model is to allow an individual to use the normal technology that they would use for banking or whatever through the telephone and to dial in to an automated facility—which would provide exactly the same instructions that they would have heard in the trial in 2007. There are some issues around how far and how fast you can roll that out, particularly in terms of cost. So we have looked at some interim steps which would include the use of call centres. For example, a first step might be that a blind or vision impaired person might go to one of our divisional offices. They would then be provided with a private facility and they would make a call to a call centre where they could indicate to a person in the call centre what their preferred vote is. That vote would then be dealt with in exactly the same way as other declaration votes. That is a relatively low-cost and immediate thing that could be done.

However, it is not the preferred model by the blind and vision impaired groups. They would obviously prefer something which does not involve anyone listening to the vote and transcribing it onto a paper. So we are now looking at the cost issues and technology issues, as well as the intellectual property issues, associated with moving to that preferred model.

**Senator FIFIELD**—Would that preferred model involve some sort of preregistration so that that facility was available at a particular place on polling day? Or would it in effect be a pre-poll vote? Or is it envisaged that that facility could potentially be available at each polling place, or at least at a certain number of polling places in each division?

**Mr Killesteyn**—Whether preregistration is necessary is one of the issues that we are looking at. Clearly there would be a need to provide a basis upon which a person who was properly regarded as blind or vision impaired would have this facility—so it would not necessarily be available to any voter. So there is the notion of whether you would preregister. Equally, you might look at options where you would base the eligibility for access to the system on other information that might be held by other agencies. For example, it might act as a form of preregistration if a person is already in receipt of some form of disability pension from Centrelink. We have not reached a view on precisely which is the best way to go, but I think it would be fair to say that we would try to minimise the bureaucracy associated with getting access to such a system.

I doubt whether it could be rolled out to every polling station. We are talking 8,000 polling stations so it is always going to be niche accessibility, if you like. We think that it should at a minimum be at every divisional office. There are probably other centres which are more familiar with blind and vision impaired groups where we could also establish such a facility. And ultimately it is really driven by the extent to which you can roll that technology out with some reliability, because ultimately you are relying upon telecommunications facilities, and that has to be reliable. The other point I would make is that all of these options require legislative change. There is absolutely nothing that we can do under the current provisions of the act.

**Senator FIFIELD**—Is there a sort of ballpark indicative budget within which you could work the options that you have in mind?

**Mr Killesteyn**—I do not want to give any ballpark at this point for a number of reasons. Firstly, I could be wildly wrong. Secondly, it is likely that any of these solutions, barring the first option that I described of a simple call centre, would require us to go out to tender and I am not sure how the market would respond. The system that we used for the 2007 trial was a one-off only. We cannot use any of that technology or intellectual property for any further trials, so we really would be forced to go back out to the market.

**Senator FIFIELD**—Are the members of the reference group you established—I guess it is hard for you to speak for them—satisfied with the level of consultation and the range of options that you are discussing?

**Mr Killesteyn**—I think they are. They have expressed to me their strong preference for a model which allows a blind or vision impaired person to use the telephone where there is an automated response, the whole process is automated and there is no individual involved in recording the ballot. However, they also recognise that that may be an outcome which takes some time to engineer and that there are some interim steps that they would be satisfied with adopting as long as there is a path towards the preferred model.

**Senator FIFIELD**—It sounds like you have come a long way from JSCEM's recommendation, which was that the provision of electronic magnifiers be looked at, which

clearly would not be satisfactory or of use to many people. Congratulations on the work that you have done to date. I am just wondering, in the event of an earlyish election, if you have a plan B in place. Do you have contingencies should the government not have responded to the report that you will provide in December by the time of the next election?

**Mr Killesteyn**—I can be blunt. There is no plan B because at this point there is no legislative provision for us to do anything different to what we have previously done under section 234 of the Commonwealth Electoral Act to allow a person to be assisted in their voting. That essentially means allowing an individual to go into a polling booth with a blind or vision impaired person. We are critically reliant on legislation.

**Senator FIFIELD**—Sure. So you will certainly be doing your job to get to government by December the outcome of consultations and recommendations, including costings. This puts it in the hands of government and the minister. Minister, does the government have a commitment to provide the option of a secret ballot for blind and vision impaired people by the next election to ensure that there is reasonable coverage for that option throughout Australia?

**Senator Ludwig**—Broadly in answer to your question there are three issues. Firstly, you know that the JSCEM recommendations were unanimous. We got to a position where the Joint Standing Committee on Electoral Matters recommended that electronically assisted voting not be continued at future elections. I think it is important—and it is a matter I have had a number of meetings about with the commissioner to canvass this issue to find solutions. I am lending my shoulder to the wheel to come up with options as well. The AEC has facilitated the formation of a reference committee and that is the second issue that needs to be borne in mind—that this government is looking for a way forward. The committee met on 11 August and 18 September, so it continues to meet. I think the committee met again in October. It will depend on the AEC consulting to gain final agreement around a solution that they may want to move forward with because they also need to ensure that they have consulted widely with the various groups.

It will very much depend on what those recommendations are and what the AEC brings forward, so—this is the third point—I did not want to get into hypotheticals about it. I am keen to hear from the reference group. I am keen to look at their report. I am keen to look at their options. If we do not do something then I think the commissioner is right: we will fall back to 234 of the Commonwealth Electoral Act.

But bear in mind that this issue has been around for a long time and there are issues such as the following. Technology is moving forward quite rapidly. I am aware that Centrelink has a range of processes in place to allow what is called voice recognition. In Antarctica they use the telephone to vote. So there are a range of options that I am keen to find and to look at the costings of.

My final point is that we will continue to work with the reference group and the AEC to find a solution. I also met with Graeme Innes very early in the piece about this and discussed this with him because I was keen to get his immediate feedback about how we could go forward. My interest in finding solutions has been quite high.

**Senator FIFIELD**—I appreciate the issue has been around for some time but I guess there is a sense in the community, given that there was an option last election, even though it was a trial, that something will have been taken away if there is not an alternative at the next election. So, Minister, would it be your hope and aspiration that something could be done for the next election?

**Senator Ludwig**—I cannot give you a commitment. I am keen to look forward to what the reference group comes forward with. My interest in this area has been outlined this evening in that not only have I met with Graeme Innes but also I have discussed it with him a second time. I have met with the commission a couple of times, although I do not want to go into the numbers in case I get tripped up. But I am sure I have canvassed it a range of times. I have certainly mentioned some of my own solutions to move forward with.

I cannot provide a commitment, but there was a trial. Of course, that is what trials are for—to find ways forward. The trial, from JSCEM's perspective, it was unanimously agreed, did not come up with the goods. We need to have a look at what can come up with the goods, at what does provides an enduring solution in this area and how it could be applied more broadly. My conversations with people in this area have suggested to me that it has got to be not only an enduring solution but also a simple solution that fits in everywhere—that does not simply target a particular group but could be used more broadly. There are a range of people who could fall within the category that require an assisted voting type of arrangement, so I would be keen to find a solution across the board.

**Senator FIFIELD**—I am sure you will try your best.

**Senator FEENEY**—Mr Killesteyn, I just have a couple of very quick questions for you concerning the Victorian redivision. You have announced that there will be a redivision of Victorian boundaries but, as I understand it, at this point you have not yet said anything on the public record concerning the conduct or the timeline of that redivision. I was wondering if there was anything you are in a position to put on the public record at this juncture.

**Mr Killesteyn**—The only issue in relation to the distribution of electorates in Victoria is that the redistribution process will commence some time between 29 January and 10 February 2010. It is a bit early at this stage for me to develop a more definitive timetable. That timetable is somewhat dependent on the information that I receive from the Australian Bureau of Statistics, which will give me information about the demographic trends in Victoria. We will need information around projections of electors at some future date. I will be endeavouring to put further information into the public arena about the timetable well before 29 January.

I understand the issues that are of concern to the parties. I took the action to post on the website my decision in relation to the Victorian redistribution because of the range of inquiries that I was receiving. That is a fairly unusual step, I think. I understand that there is more information that people are interested in, particularly the timetable, and I will do my best to put out a timetable as quickly as I can.

**Senator FEENEY**—Are you able to indicate at this juncture when it will be complete? Do you have an end date?

**Senator Ludwig**—Queensland was 19 February. It was tabled in mid-December. So it is unlikely until—when?

**Mr Killesteyn**—It is an elongated process, and perhaps one should not be ashamed of having an elongated process because it is heavily built around consultation and it is heavily built around providing opportunities for all individuals, including the parties, to make comments and to provide suggestions. Proposals then go out into the public arena. That itself has opportunities for objections and then comments on the objections. There is a very extensive hearing process to enable people to appear personally before the augmented Electoral Commission. So it is not going to be a quick process. I would think that we are talking about a process that will go into the second half of 2010—and I would possibly even say well into the third quarter of 2010—simply because it is important to ensure that each individual, each party and every member of the community has an opportunity to comment on what is being proposed.

**Senator BERNARDI**—I have a question from Senator Ian Macdonald and I will try to do it justice. Senator Macdonald asked me to seek some information on the decision to extend the seat of Dawson into the suburb of Annandale, which is a suburb of Townsville. Senator Macdonald made the point to me that it is some 400 kilometres from the base of Mackay, which Dawson was initially built around, to Townsville. I am advised there were 4,000 objections to the extension of the seat of Dawson into the suburb of Annandale. I am seeking a response from you, Mr Killesteyn.

**Mr Killesteyn**—Let me immediately correct the record: 4,000 objections would be what is wrong. For Queensland there were 555 objections in total, of which 450 were in relation to the matter of the inclusion of Annandale and Wulguru in the seat of Dawson rather than the current seat of Herbert. Let me make a couple of comments. The first comment I would make is that the redistribution is an entirely independent process and it is conducted in accordance with the very strict requirements of the Commonwealth Electoral Act. I say that because there is little discretion in the way in which these matters can unfold.

The second point I would make is that the redistribution is not a product of the Australian Electoral Commission. There is some uninformed comment that it is the AEC that does this. It is not the Australian Electoral Commission; it is an augmented Electoral Commission, which includes as its chair the Hon. Peter Heerey QC, a retired Federal Court judge who has been appointed recently by the government as the chair of the Electoral Commission. It also includes Mr Brian Pink, the Australian Statistician; it includes Ms Anne Bright, the Australian electoral officer in Queensland; it includes Mr Glenn Poole, who is the Auditor-General of Queensland; and it includes Mr Chris Robson, who is the Queensland surveyor-general equivalent. They are the augmented Electoral Commission which makes these proposals and decisions. The reasons for all of the boundaries, including those between Herbert and Dawson, will be tabled in full in a report to parliament when the decision of the augmented Electoral Commission is gazetted on 15 December.

Noting that this is a decision of the augmented Electoral Commission, there are a couple of points that I want to make. The augmented Electoral Commission has a difficult task. The act has the numerical requirement that there should be roughly the same number of electors in every seat. That is the primary criterion in the Commonwealth Electoral Act. There are

secondary criteria—and I stress that they are secondary criteria—that take account of communities of interest, which is primarily where the arguments around Annandale and Wulguru being part of Townsville have surfaced. The augmented Electoral Commission in accordance with the Commonwealth Electoral Act has to look at the projected number of electors. The Townsville City Council is projected in statistics provided by the Australian Bureau of Statistics to have some 118,343 electors by 9 July 2012, the projected date as set out in the Commonwealth Electoral Act. The projected average enrolment, plus the 3½ per cent tolerance which is prescribed in the Commonwealth Electoral Act, is 100,635. That is, the act says that by 9 July 2012 there cannot be any more than 100,635 electors in an electorate in Queensland.

What I am getting to is that it is simply impossible within the current requirements of the Commonwealth Electoral Act to propose boundaries for the seat of Herbert which include all of the Townsville City Council. It is impossible. The augmented Electoral Commission has no discretion to do anything else. In other words, some part of Townsville must be located in another division. I cannot do anything about it. The augmented Electoral Commission cannot do anything about it. That is the way the act works. Notwithstanding the merits of the arguments being put by the residents of Annandale Wulguru—and the augmented Electoral Commission listened very hard to and has considerable understanding of the arguments that the individuals were putting—Annandale and Wulguru were included in Dawson simply because of the provisions of the act.

**Senator BERNARDI**—Thank you for the answer. I am sure Senator Macdonald, if he has any further questions, will submit them on notice.

**Mr Killesteyn**—The last thing is—

**Senator Ludwig**—We knew this was going to be a long answer, didn't we!

**Senator BERNARDI**—I was not expecting it to be a long answer.

**Mr Killesteyn**—But it is important because I think there is a level of misunderstanding. I did take the time to provide a long answer because of the misunderstanding about the way in which this whole process works.

**Senator BERNARDI**—Your answer is not long; it is comprehensive and very clear. I appreciate that.

**Mr Killesteyn**—The only other thing I would say is that more than 80 per cent of the residents of Townsville are located in the division of Herbert, but what we have here is an illustration that increasingly as regional cities grow, particularly along the coast of Queensland, this issue will surface again and again.

**Senator BERNARDI**—Thank you for your answer. I appreciate it.

**CHAIR**—Thank you. That concludes questions for the Australian Electoral Commission.

**Proceedings suspended from 8.58 pm to 9.05 pm**

**HUMAN SERVICES PORTFOLIO****In Attendance**

Senator Ludwig, Special Minister of State

**Department of Human Services****Core Department, Outcome 1, Output 1**

Mr Finn Pratt, Secretary

Ms Kerri Hartland, Deputy Secretary, Technology and Corporate

Mr Jeff Poppo, Acting Deputy Secretary, Delivery Policy and Compliance

Ms Jennifer Gale, Chief Financial Officer, Finance and Budgets Division

Mr Brian Olson, Acting First Assistant Secretary, Chief Technology Architect Division

Ms Soraya Weber, Assistant Secretary, Information and Payment Delivery Reform

Ms Sue Chapman, First Assistant Secretary, Corporate Operations Division

Mr Patrick Hadley, First Assistant Secretary, Departmental Chief Information Officer Division

Mr Alex Dolan, First Assistant Secretary, Employment and Compliance Division

Mr David Trabinger, First Assistant Secretary, Health and Customer Access Division

Ms Barbara Bennett, First Assistant Secretary, Families, Support and Governance Division

Mr Paul Hupalo, Assistant Secretary, Family Policy, Families, Support and Governance Division

Dr Gary Rumble, General Counsel Division

Mr Sam Campisi, National Manager, Multicultural Services Branch

**Child Support Agency, Outcome 1, Output 2**

Ms Philippa Godwin, Deputy Secretary, Child Support and Planning

Ms Jennifer Cooke, First Assistant Secretary, Service Delivery Division

Ms Katrina Baird, Acting First Assistant Secretary, Quality and Planning Division

Mr David Mole, Acting First Assistant Secretary, Business Improvement Division

**CRS Australia, Outcome 1, Output 3**

Mrs Margaret Carmody, General Manager

Mr Carl Princehorn, Deputy General Manager, Service Delivery

Mr Michael Robinson, Deputy General Manager, Corporate

Mr Paul Cain, National Manager Finance

**Centrelink, Outcome 1, Output 1.1**

Ms Carolyn Hogg, Acting Chief Executive Officer

Ms Aurora Andruska, Deputy Chief Executive Officer, Clients, Capability and Corporate

Mr Grant Tidswell, Acting Deputy Chief Executive Officer, Customer Service

Mr Gary Dunn, Acting Deputy Chief Executive Officer, Service Delivery and Emergency Management

Mr John Wadson, Deputy Chief Executive Officer, Information Technology

Ms Natalie Howson, General Manager, Client Business

Mr Tony Gargan, Acting General Manager, Forecasting, Information and Performance

Ms Cheryl-anne Moy, Acting General Manager, People and Ministerial

Mr Trevor Burgess, Chief Financial Officer

Mr Hank Jongen, General Manager, Communication



Ms Moya Drayton, General Manager, Education, Employment and Support Programs  
Mr Paul Cowan, General Manager, Seniors, Families and Carers  
Mr Graham Maloney, Acting General Manager, Network Operations  
Ms Sheryl Lewin, General Manager, Network Performance  
Mr Mark Withnell, General Manager, Business Integrity  
Ms Roxanne Ramsey, General Manager, Indigenous and Remote Servicing  
Mr Luke Woolmer, Acting General Manager, Business Systems  
Mr Darren Box, General Manager, Audit, Governance and Assurance  
Mr James Rice, Acting National Manager, Ministerial and Parliamentary  
Mr Karel Havlat, National Manager, Budgeting and Management Accounting  
Ms Kathryn Johnson, Legal Counsel, Administrative Law and Privacy  
Mr Brendan Jacomb, Legal Counsel, Commercial and Procurement  
Ms Vicki Beath, National Manager, Education, Employment and Disabilities Program  
Branch  
Ms Kate Hay, National Manager, Rural and Climate Change Branch

**Medicare Australia, Outcome 1, Output 1.1**

Ms Lynelle Briggs, Chief Executive Officer  
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Mr Doug Fawns, Acting Chief Finance Officer  
Mr Graham Gathercole, General Manager IT Operations and Projects  
Ms Lynne O'Brien, General Manager Electronic Medicare Claiming Project  
Mr Mark Jacskon, General Manager Program Review Division  
Ms Sheila Bird, General Manager Business Futures and eClaiming  
Ms Michelle Thompson, General Manager Electronic Medicare Claiming Implementation  
Mr Geoff Mutton, Chief Operating Officer  
Ms Leonie Whiting, Acting General Manager Medicare and Associated Government Programs  
Ms Linda Holub, General Manager Pharmaceutical Benefits Scheme and Aged Care Division

**CHAIR**—I welcome the officers of the Department of Human Services. Congratulations to Mr Pratt. Do you have an opening statement?

**Mr Pratt**—No, thank you.

**Senator SCULLION**—Can you recall, Minister, the election commitments in the area of Human Services in 2007?

**Senator Ludwig**—It would be testing me to recall them all. Do you mean in relation to Human Services or the portfolio?

**Senator SCULLION**—Human Services.

**Senator Ludwig**—I might have to ask the department if they have a list. Certainly I can take it on notice to provide it to you.

**Senator SCULLION**—Certainly. When you provide that list, could you see if it has any indications of implementation dates and see where we are up to with those election commitments. Perhaps the department can provide some advice on that now.

**Mr Pratt**—I will check whether or not we have a list of election commitments.

**Senator SCULLION**—The minister was already very helpful in indicating that he had one of those. I was just wondering about whether or not you were aware of any particular implementation dates or details around the list.

**Mr Pratt**—I would have to have a look at the list to be able to answer that question.

**Senator SCULLION**—Would you be able to take that on notice?

**Mr Pratt**—Yes.

**Senator SCULLION**—When you are taking that on notice, I wonder if you could deal not only with the implementation dates but with how the outcomes are going with regard to the implementation date and the actual activity—whether or not we are meeting the implementation date.

**Mr Pratt**—Certainly.

**Senator Ludwig**—We will have a look at what we can provide. My recollection is that there were a range of matters that were articulated at an earlier estimates, but I could be wrong about that. It would be important to make sure we get it right for the record. There are a range of matters that I think were started within this portfolio, right back from the first budget and the continuation. For argument's sake, delivering on Medicare offices is one I recall clearly. I think we have been undertaking that.

**Senator SCULLION**—If you could provide the entire list within the Human Services portfolio and the appended question, Mr Pratt, that would be very useful.

**Mr Pratt**—Yes.

**Senator SCULLION**—Do you prepare electoral reports? For example, do you say how many Centrelink offices are in Solomon or how many Medicare offices or staff there are et cetera? Is it perhaps electorate specific?

**Mr Pratt**—I will just check.

**Ms Hartland**—There has been some information of that ilk that has been provided through the Parliamentary Library but not on a regular basis in response to some specific request. We would have to take the specifics of that question on notice.

**Senator SCULLION**—I know it is available to the Parliamentary Library. Did you provide that as a request through the Parliamentary Library?

**Ms Hartland**—Yes.

**Senator SCULLION**—So a senator or member has made a request to the Parliamentary Library and the reason you sought particular information on that electorate was for that area?

**Ms Hartland**—Correct.

**Senator SCULLION**—So that would be on the public record.

**Ms Hartland**—Correct, yes.

**Senator SCULLION**—Can you give us an update on the consultancy services that the department uses? Perhaps you can give us an indication of how much you have spent on consultancy services since November 2007.

**Ms Hartland**—Was that expenditure for 2008-09?

**Senator SCULLION**—Yes.

**Ms Hartland**—In the Department of Human Services there was \$1,293,101 spent on consultants. That was made up of Accenture—a body of work developing key performance indicators—to the value of \$335,060; some work done by Deloitte to the value of \$153,459 around some government framework information; some work done by IBM Australia to the value of \$343,305 for work on some business requirements around self-service facilities; further work done by Deloitte to the value of \$71,073 on review work around the basics card; \$59,950 to Tarcus which was for the provision of quality assurance services in child support; to Nous Group, \$43,172, which was around a review of complaints resolution process in child support; to Interiors Australia, \$29,172 on the development of a report on office design guidelines; to PricewaterhouseCoopers, \$89,067 around a funding agreement to do with property; to the Value Creation Group, \$63,444, which was to provide some strategic planning activity around ICT; and \$79,000 for Transaction Resources, which was for analysis and advice around electronic transfer frameworks, and a further \$26,400 for that group which was around an income management pricing policy.

**Senator SCULLION**—In regard to all of those, and I would appreciate a generic answer first—perhaps I might ask more specific questions on notice—how do you go about justifying the expenditure? On many of those there is obviously a deal of competence within the department to deal with that. What is the process to justify going outside the department to do some work and how does that process take place?

**Ms Hartland**—As you say, they tend to be for where there are not skills available in the department. A lot of those are specialist economic skills, or some of the more design skills or quality assurance skills where it does not make sense for the department to have people on board on a full-time basis. It would not be cost-effective to do that. In all of those cases, where they vary in specialised skills, those consultants are drawn largely from a panel arrangement, or we have gone to market, got a panel and then selected from that panel.

**Senator SCULLION**—Well, perhaps on notice—and thank you again for that comprehensive list—you can indicate in each case why the department or agencies could not undertake that work themselves and perhaps explain those specific talents that were not inside the department and for which you had to go outside, as well as the rationale of the project and its intended use.

**Ms Hartland**—Okay.

**CHAIR**—Just while you are on this point, there is a table on page 223 of the annual report which covers most of these but I am just a bit confused, as you were reading it to Senator Scullion, that there is a difference between a contract price and the price you have specified. Could you include an explanation for that as well?

**Ms Hartland**—Yes, we can do that.

**Senator SCULLION**—Moving on to advertising and marketing, educational—I am not really sure of the exact terminology we use for that—how much have you spent on advertising and marketing since 2007? Perhaps you could take that on notice.

**Ms Hartland**—I have got it here, Senator. I was just looking for it.

**Senator SCULLION**—Okay.

**Mr Pratt**—While we are looking for the details, appendix 4 on page 220 of the annual report sets out the payments made on advertising and market research for 2008-09.

**Senator SCULLION**—What I was particularly interested in was very similar to my previous question: to have a rationale for why that was done and the justification for the expenditure on each of those items.

**Mr Pratt**—We will respond more fully, but the answer will be basically the same: it is an area where we do not have significant expertise, so we need to buy it in.

**Senator SCULLION**—Thank you.

**Ms Hartland**—I can add to that. There has been a substantial decrease—in the order of \$186,000—in media monitoring costs from 2007-08 to 2008-09 as we have ended some contracts and rationalised the way we did some of that work.

**Senator SCULLION**—Thank you. How many staff are there in the Department of Human Services and each of its agencies? I am not all that interested in the number; I am more interested in the trends, although you can provide that on notice. Has the number increased or decreased?

**Ms Hartland**—I do not have the figures across years to make that comparison. I have got some total figures here before total staff headcount that I could provide to you, but I do not have the comparison across years.

**Senator SCULLION**—If you could take that on notice, that would be fine.

**Mr Pratt**—Yes, we will take it on notice. Our portfolio budget statement for each of the agencies does provide that information. If you would like, I could find it out for you now. On page 19, it says that DHS itself has increased from 2008-09 to 2009-10 from a 5,549 average staffing level—as we have discussed in the past, that is an average staffing level—to 6,174, estimated, for 2009-10. Bear with me while I get the index, Senator.

**Senator SCULLION**—Yes.

**Mr Pratt**—On page 61, it says that Centrelink in 2008-09 had 24,450 staff, increasing to 25,400 in 2009-10.

**Senator SCULLION**—Mr Pratt, while you are looking for that other number, can you tell me whether you are currently recruiting? I just noticed that the trend in the numbers is going up. Are you currently recruiting, and what areas are you recruiting in?

**Mr Pratt**—In a general sense, all of the agencies are constantly recruiting. As to whether we are expanding at the moment, the answer is: not necessarily!

**Senator SCULLION**—In terms of the raw numbers, you appear to be.

**Mr Pratt**—It depends when you ask the question, Senator. For the sake of completeness, Medicare Australia in 2008-09 saw a slight decline from 5,352 to an estimate in 2009-10 of an average staffing level of 5,214.

**Senator SCULLION**—You can help me with this, because the numbers are numbers, but when the number is high, is it reasonable to say that that means it is increasing? Can I rely on that as a raw figure to say that you are slowly increasing?

**Mr Pratt**—Just to be very clear, Senator, the answer is: yes and no!

**Senator SCULLION**—Beautiful!

**CHAIR**—That is clear!

**Mr Pratt**—For example, Centrelink's figures have gone up, but, across the course of this financial year, those numbers will start to come down because we have seen unemployment plateauing over that period. Unemployment will be lower than anticipated, so I imagine Centrelink will do far less recruitment than it might have anticipated early in the year, and that would apply to each of the agencies.

**Senator SCULLION**—Thank you. How many department liaison officers from Human Services agencies are currently engaged and would you be able to provide a list of the offices that they are working in? Again, that may not be available right now.

**Ms Hartland**—I can answer that. There are three in total. There is one DHS officer, one Centrelink officer and one child support program officer.

**Senator SCULLION**—So have those individuals worked in those roles so far this financial year or is it a position and the individuals have actually changed?

**Mr Pratt**—Some have worked for the entire financial year and some have changed during that period.

**Senator SCULLION**—Would you be able to just provide me with the three roles and which ones have changed or how many times they have changed. That would be useful.

**Mr Pratt**—Yes.

**Senator SCULLION**—Are you able to measure the rate of staff turnover in DHS and each of its agencies?

**Mr Pratt**—Yes.

**Senator SCULLION**—Do you think the rate is higher or lower within the executive?

**Mr Pratt**—Within the executive?

**Senator SCULLION**—I am asking about the rate of staff turnover in DHS and each of its agencies. So, in comparison with the agencies, the agencies have a staff turnover and DHS itself has a staff turnover.

**Mr Pratt**—Correct.

**Senator SCULLION**—I was sort of referring to DHS as the executive.

**Mr Pratt**—I understand. Yes, we can give you the turnover rate for DHS.

**Ms Hartland**—The total turnover rate on average for the agencies is around 12 per cent. It does vary quite a lot, but we will get you the individual information.

**Senator SCULLION**—Is that an acceptable level across the public service? Are you concerned at that or are you happy with that?

**Mr Pratt**—I am not concerned with that. That is reasonably healthy turnover rate. Some agencies or departments have turnover rates which are quite a bit higher. That does not necessarily concern them—it depends who is leaving and why. Some agencies have much lower turnover rates. Sometimes that can actually be a problem because there is no refreshing of skills. For my purposes a turnover rate in that order is not a concern.

**Senator SCULLION**—How many staff does DHS and its agencies have seconded from other areas of government to come into DHS?

**Ms Hartland**—We will have to take that on notice.

**Mr Pratt**—There are a number. We certainly have seconded into DHS staff from the agencies—such as Centrelink and Medicare. They come and work with us on portfolio-wide areas of interest. So there is a reasonable number. We will be able to give you that detail.

**Senator SCULLION**—When you provide that detail, I wonder if you could provide me a list of where the staff come from and what level they are at—and, when they come over to DHS, whether or not, if they are at a higher level, they retain their pay level in DHS or fit in some other way. I am happy for you to take that on notice.

**Mr Pratt**—Yes. It will be each of those things: sometimes they will come across in an acting capacity where they might be at a level higher and sometimes they will come across at level.

**Senator SCULLION**—Would you be able to update the committee on the level of absenteeism in DHS and its agencies. I am not sure if you do that as a head count or as a full-time equivalent figure.

**Ms Hartland**—We put it in terms of unplanned leave and it is done per agency. So for the financial year 2008-09, and it is in FTE, for the department it was 13.63, for CRS Australia it was 9.4, for Centrelink it was 13.6, for Medicare Australia it was 13.73 and for Australian Hearing it was 4.74.

**Senator SCULLION**—Staff must love it at Australian Hearing. How does this compare? Are there trend lines? Is this static?

**Ms Hartland**—I can give you further information on that. The median APS-wide absence rate for 2007-08 was 10.1 days per employee. It varies a lot. For larger agencies it was closer to 12 days. That information was from the *State of the service report*.

**Senator SCULLION**—Do you have a KPI? You said that you would like to achieve around 12.

**Ms Hartland**—That is correct. Each of the agencies has KPIs set around the unplanned leave rates.

**Senator SCULLION**—Have you got a plan to reduce that figure?

**Ms Hartland**—Yes. Each of the agencies has quite a detailed planning process that is always involved in looking at those figures to reduce them.

**Senator SCULLION**—You might need to take this on notice. If it is clearly over your targeted area, you have a plan to reduce that. I would like to have a look at those detailed plans. Is there any possibility of quantifying how those changes have reduced costs and what impact those plans have actually had on absenteeism?

**Mr Pratt**—I propose to give you, on notice, detail of the strategies each of the agencies is using to address their unplanned absences. If it would be helpful, I will also give you the trend figures over recent years. That will be able to show whether or not it is trending down or up.

**Senator SCULLION**—Do you do this on your own or do you have external consultants come in and assist with that area? Perhaps I was not listening carefully enough, but I was not sure whether the comprehensive list of external consultancies used over time actually caught those.

**Ms Hartland**—No, not in that list I gave you. Those consultants were not working on that. We have a HR area which has specialists that do look at these issues.

**Senator SCULLION**—Is that all in-house?

**Ms Hartland**—Yes.

**Senator SCULLION**—I guess I will get the total plan. As part of that plan could you also tell me if you have team-building activities or activities to ensure people want to stay so that absenteeism is not so high? What sort of general things do you do apart from being a governance sort of area?

**Ms Hartland**—There are a range of activities that fall into three key areas of focus. One area is communication, ensuring that staff is aware of the expectations and the impacts on productivity due to absenteeism. The second area is leadership, accountability and support—some of the areas that you were looking at—which is around providing managers with support and skills to manage attendance and to work with staff. The third area is performance monitoring and reporting.

**Senator SCULLION**—I was looking for who else may have been able to give you assistance in terms of team-building activities; often we have small groups of people that are professionals in that area.

**Mr Pratt**—Certainly agencies do engage those sorts of strategies in attempting to ensure that staff are feeling supported at work and that they are encouraged to come to work.

**Senator SCULLION**—I do not know whether it is part of the plan, but the plan may say that you do team-building activities. If so, could you provide the details of who provided those activities and how they were implemented?

**Mr Pratt**—Yes, Senator.

**Senator SCULLION**—Thank you. On 14 September the minister launched a discussion paper to engage industry on better ways of providing payment and information delivery systems. What role does the government see for industry in the payment and service delivery?

The media release was titled 'Payment and information delivery systems reform'. It was basically engaging with industry.

**Ms Hartland**—Yes, there was, as you say, a discussion paper released in September that encouraged anyone who wanted to respond to it, but in particular industry, to provide feedback. That closes on 30 October. Two industry briefing sessions were held. One was held in Sydney on 29 September and another was held in Melbourne on 1 October. There were about 107 people from 54 organisations who attended those briefings and we had a very positive response to the consultative approach that was taken.

The discussion paper provides a picture of what the Human Services portfolio has been doing with information and payment services in recent years and also describes some things that have been done overseas that are of interest. It is looking to provoke some feedback from industry and from others on ways where we might be able to do things in a better way in terms of payment capability and broader information transactions with the community. A range of things are posed in the discussion paper around 30 open-ended questions. They look at what sorts of new payment information service methods are available from both a technical and industry development point of view, the ways that we might be able to improve access to government services and to make government interaction with customers easier and how we might be more responsive, and ways to improve collection and re-use of information. So the paper is really about posing a whole range of open-ended questions to be able to allow the government to consider some next steps over the coming years.

**Senator SCULLION**—What role does the government see for industry in the payment service delivery area?

**Mr Pratt**—In response to that direct question, clearly the government is looking for advice. It is looking for new ideas from the industry and, of course, the government wishes to make use of the services and products that the industry has in terms of providing better services to Australians. So, to sum it up, my assessment would be that the government sees this industry as a very useful partner into the future.

**Senator SCULLION**—Centrelink currently provides the bulk of this sort of service to the government. Would you consider Centrelink continuing this role, or would parts of it perhaps be tendered out to industry? You talk about industry having ideas, and in the media release there are phrases such as 'new collaborative arrangements between public and private sectors'. Do you think that would extend to aspects being tendered or moved to the private sector if they had expertise in that sector?

**Senator Ludwig**—I think it is fair to say that we need to see what the discussion paper is going to come up with. It closes on 30 October. Industry submissions will be reviewed and used to inform the government's strategy for information in payment services over the next—and I think this is the important part—five to 10 years. Within the Human Services portfolio you have—and some of these figures sound a lot—more than \$100 billion in payments, more than 200 different services for more than 20 federal and state agencies, the processing of nearly 280 million health services through Medicare Australia and the processing of 6.6 billion transactions against customer records through Centrelink. That alone gives you the scale, in a very short sentence, of the work that the Human Services portfolio is doing. So the



government really wishes to establish an ongoing dialogue with industry to ensure that the delivery of payment information and services keeps pace with the technological developments out in the marketplace and also the commercial developments that occur. It is very, very important to ensure that there is that ongoing business dialogue—that business does get an opportunity to provide feedback and information sharing with the Human Services portfolio so that it can address a whole range of how we can do things better.

**Senator SCULLION**—Thank you, Minister. What I am getting to is that as part of this role I can understand a man of action like you, Minister, would recognise that ongoing dialogue is one aspect of the process, but at some stage there would have to be some decisions. I can understand that industry are able to provide information on a whole range of new technology, new ideas and how to go about things, and I acknowledge that. My question simply went to whether or not some of that work would be done by industry, and the privatisation of parts of it or advice. Irrespective of the sorts of information that came from industry—and I know you only part way through this process—I would be interested to hear whether or not you think that industry has a place and to what extent that would be.

**Senator Ludwig**—I think you raise a couple of things. First, if you look at the discussion paper, it gives the ways which the portfolio want to know from industry. It starts with new payment information service delivery methods and ways to improve access to government services and make customer interactions with government easier and more responsive. It also looks at ways of interacting with, for argument's sake, private and public partnership delivering payment information services, and new ways of talking to industry to collect information including using customers themselves, smart forms and a whole range of technology such as the basics card that was rolled out. Certainly there was huge industry input to make it a success. Also there is a tender process, which I cannot talk about. It is also about how we engage with industry to find solutions for ways of providing a better service to customers.

**Senator SCULLION**—I know that was a broad answer. It is not so much a concern, but I am trying to see how you are thinking about shaping what is one of the most fundamental areas of service delivery—the notion of whether or not you simply use information from industry or you allow industry to do something because they do it more efficiently, and we do that in a lot of areas of government over time. Given that Centrelink and Medicare store large amounts of personal information, how might industry be able to provide advice on how people access and protect this information?

**Mr Pratt**—I do not want to pre-empt (1) the responses we get to the discussion paper, because it is still open and (2) any decisions taken by government in relation to what comes back. I think it is fairly safe to say that whatever might occur, if anything, would have to be subject to proper scrutiny around privacy impacts and the like. I guess this is starting to enter into the realm of hypothetical at this stage.

**Senator SCULLION**—Perhaps a more factual area is the discussion area, which is described as part of broader service delivery reform. If this discussion paper is just a part of that, what is the scope of your broader reform?

**Mr Pratt**—The portfolio is constantly looking at new ways in which it can provide services to Australians, so we have an ongoing service delivery reform process. At a high level we are looking at ways across the portfolio, between agencies and within agencies in which we can try and provide better services to customers at different times. For example, Centrelink and Medicare have recently opened a new office in Narooma, where they are co-located and working together. There are place based trials in operation in Centrelink in a number of locations around the country. The agencies and the department work together on areas like common procurement and ways in which we can cooperate on information and communications technology and the like with a view to doing things more efficiently and so resources can be reinvested in ways to look after customers. This is something that the whole portfolio is geared up to do constantly.

**Senator SCULLION**—One of the great challenges for the portfolio historically, as I think most of us would acknowledge, is its capacity to de-siloise the departments and to ensure that there is communication between policy departments and the Department of Human Services: one department makes a policy decision and passes it on to the nuts and bolts of delivery. How do you think that is going? How do you think that change has happened since its inception? It has been around for a while. Are you having to constantly have a look at that and ensure that those capacities for communication are improved? And is that going to be part of the overall reform—to improve those critical areas of communication between departments?

**Mr Pratt**—Yes, it is something which we are very focused on and have been for some time. I am happy to say that we work very closely with the policy departments on the development of their policies in an attempt to ensure that they are confident that what we are doing in service delivery is effective in terms of delivering their policies. This is an area in which a lot of effort has been expended in recent times and I expect that will continue.

**Senator SCULLION**—Thank you, Mr Pratt. I have no further questions.

[9.43 pm]

**CHAIR (Senator Jacinta Collins)**—We will now move to the Child Support Agency.

**Senator SCULLION**—What statistics are kept by the CSA on client satisfaction?

**Ms Godwin**—We keep a number of statistics. If we want to get into detail, given my recent arrival in the program, I will hand over to Ms Cooke. Broadly speaking, we conduct market research from time to time. As well as that we have a process called the Customers Having a Say program, which is an automated process where a sample of customers are surveyed at the end of their engagement with a service officer. We also monitor complaint levels, objections to decisions and so forth. I think all of those go to the question of customer satisfaction.

**Senator SCULLION**—In response to a question on notice from the last time we had a chat, which was on 28 May, you provided information about two of those line items, which were the overall satisfaction with CSA and the satisfaction with service during the call. Would you be able to provide us with the current satisfaction rates? The last ones you provided were in May this year, and the overall satisfaction with CSA was 72 per cent and the satisfaction with service during the call—which was actually measured for five months—was 84 per cent. Could I have an update on those two figures monthly between May and now? Perhaps you

can provide that on notice. The most recent ones would provide us with some useful information.

**Ms Godwin**—We have some information here but I might need to take it on notice to update all of the aspects of that question. The customer satisfaction figure, which we collect as part of the call process, has remained above 70 per cent. In July it was 72.2 per cent. In August it was 71 per cent and in September it was 71.6 per cent. So it moves around that figure but it has stayed above 70 per cent. I guess we have a focus on keeping it at least above 70 per cent, and it has stayed around that figure.

**Senator SCULLION**—And what about satisfaction with service during the call? The other statistics that you provided last time, and I am not sure if you would have them now, were for satisfaction with service during the call.

**Ms Godwin**—That is steady at around 84 per cent.

**Senator SCULLION**—I would say that that last one is about right. I note that from May 2008 we started at 79 per cent and then went to 74 per cent, 73 per cent, 76 per cent, 74 per cent and 72 per cent. It has come from 79 per cent to 72 per cent and it is wobbling between 71 per cent and 72 per cent. If that was the curve of my bank balance, it would be something I was concerned about. I acknowledge this is not a huge number, but it is a trend. Just in general terms, and whilst this is not a long way down since the last reporting period, what are you doing about that and what plans do you have to ameliorate that trend? I would not be concerned about the figure month-to-month but the set of figures that you have provided us is not encouraging given that you have told me on previous occasions that you are making quite an effort to improve client satisfaction. So what particular programs or plans do you have at the moment to change the direction of that overall satisfaction with CSA?

**Ms Cooke**—The main way we are managing this issue is to really analyse the feedback that we receive through the calls and through the customer having a say. So we break those down into the categories. Where those categories relate to actions by our staff—either complaints about how people were dealt with or complaints about follow-up action, or perhaps action that has not been followed through—we record those. We can trace it back to the actual staff member who was involved in those calls. We then provide feedback so there is a constant loop—as well as us analysing the statistics in terms of the particular characteristics of the complaint. We put a lot of effort into understanding the systemic issues as well as giving individuals feedback on their particular performance related to the call. All the calls are recorded so we are actually able to reference calls as well.

**Senator SCULLION**—That is interesting to note, and I understand why it is done. We talk about satisfaction because it is positive, but the way we are heading we are 1½ percentage points away from having 30 per cent of the people you interact with being unsatisfied. I do not want to take a negative approach to that. Just so we understand these figures—and I think they are useful for us to have a look at at every estimates—I would think that this is a very emotive area and it would be quite difficult if you ask, ‘Are you dissatisfied.’ People might say, ‘Well, I’m not happy with my outcome,’ and I can understand that. I am interested in the process here. Is there some way that you acknowledge that that is going to be part of the satisfaction process and do you have some way of filtering the content of the person’s

circumstances out, because I think you are doing very well if that is in and only 30 per cent are dissatisfied. How do you go about filtering out the actual content of the process to glean a satisfaction rate?

**Ms Godwin**—To some extent that goes to the point that Ms Cooke was just making: we are putting a lot more effort into not merely recording that a complaint or a level of dissatisfaction was expressed but also understanding the cause of the dissatisfaction. Broadly speaking, as you say, it can fall into two categories. The first is dissatisfaction with the outcome. We might not have much control over the outcome if that is what the formula has delivered, or something of that sort. Then there are those things that do fall within our control—for example, if the service officer was not able to complete the transaction during the course of the call or the person on the line wanted to speak to a more senior officer but was not able to and felt that they wanted to express that as a dissatisfaction.

**Senator SCULLION**—In the vernacular, for us laypeople, does ‘not being able to complete the transaction’ mean that he simply did not have the information to provide the caller with what the caller required? Would that be the sort of—

**Ms Godwin**—That is potentially the sort of thing.

**Senator SCULLION**—What other things would come within the scope of being ‘unable to complete the transaction’?

**Ms Godwin**—If the caller provides some information which we are required to verify with the other party. As you know, with the changes to the Child Support Scheme, we now have to check a lot of things with both parents. If one parent says something has changed—care arrangements, for example—then we would need to check that with the other parent to confirm that those care arrangements have, in fact, changed. So that can be a source of concern during a call. We are doing a number of things in that context. Just to follow on from some of the things that Ms Cooke talked about, we have increased the call time for some types of calls so that the service officer has more time to spend on the phone trying to resolve or understand the issue and people therefore feel that we have taken full account of the information they are giving us.

**Senator SCULLION**—Can I assume from that part of your answer that, in the past, the actual time that an officer had to deal with the client request was capped?

**Ms Godwin**—It was not capped, but, of course, the service officer would be aware of other calls coming through, other people waiting and those sorts of things. We try to manage those service levels all the time in order to provide an appropriate balance between callers being able to get through in a timely fashion, on the one hand, and their being able to spend an appropriate amount of time on the phone with the service officer, on the other. We have also increased the extent to which a customer who feels that they want to speak to a more senior officer can ask to speak to a supervisor—some of those sorts of things, which try to resolve the issue within the course of the transaction rather than having the person ring off and then, perhaps, express dissatisfaction.

**Senator SCULLION**—It must be a pretty tough workplace, Ms Godwin—

**Ms Godwin**—It is a tough workplace.

**Senator SCULLION**—where there is a bit of pressure on you, because other people are saying, ‘You’ve got to hurry up. There are other calls coming.’ Given the sensitivity of many of the issues, I would have thought that would have been one of the reasons for the dissatisfaction. Have you considered that? The outcome may well be that the customer really wants to feel loved and have a bit of time spent on the phone so he can have a real discussion about these matters. But it would be difficult if you were in a workplace where you were offering a service and someone was saying: ‘Come on, mate. Hurry up. Have a look.’ I would not have thought that, in terms of client satisfaction—if that is the outcome—that would be a perfect workplace to provide for that.

**Ms Godwin**—I am not sure of precisely the point you are making, Senator, except—

**Senator SCULLION**—Allow me to make the point again. I asked you the question about whether or not it was capped. You said in your answer, ‘It is not capped, and we don’t have a certain amount of time, but there are pressures.’ So I am assuming from that that the person on the call would be aware of those pressures; generally there are other calls coming in. I was simply saying that, if he or she as an employee is trying to provide a particular service to someone then (a) it would be distracting and (b) I think he or she as an employee would be working under circumstances where they may not be able to provide the service which they might otherwise have been able to provide without that pressure.

**Mr Pratt**—I think it is hard to argue with that point of view. I think that has always been the case with service delivery agencies like ours. There is always a trade-off between the level of resources, the number of people that can provide the service and the expectations of customers. Some customers have quite unrealistic expectations of the amount of time they might get from a customer service officer; others may genuinely have quite substantial needs and our service enables them to be redirected to people who will spend more time with them, potentially even face-to-face if necessary.

**Senator SCULLION**—Perhaps I will re-put a question I asked before. On the face of it we are heading now, slowly but inexorably it appears, to 30 per cent of people who contact CSA being dissatisfied with the service. Being a service provider this is a single point at which we ask whether that is reasonable or not. I think that if almost a third of people are dissatisfied, that would not be something you would see as the KPI.

**Mr Pratt**—The trend over recent times has been downward, but I would not concede that that would always be the case. I would like to have a look at the trend line over periods.

**Senator SCULLION**—On the information you provided me with, Mr Pratt, the trend line over 18 months is continually downwards.

**Ms Godwin**—Could I add one other thing—it might have been more helpful if I had mentioned this earlier. We have a fair bit of information already about the cause of complaints. The top cause of complaints or dissatisfaction is the amount of child support. That is from both perspectives—the receiving parent who feels that the amount that they are getting does not adequately reflect the cost of supporting their children and the payer often feeling that it unfairly is an impost, given other pressures in their lives. These are all normal aspects of family life, of course. The scheme was changed significantly a couple of years ago and in that period we made reassessments of every single case—that is, 1.5 million paying

and receiving parents who all got a new assessment, and in some instances that assessment changed the amount that people paid or received. I think there was an expectation at that time that there would be a change in the satisfaction levels. We are obviously monitoring it very closely, hence the reason for keeping an eye on it monthly and continuing to look for ways of improving the transactions so that, regardless of the outcome for the individual, there is a sense that we have properly heard their concern and responded to it to the extent possible. I agree with you that the level of satisfaction and complaints is something that is a significant indicator of the work that we are doing, hence the reason for us so closely monitoring it and putting such a lot of effort into trying to find other strategies for addressing the concerns that customers have.

**Senator SCULLION**—Thank you. I am not sure if the KPI was under 72 per cent.

**Ms Godwin**—I think it was 70 per cent.

**Senator SCULLION**—Under 70 per cent.

**Ms Godwin**—A satisfaction target of 70 per cent.

**Senator SCULLION**—A satisfaction target of 70 per cent; who set that? Mr Pratt, how did you come up with 70 per cent? Be frank; it sounds like a number under which we can all survive. How did you come up with that as a target?

**Mr Pratt**—We are going to have to come back to you on exactly how that was set. Unfortunately a number of us are quite new in position here and do not have the history.

**Senator SCULLION**—I appreciate that, and I have no problem with that. To be frank, I just think that is a number. Basically you are saying that you are happy with almost one in three customers walking out the door not too happy. So perhaps you can look at a rationale for why you thought that was a reasonable number as part of that answer. I am happy for you to take that on notice. The people who come and see us as parliamentarians, and I think I can make this reflection for many parliamentarians, to talk about CSA are generally unhappy. I do not think I have had anyone come in and say that they are happy about everything. As you have indicated, Ms Godwin, there are issues to do with both the payee and the payer, and whether it is too much or not enough. I would like to go through some of the processes just generally. If a parent has underpaid their assessed child support payments then what measures are put in place to correct that?

**Ms Godwin**—I will ask Ms Cook to add anything in more detail on this. The first step we take is to try to make contact with a paying parent who does not meet their obligation as quickly as possible once it is clear that a payment has not been made—the objective being to understand what the problem is and to assist them to get back on track as quickly as possible. That is the first step: early engagement and trying to set up payment arrangements that enable people to get back on track. I think it is worth making the comment in that context that something around 75 per cent of paying parents are compliant—in other words, they make their payments on time, in full and on a regular basis. We tend to think that people are not, but we do have this large component who generally are meeting their obligations.

If the nonpayment becomes more entrenched—in other words, people do not catch up with their payments and a debt develops—then we have a range of debt recovery strategies. We can

talk to the customer about going to employer collect if they are not on employer collect, because that often helps. We can, if we have to, move into things like garnishing wages, intercepting tax returns and so forth. Of course as we get into the higher levels of non-compliance we may well start to take debt recovery or even prosecution action. Ms Cooke may wish to add something.

**Ms Cooke**—I think the only thing I would add is that in circumstances, particularly in situations where people are not wage or salary earners and we do not have access to tax returns, we do some investigation to try and ascertain sources of income and get an understanding of whether or not child support is payable with a proper assessment.

**Senator SCULLION**—What about in the other circumstance where a parent has overpaid CSA payments through an assessment that is sometimes objected to. What measures are put in place to correct the overpayment?

**Ms Cooke**—In that situation we will follow up with the receiving parent to try and come to an arrangement where the receiving parent will actually pay back that money. Obviously it is a sensitive issue and we negotiate and try to work with both parents to get an arrangement that is agreeable to both of them.

**Senator SCULLION**—So that would be the normal process: to attempt to actually recover the money. So in each case you would approach the person who has been overpaid.

**Ms Cooke**—Yes, the receiving parent in some circumstances may agree to forego the extra money that they have paid; but that is entirely up to the receiving parent.

**Senator SCULLION**—So are there circumstances where those overpayments are not refunded or nobody pays them—in the same way as when payments are not made, if an overpayment is not refunded or the amount is not corrected then what happens?

**Ms Cooke**—If the receiving parent, for example, in that case did not agree to pay back the money or was not paying back the money then we would treat that in the same way that we would treat collection from a paying parent. So we will follow up and we will have those same processes in terms of collection. From our point of view that is a debt that needs to be collected.

**Senator SCULLION**—Whilst I understand what you are saying, there seems to be a differential between the treatment of an overpayment and the treatment of an underpayment. For example, we put people on movement alert lists. If you are not paying, I have no problem with that. We put them on movement alert lists—'You cannot travel overseas.' We will gash anything out of the tax department and we will do all those things. Are you telling me that you make those same movements with those people who have overpaid?

**Ms Cooke**—I should also say that, in the circumstance where there has been an overpayment, we may also work out with the paying parent that the overpayment will be taken off the amount of their continuing payment. So they will pay less until the balance is worked out.

**Senator SCULLION**—Given that is the case, in every case, if that defaults, eventually—after you try other things—the person who has made an overpayment will have that overpayment corrected?

**Ms Cooke**—We will make every effort, the same as we would make an effort—

**Senator SCULLION**—It is not about making every effort. If you change the amount that is being paid and you tick off on that amount being paid, the differential will eventually be made up.

**Ms Cooke**—Yes.

**Senator SCULLION**—Has that always been the case?

**Ms Cooke**—To my knowledge, that has always been the case.

**Senator SCULLION**—I do not want to talk about individual circumstances but I have to say that quite a cohort of people have come into my office who have had an overpayment—and I have to say, tragically, the overpayment is sometimes as a consequence of an error from Centrelink, and even if that error is acknowledged it is treated in the same way as just an overpayment. But that is perhaps another issue.

It goes to this whole perception—which a number of people who are very cross with CSA, on either side of it—or perhaps on one side of it, claim—that the process is in fact biased. We certainly hear that an overpayment seems, in terms of people walking in the door, to be treated, from their perspective, differently than an underpayment. We have plenty of media releases from the minister—and good on him—about these people who are underpaying being sods and we need to lock them up and make sure they pay. Every Australian would agree with that. But for a cohort of people who have overpaid, it appears to take forever for a decision to be made about the overpayment and some simply give up. As you have moved into the area you may not be aware of the number, but I think other people in CSA would acknowledge that some of these people have clearly had an overpayment made.

It was put to me in private discussions with CSA that the overall policy was, ‘We would not make a decision that would have an impact on the receivers of the money because, generally speaking, they are the ones looking after the kids’; that often the person receiving the money was the person looking after the kids and, if they had to pay it back, it would somehow have an impact on the children; that the overlying philosophy was that the policy needed to ensure that the children were well looked after, and that was always considered a bit of a handbrake on the overpayment—‘We would look at it and we would talk to them about it and see if it would have some sort of impact on the children.’ I can understand why that may be a rationale for a policy, but at this stage I want to get some clarity. Maybe that is just anecdotal stuff—just conversations. If a policy actually says, ‘No, we have none of that; we pursue overpayments as rigorously as we do underpayments,’ I would like to hear that from you.

**Mr Pratt**—Again with a caveat about relatively recently exposure to the program, I believe Ms Cooke did say beforehand that we make every effort we can to ensure that people who have overpaid have that overpayment corrected over time. I am not aware of any policy that is in place along the lines that you described. I certainly have over the years heard anecdotes of that sort, but it is not clear to me that there is any justification for that. Certainly, that will not be the case at this time. I can assure you on that front.

**CHAIR**—Whilst we are on this point, I want to pick up the point that was made earlier, I think by Ms Godwin, about early engagements and making correct payments. I am wondering



if, aside from advice from either parent, there are other sources that you take information from to confirm whether correct payments are being made, such as state child protection agencies. Are there other sources of advice that you would look at to ensure that you were getting prompt advice about the likelihood of incorrect payments?

**Ms Cook**—Certainly not child protection authorities, which are state based authorities. Primarily we would rely on the receiving parent to alert us. Obviously we have our records and statements that go out every month. They are very clear about the amount that is due and the amount that has been paid. Both parents get that visibility through that process, so it is transparent. We are also following up the first-time defaulters, as Ms Godwin mentioned. So when our records indicate that the payment has been missed we have a process where we follow up that missed payment.

**CHAIR**—I am looking more at examples drawing on Senator Scullion's example of where payments continue when perhaps they should not and ultimately you get an overpayment.

**Ms Cook**—Sometimes that happens because the parent's circumstances have changed but they have not told us about the circumstances. Sometimes their employment situation changes or there are some other changes in the family circumstances. In those circumstances, we are not aware that their circumstances have changed in a way that impacts on their assessment and then, when we are told about it, it can then cause that sort of situation.

**CHAIR**—So the answer is no, not at this stage.

**Mr Pratt**—Well, no. On your original question, of course we do get a great deal of intelligence from the tax office. So we are able to see what income a paying parent has had over the previous year, and certainly that data can be used to adjust a payment.

**CHAIR**—The particular example I had in mind was about state child protection agencies, the example being that children have gone from the care of one parent into protective care and there is no communication at this point in time with the Child Support Agency to that effect.

**Ms Cook**—When a child goes into care and we are notified that the child has gone into care, obviously that has an impact—

**CHAIR**—But you may not be notified. That is what I am asking. There is no formal notification process for you to become aware, other than via the parent.

**Mr Pratt**—I think we have some additional information coming.

**CHAIR**—I am sorry, Senator Scullion. I did not want to take so long on this, but it picks up on your point.

**Senator SCULLION**—Given the remaining time for Centrelink and Medicare, I might provide the rest of my questions on CSA on notice. So I might move on.

**Mr Pratt**—If we can just finish, very briefly. We want to clarify the record on this.

**Ms Bennett**—There is a flag in the system when there is something like a court order, which might set out care or payment arrangements, so that if that is made outside of the normal formula those arrangements apply. In addition to that, there is an MOU with child protection agencies where we share information and they will inform us of arrangements that

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can be taken into account in working out what the payment arrangements or the care arrangements are for a child in determining what child support needs to be paid.

**CHAIR**—If a child goes into state care, your arrangements should ideally lead to the Child Support Agency being advised that the care arrangements for a child have changed.

**Ms Bennett**—If there is a change in the care arrangements, that can be picked up through those mechanisms. It would not necessarily be a change of care. It depends how many hours. It depends on the arrangement. If the paying parent was on a Centrelink benefit, it is only \$12.20 a fortnight per child. That would just cease, or it could be that they were still seeing that child in their care for a percentage of the time. But the arrangements are in place where there is sharing of information, and court order information is flagged within the system.

**Senator SCULLION**—Given the time, I will provide the remainder of my questions on CSA on notice and we can move to Centrelink.

[10.17 pm]

**Centrelink**

**Senator BOYCE**—I will start with some questions that address one area. They are questions I will also be asking FaHCSIA, and I would ask that Centrelink answer these to the best of their knowledge. I always find that if I do not ask them in both places, I am never quite confident of getting an answer. We had a letter sent from Ministers Bowen and Macklin to all recipients of the pension in May saying that pensioners were eligible for an increase of between \$20.20 and \$65 per fortnight taking effect from 20 September 2009, which just reflected the budget outcome. Was Centrelink involved in the mail out of those letters in anyway?

**Ms Hogg**—Yes, we were.

**Senator BOYCE**—Do you know how many letters were sent out?

**Ms Hogg**—Yes, I think we have that information. I might pass to Mr Cowan who can give you those details.

**Mr Cowan**—During the course of that exercise we sent out 3.3 million letters. There were 3.3 million customers affected across all of the pension groups and we would have sent letters to each of the customers.

**Senator BOYCE**—What was the cost of that mail out?

**Mr Cowan**—I am afraid I do not have that information at the moment. I will have to take that question on notice.

**Senator BOYCE**—You could provide that on notice, though?

**Mr Cowan**—Yes.

**Senator BOYCE**—Thank you. That letter went to all current Centrelink pension recipients, I suppose?

**Mr Cowan**—Yes.

**Senator BOYCE**—So it was sent to everyone who is on a disability support pension. Can you give me that figure? My latest statistics say 732,000 people are on disability support pensions. Is that correct?

**Mr Cowan**—That sounds like a very familiar figure of DSP customers, but I will just see if I have it. It is actually 764,000.

**Senator BOYCE**—So the 732,000 was in June or something this year.

**Mr Cowan**—Yes.

**Senator BOYCE**—Do you know how many of those people are between 16 and 21?

**Mr Cowan**—Offhand I do not. We had a slight issue with the particular letter that we sent to those customers.

**Senator BOYCE**—That is what we are getting around to.

**Mr Cowan**—That particular letter was a generic letter, rather than a specific letter to that particular customer group.

**Senator BOYCE**—It told that group they were going to get an increase of between \$20.20 and \$65 per fortnight. In fact they were going to get nothing. Is that correct?

**Mr Cowan**—No. Each of the customers in the pension reform got an increase.

**Senator BOYCE**—What about people on the disability pension between 16 and 21? What increase did they get?

**Mr Cowan**—It would depend on whether they were on the max rate or part rate.

**Senator BOYCE**—Whether they had dependent children or not. Is that all?

**Mr Cowan**—And whether they were on the max rate or the part rate. In September we sent each of the 3.3 million people a letter which gave them their exact entitlement.

**Senator BOYCE**—When did you send that? In September?

**Mr Cowan**—It was before the date of effect, 20 September.

**Senator BOYCE**—A number of people who have brought this matter to my attention said it was only when they went onto the Centrelink website and looked and looked that they finally found something. They were not told by the ministers they were going to get it. If you looked at the basic information and the fact sheets on the website there was nothing that said if you are between 16 and 21 and on the disability support pension you will not get this increase and you will not get the supplement.

**Mr Cowan**—They did get an increase. The issue was that we sent a generic letter rather than a tailored letter for that specific, relatively small customer group. But there was a letter sent to them in September which told them precisely what their entitlements would be.

**Senator BOYCE**—Looking at the frequently asked questions under ‘increase in pension rate’ on your website, as of 19 October it said:

Recipients of Disability Support Pension (under 21 without dependent children) will not be affected by transitional arrangements and will not receive the Pension Supplement or the pension rate increase.

**Mr Cowan**—I am afraid I do not have that in front of me.

**Senator BOYCE**—We are talking about the frequently asked questions on the Centrelink website under ‘increase in pension rate’. This was accessed at 7.25 pm yesterday.

**Mr Cowan**—Can I take that question on notice? I expect I will get an answer to you this evening.

**Senator BOYCE**—Okay. Going back to those numbers, the ABS stats on disability support pensions unfortunately do not use the 16 to 21 category, but the ABS has 17,290 people in the 16 to 19 category. They would be people who were affected, wouldn't they?

**Mr Cowan**—Yes.

**Senator BOYCE**—In the 20 to 24 group there are 28,000, so on my rough calculations 23,000 or 24,000 people are in the category who were told they were going to get an increase and then, I am told, got nothing. What are you saying they got?

**Mr Cowan**—As I said, I am expecting someone is pulling that answer together right now, having watched this on the coverage, so I will have a specific answer for you. Each pensioner received an increase during the course of the pension reform changes.

**Senator BOYCE**—That is certainly what everyone understood was to be the case, but people are telling me they did not receive it, because they followed that category of being between 16 and 21. Has the disability support pension never been changed differently for a particular age group before?

**Mr Cowan**—I am afraid that I am not an expert on the disability support pension, per se, so I cannot answer that question.

**Ms Hogg**—That might actually be a question you could ask FaHCSIA in terms of the policy around the different age groups et cetera. The other thing I was going to suggest to you was that, if you do have specific cases where people, as you say, have talked to you about not getting an increase, we can, out of session—

**Senator BOYCE**—They are pursuing this not just via me but through other channels as well.

**Ms Hogg**—We can take a particular case and look at it.

**Senator BOYCE**—They felt misled, for a start. And we are talking about a fairly vulnerable group who are not receiving the pension supplement and, according to the website, are not receiving the pension rate increase either.

**Ms Hogg**—We will try and come back to you with that before we finish.

**Senator BOYCE**—We have a fairly large group here. When was Centrelink advised that this group would be treated differently from other disability support pensioners?

**Mr Tidswell**—The details of treatment of the various customers were made clear in the preparation of this initiative. There is some—

**Senator BOYCE**—Preparation by whom?

**Mr Tidswell**—The preparation of rolling out this initiative in September was done by us with FaHCSIA.

**Senator BOYCE**—When would you have been told who got what by FaHCSIA?

**Mr Tidswell**—We were involved in discussions earlier this year. In the preliminary discussions on the—

**Senator BOYCE**—You say ‘earlier this year’, but we have only got between May and September. When exactly?

**Mr Tidswell**—We were involved in discussions with FaHCSIA prior to the announcement in the budget on the preliminary elements of this—so it was earlier this year. We had detailed discussions with them on the various provisions in the reform.

**Senator BOYCE**—All right. I would particularly like to find out if distinctions between different classes of disability support pensioners have ever been made in the past, how many people are affected and what effect there has been. I want to move on to some other questions now around the pension reporting changes that have been brought in for people who also have paid employment. Since the beginning of this new requirement, which was on the same date, how many pensioners are now required to report their fortnightly income to Centrelink?

**Mr Cowan**—Fifty-six thousand.

**Senator BOYCE**—That is out of how many?

**Mr Cowan**—Out of 2.1 million age pensioners.

**Senator BOYCE**—Is there an option for reporting income online?

**Mr Cowan**—As a result of these changes we were able to use an application we already had in place for working age customers which allows age pensioners to now report online. They can also report by way of an IVR—

**Senator BOYCE**—A what?

**Mr Cowan**—An interactive voice recognition application—on the telephone.

**Senator BOYCE**—Skype or phone?

**Mr Cowan**—Phone.

**Senator BOYCE**—How many are doing what? How many are doing it over the phone?

**Mr Cowan**—I do not have that data at the moment; we will be tracking that as time goes on. They can also ring the call centre or they can, if they wish and are close by, come in to an office. Customers may very well move between those channels, and we will track that as time goes on.

**Senator BOYCE**—Do you have any early indications? It has been going a month now. Have you picked up whether—

**Mr Cowan**—No. It is very early days. They have only just started reporting, so we have not started tracking that yet.

**Senator BOYCE**—Are your facilities reporting that a lot of pensioners are coming in fortnightly to tell you how much they earned?

**Mr Cowan**—No. It is still a relatively small number. We have not had a lot of traffic coming into the offices. Most of the people we are talking about were already reporting income from earnings and a significant proportion were already on fortnightly reporting because they had a variable income from fortnight to fortnight.

**Senator BOYCE**—Are you able to give me the figure for what the change here is? For example, is it up to 56,000 from something?

**Mr Cowan**—I will have to take that on notice.

**Senator BOYCE**—That is fine. What if you cannot get there? What if you cannot come in and report? What if your computer is broken? What happens if you do not report fortnightly?

**Mr Cowan**—The payment will be withheld until we get the information. But some customers are actually choosing that as an option because their employment pay cycle is not consistent with their pension pay cycle, so they are choosing that as an option to make sure that they give us the exact, correct figure and we make sure their payments are accurate each fortnight.

**Senator BOYCE**—They choose for their payment to lapse?

**Mr Cowan**—To be delayed a day or two until they can give us the information.

**Senator BOYCE**—So if I tell you next day, I will get paid next day. Is that how it works?

**Mr Cowan**—Yes, that is right.

**Senator SCULLION**—From what I understand there is a day allocated, so it is a Monday, a Tuesday or a Wednesday that is your reporting day. It is not just somewhere in the fortnight.

**Mr Cowan**—They have to report prior to the next payment being made.

**Senator SCULLION**—So if they do not report on the day, you are telling me that if they get back in a couple of days it will be okay?

**Ms Hogg**—The choice is usually the customer's on this sort of payment arrangement. As with Newstart customers or working age customers you can elect in the fortnight when you want to be paid and so can age pensioners, so it is at the convenience of the pensioner. A lot of people still stick to the old Thursday pension payday but a lot of people choose for their convenience to have it on another day of the week, particularly because the banks have been busy on those days.

**Senator BOYCE**—My concern is more about the people who for some reason or other are unable to report. What is the penalty they incur because of not reporting on the day that they had said they would report on?

**Ms Hogg**—Because it is stimulus payment we wait for the customer to contact us and, as Paul said, a lot of customers have elected this way of being paid because they are used to it. They are used to the process of a stimulus payment. They have moved from that sort of payment arrangement and going on to the age pension and normally averaging out their income was totally confusing for them. They just did not understand how to manage that.

**Senator BOYCE**—But if I have elected to report Mondays and I do not report until Tuesday—

**Ms Hogg**—You get paid on Tuesday.

**Senator BOYCE**—Will the payment be made on the Tuesday or the following Monday?

**Mr Cowan**—No.

**Ms Hogg**—On the day they lodge. On the day they report, and of course there are always arrangements to pay people immediately or urgently. If they tell us that there was a problem on the payday, we can arrange to have a payment processed that is immediate.

**Senator SCULLION**—One of the questions from Senator Boyce was what then happens if they are unable to make the day?

**Mr Cowan**—As we just said, there is a delay in us making the payment. First of all the only people who have to do this on a fortnightly basis are those who are on variable income. For people who may be working and who are on continuous income we put that into the system and they do not have to contact us fortnightly. If people are working in a situation where they think they are not going to be able to provide us with the information in time because their working pay cycle is different, they can elect to have their pension payday moved.

**Senator SCULLION**—The answer I was looking for—not that I am seeking any particular answer but validation of what has been put to me—is that after they have not made the day and have been breached then their pension payment gets cancelled. Is that right?

**Mr Cowan**—Not cancelled—delayed.

**Senator SCULLION**—Delayed by how long?

**Mr Cowan**—Until we get the information.

**Senator SCULLION**—So if they get the information to you three days later, their payment will be three days later?

**Mr Cowan**—Yes.

**Senator BOYCE**—For that cycle?

**Ms Hogg**—Yes, but that is when, if it is a normal process of doing it three days later, they should change the day and we would advise them of that.

**Senator SCULLION**—A lot of pensioners travel, particularly in my part of the world. They come and enjoy the wonders of the Northern Territory and access to a whole range of communication devices is perhaps not as widespread as it is in other parts of the world and it makes it a little bit more difficult. If you are in Borroloola on the side of the McArthur River—where you should be at that time of year—it is very hard perhaps to go and make and find a payment. These are difficulties that have been relayed to me.

**Mr Cowan**—Those customers would only have to do this if they are receiving income and the income is irregular fortnight to fortnight, so this is not an issue for people on holidays if they are not working.

**Senator BOYCE**—How much can a pensioner earn in a fortnight before their pension is such that they earn zero benefit for that fortnight?

**Mr Cowan**—Couples can have non-employment-related income of up to \$2,274 per fortnight and still receive some age pension. If both members are receiving age pension and, in order to take maximum advantage of the work bonus, they are both earning at least \$500 in employment income a fortnight, this limit increases to \$2,774 per fortnight or \$72,000 per annum.

**Senator BOYCE**—Presuming you receive episodic payment, which we were talking about before—seasonal workers or whatever—how many weeks do you go on getting zero benefit before your pension is cancelled? If I do not receive a benefit for, say, two months, what will happen?

**Mr Cowan**—We would have set that rate on the basis of advice from the customer as to their income, so it would be a fixed period. We assume that that income would cease and their circumstances would resume the way they had been.

**Senator BOYCE**—If I were looking as though I were going to be earning more than \$72,000 a year, would you cancel my pension? For instance, I am told that exam markers and so on are often paid at the end of the exam period for all of the work they have done.

**Mr Cowan**—With respect to exam markers, who may not know what they are going to earn, if they have got a period of employment where they are not sure what they are going to earn, we can note their record and not make the adjustment until they advise us of the income. So we would not make an adjustment to the payment; we would do it retrospectively.



**Senator BOYCE**—But, for instance, if I reported an income of \$2,500 per fortnight for three fortnights in a row, what would happen?

**Mr Cowan**—We would just be on zero rate. I am going to have to take on notice—

**Senator BOYCE**—Would I lose my pension?

**Mr Cowan**—No, I would not think so, but I cannot give you a definitive answer as to how long someone would have to be earning \$2,274 a fortnight before their pension were cancelled and they had to reapply. Can I take that question on notice?

**Senator BOYCE**—Okay. What are the circumstances for reapplying? Would you go back to square one? Would it be like applying for a pension from the start?

**Mr Cowan**—Potentially, but that rarely happens. Cancellation rarely occurs as the result of income of this nature.

**Senator BOYCE**—All right. I will happily put the rest of my questions on notice.

**Senator LUDLAM**—I have a few questions which will all revolve around the involvement of Centrelink in the National Homelessness Strategy and housing issues. I understand that Centrelink is involved in a couple of different respects. The housing minister spoke about community contact officers at the homelessness summit in Sydney on 4 September. One of Centrelink's roles was to be provided through these contact officers. Can you tell us a bit more about them and outline what sorts of services they will provide?

**Ms Lewin**—The community engagement officers are basically designed to assist people who are either homeless or at risk of becoming homeless. They work with particular groups of people to provide support. We have 65 of those officers currently in place; we are moving to put 90 in place.

**Senator LUDLAM**—Was the initiative based on a need that Centrelink identified internally? Did it come from staff, from a particular unit within Centrelink, or was it an external initiative or borrowed from another country? Where did it come from?

**Ms Lewin**—I am not sure I can answer your question, but our response was related to the government's 2008 white paper on homelessness. It was one of the initiatives.

**Senator LUDLAM**—Can you recall whether that initiative came from Centrelink to Housing or whether it was the other way around?

**Ms Lewin**—I do not know. I can take it on notice to find out.

**Senator LUDLAM**—I wouldn't mind you just giving a sense of where that policy originates from. Will the 90 new officers, when you eventually get to that level of staffing, be funded through this department?

**Ms Lewin**—Through Centrelink?

**Senator LUDLAM**—Yes.

**Ms Lewin**—We will be absorbing those costs and funding that.

**Senator LUDLAM**—Were you given extra funding? Are we drawing down staffing in some other area?

**Ms Lewin**—We are not drawing down staffing in another area, no.

**Senator LUDLAM**—So you were funded commensurate with the employment of another 90 FTEs?

**Ms Lewin**—We have people involved who do that work and we are directing more of their efforts to that, and we are also putting additional people into those roles to make up the 90 community engagement officers.

**Ms Hogg**—Again, we are working with customers with such significant disadvantage. Centrelink often finds that putting more effort in with customers is actually a more effective way. So, while we do not get additional funding for this sort of role, we often elect to actually put a more intense service in for certain types of customers because it is in fact more effective both for the customer in terms of getting them outcomes, and for our own service, than to just deal with them in crisis fortnight after fortnight. It is a much better option for us to use our staff in this way to help customers over time. So we would think that in certain communities in Australia where this level of homelessness is high it is actually a more effective way for us to deploy our resources on the ground. We are not actually taking people out of anything; we are actually saying this is a better way to provide the service.

**Senator LUDLAM**—I am sure people appreciate the extra care and help they are getting, but the minister has literally been given a couple of billion dollars in the housing portfolio to make up the enormous shortfalls, so I am trying to establish if Centrelink was given any extra funding specifically around this initiative. Or are we rebadging and repurposing people who are already there?

**Ms Hogg**—Not to my knowledge.

**Mr Tidswell**—In answer to your earlier question about how the idea was developed, we did work with FaHCSIA in working through the proposal and strategy, building on a lot of the good work we have done over many years. So we have done this work in a variety of ways, exactly as Ms Hogg has outlined in a sense, to bring the service to people who are vulnerable.

**Senator LUDLAM**—Okay. Just to move on then, can you tell us what kind of training will be provided to people who are filling those roles and what sort of qualifications will be required of these contact officers before they begin those roles?

**Ms Lewin**—We have a number of people in those roles already who are very experienced and very skilled. However, we are providing not only new people but also those people with particular training in relation to homelessness. We have developed a package in conjunction with FaHCSIA and at this time we are receiving very good, positive feedback on the package that is being delivered.

**Senator LUDLAM**—It does not sound, though, like there are any special benchmarks or accreditation that people in those specific roles will be required to possess.

**Ms Lewin**—No, it is the completion of the training package.

**Senator LUDLAM**—I'm sorry. I misunderstood. Can you name that package for us?

**Ms Lewin**—It is called the homelessness training package.

**Senator LUDLAM**—Was that developed by Centrelink or some other agency?

**Ms Lewin**—In conjunction with FaHCSIA, but yes.

**Senator LUDLAM**—Quite recently?

**Ms Lewin**—Yes, quite recently. The training started this month, or perhaps last month.

**Mr Tidswell**—We also ensure that the people who are going to do that work are the sort of people with the sort of attitude, capability and instinct for service delivery in that environment.

**Ms Lewin**—I should have mentioned we also have input from Homelessness Australia into that package.

**Senator LUDLAM**—Can you provide us with an answer as to whether Centrelink will provide weekly disbursements to particular clients or client groups?

**Ms Hogg**—This is also part of the package, particularly for homeless people or, in some ways, to hopefully prevent homelessness. Again, it is often easier to help people on a weekly basis rather than on a fortnightly basis. We find a lot of customers can manage a budget weekly but find it very difficult to manage it over the fortnight. So, if we can pay people in certain circumstances on a weekly basis, they will be able to manage their rent and those sorts of commitments. Depending on what the office manager or one of these advisers would say, we would put them on a weekly payment cycle.

**Senator LUDLAM**—When you say that people are sometimes more readily able to manage finances on a weekly basis, did the request or the demand for that particular initiative come from the client group, or did it come from the minister's office or from somewhere within government?

**Ms Hogg**—I think it is more about our service delivery experience. Our staff deal with people on the front line in these circumstances every day and we listen to them. We have our discussion with the policy departments to say, 'This is a better way to do service delivery for certain customers,' to avoid an outcome where we can see a downward spiral for particular individuals and where we can change the service delivery process to help them.

**Senator LUDLAM**—Have people been reasonably happy, or have you had concerns or complaints since you moved to that system for some people?

**Ms Hogg**—The system of weekly payments?

**Senator LUDLAM**—Yes.

**Ms Hogg**—Generally, where we have put it in place, I personally think there have been some extraordinary outcomes. We have tested this significantly in the past in terms of enabling participation for this particularly disadvantaged customer group and we have had some real successes with customers getting work who previously had all sorts of issues, one of which was homelessness. They have actually got gainful employment, so we have had some really positive outcomes from this sort of approach.

**Senator LUDLAM**—I presume you will be able to point to this in the annual report or in future reporting so we can see those metrics being picked up. Section 11 of the National Affordable Housing Agreement describes responsibilities of the Commonwealth and it shows that that includes the collection of housing related data by the ABS and also by Centrelink.

Can you tell us what kind of housing related data is being collected, the purpose of that collection and where the data is going to—where it is being fed to or published?

**Mr Tidswell**—I might be able to answer part of your question. We have looked at some of the data we have here, which is what we have used to allocate those community engagement officers across the country. We have looked at the percentage of homelessness in the data we have here and allocated those 90 staff that we will get to eventually according to the level. We have figures here that show there are about 121,000 people homeless, and the percentage across the various areas that we work to across Australia, and we have allocated staff accordingly. But outside of that I do not think we have other housing data. That would be a matter for FaHCSIA.

**Senator LUDLAM**—I am going to put a bundle of questions on notice, which I am sure you will be looking forward to, but I am just going to pick my favourite. Maybe you could just give us a broad wrap-up, taking as long as possible, of other ways in which Centrelink is being reformed under the National Affordable Housing Agreement, if there is anything I have missed apart from those things that I have pointed out there.

**Mr Tidswell**—I think we will have to take that on notice. I am not completely sure what else we might be doing.

**CHAIR**—Senator Ludlam, you can have one more since he has taken that one notice.

**Senator LUDLAM**—Thank you. I will just ask briefly about the Job Services Australia framework that was announced on 1 July under the Jobs Fund. I will quote here: ‘It represents an investment of \$4.9 billion over the next three years and is something that the minister has promised will boost employment outcomes for people who are at risk of homelessness.’ Can you provide some more specific information from Centrelink’s point of view about that new framework, any projects announced on 2 September and how the Jobs Fund is actually assisting people who are at risk of homelessness specifically?

**Ms Hogg**—I am advised that the Jobs Fund is managed by DEEWR and we do not have any involvement in that.

**Senator LUDLAM**—Okay. I have pushed my luck far enough. Thanks very much.

**Ms Hogg**—There is something I would like to tell you in relation to homelessness and the housing issue. We are finding from a service delivery perspective that if we can join forces with our colleagues in state housing authorities, particularly at the point of service, and have staff from state housing authorities in our officers then we can significantly impact the issues around homelessness. So if there is a Centrelink issue about payments and there is a housing issue about rent then we can have the one conversation. Again, where we have tested this we have found that it is quite significant. So again, under the secretary’s view about service delivery reform, this may be something where if we can bring services together across states and across the Commonwealth to act for the benefit of a customer in common then we can potentially get better outcomes. So this is something that we are particularly looking forward to. Our staff want to and can make a difference at the point of interaction with the customer.

**Senator SCULLION**—In the short amount of time remaining, I wonder if somebody would be able to talk to me about the In Touch program, and particularly about the much-

publicised case of Mr Ferguson. What date did Centrelink become aware that Dennis Ferguson had used the In Touch program to seek to make contact with his accomplice?

**Mr Burgess**—It was 22 September 2009.

**Senator SCULLION**—And do you recall what date the story broke in the media?

**Ms Hogg**—It was 22 September.

**Mr Burgess**—On the same date.

**Senator SCULLION**—I understand that Hank Jongen said that a review into the program was going to be launched. Do you have any idea when that review will be completed?

**Ms Hogg**—As you know, we have suspended the program. It is at the stage where basically we are seeking to establish whether we can reintroduce the program—obviously avoiding the risks and the abuse of the program that took place on this occasion. This has been a very successful program since 1998, and we are not aware of any incidents like this. This program is something that Centrelink has provided as a community service over all those years with many successful outcomes. However we need to be satisfied that we can avoid an instance like this happening in the future. Our review is at the stage of looking at the assurance around those processes. I would think it will take probably another couple of weeks.

**Senator SCULLION**—Would you be able to tell me, perhaps on notice, how many people have actually used the program over that period of time.

**Ms Hogg**—Yes, we can go back that far. I can tell you that in the last two years we have had 7,000 applications to use it.

**Senator SCULLION**—So what process would you have had to triage that program so there was no mischief in its use prior to the review and prior to September 22?

**Ms Hogg**—Certainly I can tell you that on some customer records we have a ‘deny access’. So obviously the customer has said they do not want to be contacted about anything.

**Senator SCULLION**—So you can flag that as an individual?

**Ms Hogg**—Yes.

**Ms Johnson**—We have a number of procedures in relation to the In Touch program which involve a number of requirements. For example, the process said that we would not accept mail and we would not accept photographs or personal articles for forwarding. It also said that it would not be used for legal processes or business dealings—it was called ‘business dealings or legal matters’. It said that it would not be used for debt matters. If you wanted to contact a child under the age of 18, we would not forward that information on. So there were a couple of provisos around the procedures of the program.

**Senator SCULLION**—I would like to go to the area of humanitarian activities and for you to talk about any role or involvement Centrelink may have with the asylum seekers—or unauthorised arrivals, if that is the current terminology; I am not sure—

**Ms Hogg**—Senator, do you mean the current asylum seekers or asylum seekers in general?

**Senator SCULLION**—The current asylum seekers and asylum seekers in general. What sorts of services does Centrelink provide for humanitarian visa holders in particular?

**Ms Drayton**—Centrelink has several roles within the humanitarian program. Firstly, as you would be aware, refugees are entitled to the same sorts of payments and benefits that any other permanent resident of Australia is, so Centrelink has a role in assisting people to access their entitlements. We also have a network of 70 multicultural services officers across Australia who help people who are having difficulty accessing services in the community. We also run six refugee servicing units across Australia to specifically help refugees with their needs and with access.

**Senator SCULLION**—So this a cohort that is quite lucky, because we know that they probably do not know a whole lot about the system, we know who they are and we have the date when they come into the system. How is Centrelink involved in ensuring that they understand their rights, what payments they are entitled to, how payment is made and what responsibilities they have? How is that conducted?

**Senator CAMERON**—How many asylum seekers were from his own government?

**CHAIR**—Senator Cameron!

**Senator SCULLION**—I am just asking about how we go about helping them access the information.

**Senator CAMERON**—I know what you are doing. We know what you are doing.

**Mr Campisi**—We have a range of multilingual material that we have available online and in print. The multicultural services who have been referred to work closely with the ethnic community sector to make sure that those agencies that support and advise refugees pass them on and make them aware of the services that Centrelink provides. At the time that we first interview refugees on arrival our customer service officers use interpreters to take their claim, process it and make sure that they understand the process that they are going through. There are other contacts related to the services that we provide to them, where we give them additional information about their rights, their responsibilities and the services that we are providing to them.

**Senator SCULLION**—The answer to this question might be a bit subjective, if you can give one at all, but I am curious about it. Given that they have a particular day on which they receive their visa, I suppose that in most circumstances they would not have a job and those sorts of things. I would assume that most of them would move onto Newstart or one of those sorts of payments if they fit that bill. What other assistance do you give them? They are a special demographic. They are on Newstart because they do not have a job yet, and that is expected. Do you provide any other specific assistance to them to move from Newstart into mainstream employment?

**Ms Drayton**—They would also have access to Job Services Australia providers, who would also be looking at trying to most appropriately assist the customers with their needs. A lot of the staff whom we have working in our refugee servicing units are former refugees themselves, so they are very well versed in understanding the needs of our customer group.

**Senator SCULLION**—Are they based in the migration resource centres, or are they actually part of Centrelink?

**Ms Drayton**—They are part of Centrelink.

**Senator SCULLION**—So they still have to come to Centrelink.

**Ms Drayton**—Yes. We do a lot of outreach work with that customer group as well and work in concert with some of the other community organisations and with the Job Services Australia providers if they are accessing those services. We are also doing some place based trials in respect of young refugees, just to look at our servicing approach and how we might alter that to more appropriately direct our services. I am not sure if you want to talk about that, Sam.

**Mr Campisi**—Just in general. We work very closely with the community sector to make sure that all of the agencies are supporting the refugees that are connected with the refugee communities. They understand the services that we provide. They also work closely with the job service providers to make sure that the service that we provide and the employment programs that the refugees are going through raise their employment prospects. They are connected with employers to ensure that they do find meaningful work. As I said, there are connections that customer service advisers make throughout the process to make sure that they are aware of what they are giving and that they are properly connected to the job service provider and that they stay connected.

**Senator SCULLION**—The reason why I asked about the migrant resource centres is that is what many of the refugees see as a one-stop shop, and it was the intention to do that.

**Mr Campisi**—Yes.

**Senator SCULLION**—So when they go there, are they then directed to some particular aspect of Centrelink?

**Mr Campisi**—Well, migrant resource centres are one of a number of groups within the community sector that we work very closely with. We have close liaisons with them. We give them material that they can put up in their offices and hand out to refugees. We certainly work with the people who work in the migrant resource centres and other agencies. There are various associations that support particular refugee groups; we work very closely with them. We bring those agencies in to talk to us on a quarterly basis to make sure they tell us how we are going and we provide information to them about what we are trying to do. Where refugees do go into migrant resource centres, or any other agency that supports refugees, we are in connection with them through our liaison staff to make sure that we all work together to support those refugees.

**CHAIR**—I am sorry Senator Scullion, it is well after 11 now.

**Senator SCULLION**—Mr Campisi, we are out of time, but thank you very much.

**CHAIR**—I understand Centrelink has a statement you would like to make at this stage.

**Mr Cowan**—I would like to correct the answer I gave to the first question tonight from Senator Boyce with respect to DSP customers aged 16 to 21 with no children. I was incorrect in saying that they received an increase under the pension reforms. They did not actually get

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an increase to payments. The policy as defined was implemented correctly. The payments that customers received were correct and in line with the policy. The letter that they were sent was not accurate but their actual payments were correct. The payments that they were notified that they would be receiving post 20 September were correct. The issue of their entitlement though is a matter of policy and questions on that are best directed to FaHCSIA.

**CHAIR**—Thank you very much. I thank officers from Centrelink and the Department of Human Services. The committee has agreed to take questions on notice up until 10 o'clock tomorrow morning, at which stage they will be forwarded on. All questions to Medicare will now go on notice. That concludes the supplementary estimates.

**Committee adjourned at 11.03 pm**