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SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION
COMMITTEE

ESTIMATES

(Budget Estimates)

TUESDAY, 25 MAY 2010

CANBERRA

BY AUTHORITY OF THE SENATE

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SENATE FINANCE AND PUBLIC ADMINISTRATION**LEGISLATION COMMITTEE****Tuesday, 25 May 2010**

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

Participating members: Senators Abetz, Adams, Back, Barnett, Bernardi, 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, Ludlam, Lundy, Ian Macdonald, Marshall, Mason, McEwen, McGauran, McLucas, Milne, Minchin, Moore, Nash, O'Brien, Parry, Payne, Pratt, Ronaldson, Scullion, Sterle, Troeth, Trood, Williams, Wortley and Xenophon

Senators in attendance: Senators Abetz, Back, Cameron, Jacinta Collins, Cormann, Fierravanti-Wells, Forshaw, Humphries, Kroger, Mason, Moore, Payne, Polley, Ronaldson, Ryan, Trood, Williams and Xenophon

Committee met at 9.02 am**PRIME MINISTER AND CABINET PORTFOLIO**

Consideration resumed from 24 May 2010

In Attendance

Senator Ludwig, Special Minister of State

Overview

Ms Glenys Beauchamp, Deputy Secretary, Governance

Ms Lynette Wood, Assistant Secretary

1.1 Domestic Policy

Dr Paul Grimes, Associate Secretary, Domestic Policy

Dr Gordon de Brouwer, Deputy Secretary, Economic

Mr Stephen Clively, Acting First Assistant Secretary, Industry, Infrastructure and Environment

Division

Mr Dominic English, First Assistant Secretary, Economic Division

Ms Yael Cass, First Assistant Secretary, Social Policy Division

Ms Rebecca Cross, First Assistant Secretary, Office of Work and Family Division

Mr Martin Hoffman, First Assistant Secretary, Office of the Coordinator-General

Mr Ron Perry, Assistant Secretary, COAG Unit

1.2 National Security and International Policy

Mr Duncan Lewis, National Security Adviser

Dr Margot McCarthy, Deputy National Security Adviser

Mr Marcus Thompson, Deputy National Security Chief Information Officer

Mr Mark Jeffries, Senior Adviser, Office of the National Security Chief Information Officer

Mr Michael Shoebriidge, First Assistant Secretary, Defence, Intelligence and Research Coordination Division

Mr Patrick Suckling, First Assistant Secretary, International Division

Mr Tony Sheehan, First Assistant Secretary, Homeland and Border Security Division

Dr Rob Floyd, Assistant Secretary, Infrastructure, Security and Emergency Management Branch

Mr Andrew Joyce, Assistant Secretary, National Security Policy and Projects Branch

1.3 Strategic Policy and Implementation

Mr Ben Rimmer, Deputy Secretary

Dr Subho Banerjee, First Assistant Secretary, Strategy and Delivery Division

Mr Kim Terrell, Assistant Secretary, Cabinet Implementation Unit

1.4 Support Services for Government Operations

Ms Glenys Beauchamp, Deputy Secretary, Governance

Dr Wendy Southern, Acting First Assistant Secretary, Government Division and First Assistant Secretary, Cabinet Division

Ms Helen Liassis, First Assistant Secretary, Corporate Services Division

Mr Alex Anderson, Assistant Secretary, Legal Policy Branch

Mr David Macgill, Assistant Secretary, Parliamentary and Government Branch

Ms Kym Partington, Chief Financial Officer, Corporate Services Division

Mr Terry Crane, Assistant Secretary, CHOGM Taskforce

2.1 Official and Ceremonial Support

Ms Glenys Beauchamp, Deputy Secretary, Governance

Mr John Cairns, First Assistant Secretary, Ministerial Support Unit

Office of the Official Secretary to the Governor-General

Outcome 1—Program 1

Mr Stephen Brady, Official Secretary to the Governor-General

Mr Mark Fraser OAM, Deputy Official Secretary to the Governor-General

Ms Sharon Prendergast, Director, Australian Honours and Awards Branch

Mr Stephen Murtagh, Director, Corporate Services Branch

Office of the Privacy Commissioner

Executive

Ms Karen Curtis, Privacy Commissioner

Mr Timothy Pilgrim, Deputy Privacy Commissioner

Mr Mark Hummerston, Assistant Privacy Commissioner

Finance and Services

Mr David Richards, Manager, Finance and Services, Australian Human Rights Commission

Australian Institute of Family Studies

Professor Alan Hayes, Director

Dr Matthew Gray, Deputy Director, Research

Ms Sue Tait, Deputy Director, Corporate and Strategy

Old Parliament House

Mr Andrew Harper, Acting Director, Old Parliament House

Ms Ree Kent, Acting Deputy Director, Corporate and Heritage Branch

Ms Kate Cowie, Deputy Director, Interpretation and Programs Branch

Australian Public Service Commission

Mr Steve Sedgwick, Australian Public Service Commissioner

Ms Carmel McGregor, APS Deputy Commissioner

Ms Annwyn Godwin, Merit Protection Commissioner

Mr Patrick Palmer, Group Manager, Corporate

Ms Clare Page, Group Manager, National Business Centre, National Leadership and Programs Centre

Ms Nicole Pietrucha, Group Manager, Research and Evaluation

Mr Damian West, Acting Group Manager, Workforce Policy

Ms Karin Fisher, Group Manager, Ethics

Ms Helen Bull, Branch Manager, Public Sector Branch

Mr Steve Ramsey, Principal Adviser, Review and Legal

Office of the Commonwealth Ombudsman

Mr Ronald Brent, Acting Ombudsman

Ms Helen Fleming, Acting Deputy Ombudsman

Office of the Inspector-General of Intelligence and Security

Outcome 1

Dr Vivienne Thom, Acting Inspector-General of Intelligence and Security

Office of National Assessments

Mr Allan Gyngell

Mr Derryl Triffett

Mr Patrick Keane

Australian National Audit Office

Program 2.1 Assurance Audit Services

Mr Ian McPhee, Auditor-General

Mr Steve Chapman, Deputy Auditor-General

Ms Anya Moore, Executive Director, Corporate Management Branch

Mr Anthony Howatson, Chief Finance Officer

Program 2.2 Performance Audit Services

Mr Ian McPhee, Auditor-General

Mr Steve Chapman, Deputy Auditor-General

Mr Peter White, Group Executive Director

Mr Matt Cahill, Group Executive Director

Mr Michael White, Executive Director

Mr Brian Boyd, Executive Director

Ms Barbara Cass, Executive Director

Ms Fran Holbert, Executive Director

Dr Thomas (Tom) Edmund Clarke, Executive Director

Dr David Melville Rowlands, Audit Manager

CHAIR (Senator Polley)—I declare open this meeting of the Senate Finance and Public Administration Legislation Committee. The Senate has referred to the committee the particulars of proposed expenditures for 2010-11 for the parliamentary departments and the

portfolios of the Prime Minister and Cabinet, Finance and Deregulation and Human Services. The committee may also examine the annual reports of the departments and agencies appearing before it. The committee has fixed 9 July 2010 as the date for the return of answers to questions taken on notice. 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. 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 used.

[9.04 am]

Australian National Audit Office

CHAIR—I welcome back the Special Minister of State, Senator the Hon. Joe Ludwig, and the Auditor-General, Mr McPhee. Would either of you like to make an opening statement?

Senator Ludwig—No, thank you.

Mr McPhee—No, thank you.

Senator RONALDSON—Minister, before I get on to Mr McPhee, I want to ask you a number of questions by way of background. Do you recall that the Australian Labor Party went to the 2007 federal election on a national platform calling for the establishment of strict guidelines for government advertising?

Senator Ludwig—I am familiar with the area that you are referring to.

Senator RONALDSON—Part of that platform promised to empower the Auditor-General to provide ‘an opinion on whether each campaign meets the guidelines’. Do you remember that?

Senator Ludwig—I am familiar with that, yes.

Senator RONALDSON—Do you recall a joint media release from the then SMOS, Senator Faulkner, and Finance Minister Tanner on 2 July 2008 entitled ‘New Advertising Guidelines’ that proclaimed:

These new procedures will now give the public confidence that campaigns are legitimately authorised, properly targeted and non-political.

Senator Ludwig—I do not have it in front of me but I do generally recall it.

Senator RONALDSON—Do you recall that that said:

In 2007, Kevin Rudd made an election promise that campaigns over \$250,000 would be scrutinised by the Auditor-General.

Senator Ludwig—Yes, broadly. I am not sure which document you are actually referring to, but I do recollect that more broadly.

Senator RONALDSON—It was a joint media release dated 2 July 2008, under your name but under the names also of John Faulkner and Lindsay Tanner.

Senator Ludwig—Yes.

Senator RONALDSON—After that comment that campaigns over \$250,000 would be scrutinised by the Auditor-General is the comment:

This election commitment is now met.

Do you remember that part of the release?

Senator Ludwig—I have a general recollection, but I do not have it actually before me. You referred to the platform. I think it was for the APSC, not the ANAO. I am not disputing that, but my recollection might be slightly different. If you have the document, you might want to check on it.

Senator RONALDSON—The platform reads:

... and that the Auditor-General provides an opinion on whether each campaign meets the guidelines.

Also in that joint press release of 2 July was this:

The Auditor-General will provide a “health check” on the final product of a campaign before it is communicated.

Given the background to that and particularly the comment that the election commitment is now met, and given that the election commitment is now broken, can I refer you to—

Senator Ludwig—I do not agree that it is broken.

Senator RONALDSON—We will get to that. I think others might have a slightly different view to you. I quote again from the joint press release of 2 July 2008:

In 2007, Kevin Rudd made an election promise that campaigns over \$250,000 would be scrutinised by the Auditor-General.

This election commitment is now met.

Is the Auditor-General—following the new guidelines—scrutinising campaigns over \$250,000?

Senator Ludwig—Let me go through.

Senator RONALDSON—No, no. Can you just please answer that question.

Senator Ludwig—I am entitled to answer in the way I see—

Senator RONALDSON—Is the Auditor-General scrutinising—

Senator Ludwig—appropriate to provide information to your answer.

Senator RONALDSON—It is a quite simple question.

Senator Ludwig—But we continue—

Senator RONALDSON—Is the Auditor-General still scrutinising over \$250,000?

CHAIR—Senator Ronaldson!

Senator RONALDSON—Madam Chair, it is a quite simple question—yes or no.

CHAIR—Can I just make the point, for everyone’s benefit, that the process is a very clear one. We ask the questions and then we wait so the witnesses are able to respond with the answers. Then you can put another one. Speaking over the top of one another is not helpful for me as chair and it is certainly not helpful for Hansard, who are trying to record these

proceedings. I hope I do not have to continue today to remind people of the standing orders. Minister, you were responding.

Senator Ludwig—Thank you. I will provide a more fulsome answer, because I suspect I know where you are going, Senator Ronaldson. The Auditor-General is also free to undertake an audit of any campaign or aspect of the government advertising framework and has been asked to consider undertaking at least one audit per year on a campaign or the administration of the framework. So the short answer is: it is not, no, and, yes, the Auditor still has a role.

Senator RONALDSON—In 2007 Kevin Rudd made an election promise that campaigns over \$250,000—not an isolated audit but all campaigns over \$250,000—would be scrutinised.

Senator Ludwig—And the amount continues to be the same.

Senator RONALDSON—Is the Auditor-General scrutinising all campaigns over \$250,000, under the new guidelines?

Senator Ludwig—I did provide an answer to that, but if you want I will go through the longer point. The guidelines on campaign advertising were announced by the government on 2 July 2008, as the press release you have seems to suggest.

Senator RONALDSON—It is your press release, actually; it is not mine.

Senator Ludwig—Well you are in possession of one. At the time, the government also agreed to review the guidelines and their operation before July 2010. They have been reviewed, and of course the new framework continues. Accordingly, Dr Allan Hawke was appointed on 27 January 2010 to conduct a review of government advertising arrangements, and he commenced on 8 February and a final report was provided to the secretaries to the Department of Prime Minister and Cabinet and the Department of Finance and Deregulation on 26 February 2010. Dr Hawke's report was release by me on 31 March 2010, in conjunction with the announcement of the new arrangements for government advertising.

Dr Hawke's recommendations included establishing an Independent Communications Committee to report to chief executives on compliance with government advertising guidelines in place of the role formerly played by the Auditor-General. The Independent Communications Committee is chaired by Dr Allan Hawke, with former public servants, Ms Barbara Belcher and Ms Helen Williams, as members. Of course Finance has responsibility for guidelines and the operations of the new arrangements. If there are detailed questions around that, they of course can be directed to the department of finance.

In dealing with the issue, I also indicated that the Auditor-General is also free to undertake an audit of any campaign or aspect of the government's advertising framework. In addition, the \$250,000 remains. It is a threshold which the review found, through Dr Hawke, the communications committee should actually have lifted, but we kept it at the \$250,000 to continue meeting our election commitment. So I disagree with Senator Ronaldson. The framework that is in place continues, and if you go back one of the difficulties is that the position which we have now adopted was of course supported by the opposition repeatedly. You had Mr Petro Georgiou speaking at the JCPAA committee on 9 September 2009, where he indicated:

My concern is that it actually undermines the function of the Auditor-General—not that it does not improve the operation of departments, but that it implicates the Auditor-General in ongoing decisions and actually makes him sign off on what is an intrinsically political exercise.

Senator RONALDSON—This is your own policy. We are not talking about Mr Georgiou; we are talking about your policy—we are talking about an election commitment that the Auditor-General would scrutinise all these campaigns, before they went to air, over \$250,000. That commitment has not been met.

Senator Ludwig—And the new framework continues.

Senator RONALDSON—The Auditor-General! I could sit here for an hour—but I am not going to—and talk about this government's back flips. I could talk about the gymnastics of 'Nadia' Rudd in relation to GroceryWatch and Fuelwatch; we could go through the whole lot. But I am actually talking about this matter.

Senator Ludwig—Is there a question in this, Madam Chair, or is he actually going to say what he said he was not going to say?

CHAIR—Senator Ronaldson, as you well know, this is not an opportunity to make statements; it is an opportunity to question witnesses. Could you come to your question please.

Senator RONALDSON—Right. Can I now move to your press release of 31 March this year where you broke that election commitment that the government had made a big, big song and dance about—

Senator Ludwig—Is there a question in that?

Senator RONALDSON—I did not realise you were the chair of the committee, but if you want to do both roles then let me know and I can accommodate you. You announced that the Auditor-General would no longer be tasked with pre-approving the propriety of government advertising campaigns, as you said before the election would happen and as you said after the election, when that policy was implemented. What is the rationale for breaching that clear election commitment.

Senator Ludwig—I reject the implication in your sentence. Let us go back and have a look at what this government has done in relation to government advertising. The truth is the government has done a great deal—

Senator RONALDSON—Has broken election promises.

Senator Ludwig—to clean up the advertising framework to ensure, unlike when you were in government, that campaigns are legitimately authorised, properly targeted and non-political. It is something you never did when you were in government and, if you would like to admit it, the facts are clear. The Rudd government made significant changes to the government advertising framework. It has reduced the costs and increased the transparency and accountability of government advertising throughout. What we said is that we would have a review—it is not unusual to have a review—and we did have a review. We got an independent person to conduct the review to ensure that the framework was working properly, to continue to ensure that they were legitimately authorised, properly targeted and non-political. And that continues to this day. The government reports twice yearly to the

parliament and the Australian public on advertising campaigns where there is expenditure greater than \$250,000. That continues. That is twice a year. That is more than the Liberals ever did in this area. In the government's first year we reduced expenditure to almost \$170 million, in contradistinction to where you left it at \$254 million.

Senator RONALDSON—Madam Chair, on a point of order: when is the minister going to attempt to answer my question?

Senator Ludwig—I am answering your question, if you would care to listen.

CHAIR—Senator Ronaldson, in response, as you well know, you can put the question, but I cannot direct the minister or the witnesses on how they should answer that question.

Senator Ludwig—I was wrapping it up at that point. I could go on, but I have outlined the answer to the question, particularly that we would continue to have a framework which would also ensure that advertising guidelines could not be party political, and that continues. Nothing has changed in that respect.

Senator RONALDSON—Minus the Auditor-General—

Senator Ludwig—No, it is not minus the Auditor-General.

Senator RONALDSON—which underpinned the election commitments you have now breached.

Senator Ludwig—For the third time, I will tell you that the Auditor-General continues to play a role and has recently demonstrated that. What the Auditor-General will continue to do, as I indicated earlier, is to provide input into the framework.

Senator RONALDSON—Will the Auditor-General oversee every campaign over \$250,000—yes or no? It is a quite simple question.

Senator Ludwig—What I said is that the new framework—

Senator RONALDSON—Clearly, the answer is no.

Senator Ludwig—If you would like me to run through it again, it is not unusual to have a review after 18 months to ensure that we continue to have open and accountable government—

Senator RONALDSON—Have you spoken to Senator Faulkner about this?

Senator Ludwig—The Hawke review showed that the Auditor-General was not the most appropriate person to provide an independent review. That is what the government has followed. You may not accept that. You may not like it and, in fact, you never did it when you were in government. This was primarily based on the fact that the Auditor-General was responsible for providing a report regarding proposed campaign advertising activity within the guidelines. It was challenging, in our view and in Dr Hawke's view, for the position of the Auditor-General to then conduct performance audits on campaign activity. I can quote Bronwyn Bishop in the JCPAA on 11 March 2009. She said:

I have to say that I feel very uncomfortable with the Auditor-General being placed in what I think is an unethical position.

Senator RONALDSON—You can quote this stuff until the cows come home. This is your policy, and it is a brief selection. Have you discussed this with Senator Faulkner?

Senator Ludwig—It is not a breach of our election commitments.

Senator RONALDSON—Come on! No-one believes that.

Senator Ludwig—We continue to have a framework in place.

Senator RONALDSON—Yeah, yeah, yeah, without the Auditor-General. Have you discussed this with Senator Faulkner?

Senator Ludwig—You may not be open to improving policies, but we are.

Senator RONALDSON—Rah, rah, rah. It is very early in the morning, Minister. Have you discussed this with Senator Faulkner?

Senator Ludwig—This is a matter that has been through the due processes of government.

Senator RONALDSON—I would like to quote from an article by Andrew Fraser in the *Canberra Times* on 3 July 2008. It states:

Senator Faulkner said the advertising measures were “tougher and more rigorous” than any before.

“I do believe that today’s announcement represents a very important element in the Rudd Government’s integrity agenda.”

That ‘integrity agenda’ was thrown out the window with a breached election promise.

Senator Ludwig—I reject that. You may not be able to open to improving policy outcomes—

Senator RONALDSON—I would now like to direct my questions to the Auditor-General. With the greatest respect to you, minister, I suspect that the auditor will be able to give a more realistic assessment of this.

Senator Ludwig—Is there a question in that, or do you just feel like you have to gratuitously insult people?

Senator RONALDSON—It is a spirited attempt to defend the indefensible; I will cut you that slack.

Senator Ludwig—That is what you have not done in respect of the \$254 million that you spent on campaign advertising that was party political—and you had no framework in place. I think it is extraordinarily hypocritical for you to argue that from where you sit.

Senator RONALDSON—We will indeed get to election expenditure in due course.

Senator Ludwig—You also seem to have a different view from the JCPAA, which thinks it is defensible and, quite frankly, a good decision.

Senator RONALDSON—I am used to this rudeness, Madam Chair. It happens all the time.

CHAIR—Senator Ronaldson, do you have a question?

Senator RONALDSON—Before I go to the Auditor-General, I have a question for the minister. Prior to the next election are you going to make any references to the Rudd government in your advertising in relation to the NBN and the so-called health reforms—and

I could mention more things. Is there going to be any reference to the Rudd government in those advertising campaigns?

Senator Ludwig—You may not be up to date with some of your information. In terms of the advertising guidelines, the Independent Communications Committee reports on campaign advertising material, and that is available. The report I can take you to relates to the Chemicals of Security Concern campaign. All of these matters go through the advertising guidelines. There is still a requirement that the advertising is not party political, and that is principle 4. As I indicated earlier, principle 4 will ensure—actually, it is principle 3—

Senator RONALDSON—Could you just answer my question.

Senator Ludwig—I am answering your question. Principle 3 says the guidelines will continue to apply and the advertising cannot mention a party by name. If you were doing your job as opposition spokesperson you would be familiar with principle 3.

Senator RONALDSON—We will probably get onto principle 3. There has been reference to principle 3b by someone who is a lot more independent than you. I am happy to talk about that. Thank you for the segue to my—

Senator XENOPHON—I would like to ask a quick supplementary question. Minister, given that the Independent Communications Committee are now dealing with the question of government advertising, will they be available to answer questions in the estimates process as to how they do what they do?

Senator Ludwig—I will take that on notice.

Senator XENOPHON—It is not a trick question.

Senator Ludwig—No, I accept that. The committee are independent from us and, from what I understand, they could be called. I would not object to that.

Senator RONALDSON—I want to go back to that *Canberra Times* article. It states:

Senator John Faulkner unveiled the policy after six months of “assiduous” work.

He said the guidelines ruled out political-party identification and it was “extremely unlikely” that references to “the Rudd government” would be allowed.

Senator Ludwig—That has not changed.

Senator RONALDSON—So you are ruling out any reference to the Rudd government—

Senator Ludwig—You cannot mention a party by name. I indicated that for free.

Senator RONALDSON—Then why didn’t you answer the question when I first asked it five minutes ago?

Senator Ludwig—I did.

Senator RONALDSON—No, you did not.

Senator Ludwig—This is was the second time I have mentioned it. Maybe you were not listening.

Senator RONALDSON—I have been listening to non-answers for 25 minutes, so I have been keenly listening. Mr McPhee, I would now like to turn to you. You took issue with the

decision that was made and you wrote to the Special Minister of State on 29 March regarding those concerns. Is that right?

Mr McPhee—I took issue with the process employed.

Senator RONALDSON—You took issue with a bit more than that, but can we just go through the letter. Can I ask you to expand on the following points that you raised in your letter to Senator Ludwig. You said: ‘I am concerned that neither I nor my office was consulted in respect of the completed review report nor provided with the opportunity to inform the government’s consideration of issues related to the administration of government advertising. This is in marked contrast to the arrangements for the implementation of the government’s policy platform following the 2007 election, when our views were sought on the proposed approach and the draft guidelines to apply it’—in other words, the policy platform where you were to oversee these advertising campaigns over \$250,000. You said: ‘At that time the government was keen for my office to be directly involved in the review of advertising campaigns, consistent with various statements made by Mr Rudd’—then Leader of the Opposition—‘and shadow ministers in the lead-up to the election.’ Could you please expand on those concerns.

Mr McPhee—Certainly when the Labor government assumed office the former Cabinet Secretary did engage with me and my office in terms of the approach to my office’s involvement in the advertising campaigns. We agreed an approach whereby my office would undertake reviews of advertising campaigns in accordance with auditing standards. So there was heavy involvement. I guess in my letter to Senator Ludwig I was contrasting the processes employed following the Hawke review, whereby I was not consulted on the completed review report nor did I have the opportunity to directly inform government of my views before government took their decision to change the arrangements with respect to the review of advertising campaigns.

Senator RONALDSON—And your clear view is that that would have been an appropriate process to be followed?

Mr McPhee—I thought that the departments involved should have sought my views on these matters.

Senator RONALDSON—And indeed the government itself.

Mr McPhee—The government is entitled to rely on departments to coordinate these matters but, at the end of the day, the government could have sought my views as well.

Senator RONALDSON—Yes. And I repeat that they had clearly sought your substantial input into the formulation of the policy after their announcements on the 2007 election. I think you met with Dr Hawke but had no further discussion with the Hawke inquiry after that point despite the fact that the report clearly stripped away the powers that you had been given as an independent arbiter following the implementation of the election commitment.

Mr McPhee—That is correct, and that is why I was disappointed with the process.

Senator RONALDSON—I will now turn to your *Campaign Advertising Review July 2009 - March 2010*, which has recently been tabled. You say that the government’s changes in the

oversight of taxpayer funded advertising represent 'a general softening in the application of requirements on agencies'. Could you expand on that for me.

Mr McPhee—We compared the previous guidelines with the revised guidelines and, particularly in terms of the coverage of matters which can be included in advertising campaigns, there was the insertion of an additional element which allowed for campaigns to inform the consideration of issues. That previously was not part of the guidelines, and it seems to me that that opens up for consideration a wider range of matters that could be allowed in advertising campaigns than used to exist under the previous guidelines, for instance.

Senator RONALDSON—Doesn't a 'campaign of information' potentially give a government carte blanche to advertise in relation to any matter at all?

Mr McPhee—I would not go that far but certainly in my view the new guidelines were broader than what the previous ones allowed.

Senator RONALDSON—Senator Faulkner has previously said that under the guidelines the new procedures would ensure that campaigns were properly targeted. If this coverage is now in relation to a campaign for information or the consideration of issues, clearly it is very difficult for that to be properly targeted.

Mr McPhee—Depending on what the issue is, there is still work that can be done to target the nature of a campaign. So you would still expect research to be undertaken as to the appropriate media to be used and the spend and how that is allocated. So there is a range of targeting but it does allow a wider range of subject matters.

Senator RONALDSON—Yes. Is that principle 1 of the new guidelines?

Mr McPhee—Correct.

Senator RONALDSON—I want to go to page 2 of your letter in relation to these new guidelines. You say: 'The definitions of advertising campaigns in other areas are less specific. This is particularly so in the case of principle 1, which appears to allow a broader scope of determining the suitable use of government advertising campaigns. Principle 3 provides less guidance for interpreting whether campaign materials promote party-political interests.' You expressed concern about that for obvious reasons, but could you please expand on that for me.

Mr McPhee—This is one area that had been subject to quite some consideration by the Joint Committee of Public Accounts and Audit. It is understandably one of the more contentious areas of the guidelines. In the course of the JCPAA's inquiry, we received some legal advice which I made available to the committee. I guess I expected that some further elaboration may have been added to the guidelines to help get a better understanding of the boundaries of this particular criterion. While there was work done by the government in the revised guidelines to get greater clarity as to the intended meaning, equally there was some truncation of pre-existing guidance and we were drawing attention to that matter.

Senator RONALDSON—So you were effectively saying that the opportunity for the promotion of party-political interest to occur is greater now under principle 3 than it had been under the previous guidelines?

Mr McPhee—We were just saying there was less guidance for agencies on that particular matter. We were not drawing a conclusion as to whether that allowed more political advantage to be taken.

Senator RONALDSON—But, by definition, if there is less guidance there is greater opportunity. That surely is—

Mr McPhee—I do not know whether it is a logical connection. It has been a sensitive area; it always will be a sensitive area, and we thought that some additional guidance would assist rather than taking away some of the pre-existing guidance.

Senator RONALDSON—I will make the comment: less guidance means greater opportunity.

Senator Ludwig—Is there a question or a comment?

Senator RONALDSON—Clearly it was a comment—which I actually said. If you are not listening, that is fine. Mr McPhee, are you aware of the press release of 2 July, which was under Minister Ludwig's name as Cabinet Secretary but was a joint release with Minister Tanner and Minister Faulkner, where this comment was made in paragraph three:

These new procedures will now give the public confidence that campaigns are legitimately authorised, properly targeted and non-political.

Are you aware of that?

Mr McPhee—I do not recall the specific statement.

Senator RONALDSON—All right. We have discussed principle 3, which is where there is less guidance in interpreting whether campaign materials promote party political interests. I again turn to page two of your letter, and I quote:

Principle 4, which no longer requires an explicit cost-benefit analysis. While I understand the intention of the review was to bring greater clarity to the guidelines, there has been a general softening in the application of requirements on agencies as a consequence.

Can I ask you please to expand on that?

Mr McPhee—The issue of cost benefit has been around for some time. Normally the way the process works is: government necessarily agrees in advance the budget for a campaign. It is necessarily a broad figure, because a lot of the research is still to be done and the campaign is yet to be properly targeted. For instance, if you had a campaign with a \$10 million budget, we were suggesting that it would be beneficial for agencies to have further guidance as to how they should focus on the cost benefit for any campaign. That is, you could have an argument that spending every last dollar of the \$10 million would lead to a more effective campaign. At one level that is correct, because you may be able to spend much more money to get to the last person in distant Australia. But perhaps on an optimisation basis you may get a different answer. I guess we were trying to suggest to the government that it would be helpful to give agencies greater guidance about where the balance is.

Senator RONALDSON—Minister, can you explain to me how you think that an objective assessment of this matter can be achieved with less guidance on partisan political interests and effectively no public interest cost benefit analysis—particularly in light of principle 1?

Senator Ludwig—Let me deal in seriatim with a couple of matters that have been raised, because I think for the record it should be clear. Of course, with great respect I do disagree with Mr McPhee on a number of issues but I will go to those shortly. It is worth saying at the outset, though, that the Auditor-General played a vital role in putting together a framework that had not existed before. Let us be clear about that. The government also indicated that it would publicly review the guidelines within two years, which we did. One of the things we looked at is that the Auditor-General did indicate—and I think we mentioned the general softening. And of course the Auditor-General's view, and I respect that that is his view, however, the new guidelines continue to require that publicly funded advertising campaigns are properly targeted, free from political content, relevant to government responsibilities and conducted with due regard to efficiency, effectiveness and accountability.

Senator RONALDSON—But with no independent umpire, Minister. That is the key, isn't it?

Senator LUDWIG—There is—

Senator RONALDSON—There was not.

Senator Ludwig—and I was going to then go on to say that the Independent Communications Committee reviewed campaigns valued at more than \$250,000 in compliance with the guidelines. I am satisfied that the new guidelines will continue to meet the government's objective of ensuring, among other things, that campaigns are legitimately authorised, properly targeted and free from political content. One of the issues is that you go to this committee, but on 26 November 2007 the Auditor-General, not unsurprisingly, wrote to the Prime Minister and indicated in the last paragraph in relation just to this point:

Against this background and subject to the reviews of the Public Service Commissioner, the alternative office holder mentioned in federal Labor's plan, I would propose a model involving a small independent committee with an executive or advisory role in relation to government advertising. Such a committee could comprise persons of standing who, by virtue of their experience and acknowledged integrity, would be well placed to assess proposals for their appearance to agreed guidelines, including the more complex elements such as those relating to perceived party-political content, and make their views on each campaign known to the responsible minister and the wider community.

But, above all, the ANAO would conduct a periodic report on whether the arrangements were operating as envisaged by the government. The Auditor-General continues to play that latter role. More importantly, when you look at the framework that is now in place, it continues to ensure that the principles are adhered to and secretaries are responsible and accountable. There is an independent committee to assess that they are in accordance with those guidelines. The people on that committee are of the highest integrity and do their jobs according to the guideline. But of course—

Senator RONALDSON—What is the term—

Senator Ludwig—You have raised a number of issues and, as I said, I want to deal with them in seriatim, because you also went to the cost-benefit analysis. On the matter of the cost-benefit analysis, the Hawke report, the independent report that the government commissioned to have a look at the guidelines to ensure that they continue to meet the issues that I raised about integrity, accountability and transparency—

Senator RONALDSON—Can I interrupt?

Senator Ludwig—No.

Senator RONALDSON—Who is more independent—the Auditor-General or the Hawke report?

Senator KROGER—There has been no opinion from the Auditor-General whatsoever.

Senator Ludwig—That is not right—and I was going to come to that. Dr Hawke consulted—

Senator RONALDSON—Dr Hawke's committee—

Senator LUDWIG—Let me finish.

Senator RONALDSON—Dr Hawke's committee is more independent than the Auditor-General is what you are putting.

Senator LUDWIG—No—

CHAIR—I remind committee members—can I have some order, please. I think it would be far more respectful if we could go through the process as outlined under the standing orders: put a question and allow the witness to answer. The minister was still answering, so to have two senators continuing questioning is not helpful to Hansard. The minister had the call—and then Senator Ronaldson.

Senator Ludwig—The difficulty is that there were three or four issues wrapped up in one question which arose out of the questioning of Mr McPhee. The next matter you raised was the cost-benefit analysis in campaign advertising. On that matter the Hawke report noted that the former Special Minister of State and Cabinet Secretary, Senator Faulkner, wrote to the Auditor-General on 10 March 2009 advising that the role of the cost-benefit analysis is to ensure that the effectiveness of the advertising and information campaign is maximised within the available campaign budget provided by government. The guidelines now reflect that intent, requiring that advertising campaigns should be cost-effective and justified within the budget allocated to the campaign. The cost-effectiveness measure was introduced to remove complexity and deliver better information for assessment, as has been the case with the cost-benefit analysis. On the other matter that you raised, which goes to the consultative process, the review was conducted by the Department of the Prime Minister and Cabinet, by the secretariat, with Dr Allan Hawke and, as I am advised, Dr Hawke consulted with the Auditor-general in relation to that review.

I think you also raised again the issue of party political processes, but I think I dealt with it. No, the government's revised campaign guidelines continue to be explicit that campaigns should not be directed at promoting party political interests, and clearly identify, for example, that party political slogans or images should not be used in campaigns—unlike when you were in government.

Senator RONALDSON—I have read the Hawke report as well and you are just parroting what is in it. Can I continue with my question, please, Madam Chair?

CHAIR—You have the call, Senator Ronaldson.

Senator RONALDSON—Thank you. What is the term of appointment of the Auditor-General?

Senator Ludwig—I don't know. If you know, you can answer.

Senator RONALDSON—I am asking the minister, but if the minister does not know—

Mr McPhee—I have a 10-year appointment and I have completed five years.

Senator RONALDSON—Minister, what is the term of appointment of the members of the new advertising committee?

Senator Ludwig—They will continue to serve.

Senator RONALDSON—Do they have an appointment period?

Senator Ludwig—I will take that on notice; I do not recollect it. I think it continues for some period.

Senator RONALDSON—If they have not got a formal term of appointment, which I rather suspect they haven't, the contrast between an Auditor-General with an appointment for at least another five years and people making decisions who have not got a formal term of appointment is obvious.

Senator Ludwig—No, they are an independent committee. They are entitled—

Senator RONALDSON—They are not an independent committee. How can you possibly say they are an independent committee when they are reporting to you? Who does the Auditor-General—

Senator Ludwig—No, hang on a minute. They are not reporting to me.

Senator RONALDSON—Aren't they? Who are they reporting to then?

Senator Ludwig—If you are not familiar with the process, I can step you through it.

Senator RONALDSON—Who are they reporting to?

Senator Ludwig—They report to the Department of Finance, which has contracted them. It is not me.

Senator RONALDSON—Sorry—how silly of me! They are reporting to a government department. So they are reporting to the government. Who is the Auditor-General responsible to?

Senator Forshaw interjecting—

Senator RONALDSON—Of course they are.

Senator FORSHAW—Oh, is that the way it worked under your show, is it?

Senator Ludwig—I think it was. I think he has let the cat out of the bag.

Senator FORSHAW—Is that why in all those inquiries—

CHAIR—Thank you, senators!

Senator RONALDSON—The intellectual giant stirs.

Senator Forshaw interjecting—

CHAIR—Senators! I remind you that interjecting is unhelpful.

Senator Forshaw interjecting—

CHAIR—Thank you, Senator Forshaw! Senator Ronaldson has the call.

Senator Forshaw interjecting—

CHAIR—Senator Ronaldson, you have the call if you have some questions.

Senator RONALDSON—Thank you. I think the pills have kicked in. Who is the Auditor-General responsible to, Minister? The parliament, isn't it? The Auditor-General is responsible to the parliament.

Mr McPhee—To the parliament.

Senator RONALDSON—Yes. Thank you, Mr McPhee, that is right. I am sorry the minister would not acknowledge that. Minister, the new committee is responsible to you, isn't it? It is responsible to the government.

Senator Ludwig—They are independent, they are on a two-year contract and they will report to the Department of Finance. That is clear.

Senator RONALDSON—Does this committee report to the parliament?

Senator Ludwig—I have said what they do: they report to the Department of Finance.

Senator RONALDSON—They do not report to the parliament, do they?

Senator FORSHAW—Which reports to the parliament!

Senator RONALDSON—Oh, dear! Let us be absolutely clear: we have an Auditor-General who has a term of appointment, we have members of a committee, who, I suspect, have no term of appointment at all—

Senator Ludwig—They have a two-year contract.

Senator RONALDSON—we have an Auditor-General who reports to the parliament and we have an independent group that reports to the government. So how can you possibly say, Minister, that the level of independence that existed prior to these changes exists today?

Senator Ludwig—I can. The framework is far in excess of what you had when you were in government.

Senator RONALDSON—Would you just answer the question?

Senator Ludwig—This is a framework.

Senator RONALDSON—It is your policy!

CHAIR—Senator Ronaldson! Minister!

Senator Forshaw interjecting—

CHAIR—Senator Forshaw! Do I have to remind senators, yet again, that the procedure here is to ask questions and to allow the witness to respond. Senator Ronaldson, by asking your question and then giving a commentary you invite other people to interject. Minister, you have the call.

Senator Ludwig—These new arrangements, as I have reiterated this morning, do provide for the adoption of simplified and clarified guidelines, but also continue the independence. They are independent. These are well-respected individuals who serve on this committee, which is separate from government, and they are entitled to come to their own conclusions about these matters. They are certainly free from interference.

Senator KROGER—Chair, can I just follow up with a question to the minister?

CHAIR—Yes.

Senator KROGER—On what basis was Dr Hawke appointed to head up the Independent Communications Committee? It seems passing strange that he was commissioned to conduct the review, which is very critical of the Auditor-General. In reading the recommendations in the review, there seems to be some element of personal commentary going through that in terms of relationships between the two bodies. But on what basis was his appointment determined to head the ICC given that he was commissioned to undertake the review? That in itself seems to be—well that very element certainly smacks of a conflict of interest.

Senator Ludwig—I reject that. If you go back, the government had indicated it would review the guidelines within two years. It did that. It asked a person of significant standing—I cannot speak for him in part of the question you have asked, but in terms of the way in which the report is written, the government commissioned an independent report, the report was provided to government, the government responded to those recommendations. It is as simple as that. We also looked at who would have a significant standing to be on the review—that is, the role of reviewing advertising campaigns—and that is the Independent Communications Committee. I would say that Dr Allan Hawke, a former chancellor of the Australian National University, High Commissioner to New Zealand, and secretary of the departments of veterans' affairs, transport and regional services and defence is well-placed to fulfil that role. In addition, we had Ms Helen Williams, who is a former public service commissioner and former secretary of five departments, no less, and of course Ms Barbara Belcher AM, former first assistant secretary of the Department of Prime Minister and Cabinet. These are people who are beyond reproach, who are on this Independent Communications Committee, who are—

Senator KROGER—Minister, the question was on what basis the selection criteria was chosen to make these appointments. My point is that the thread that goes through this review suggests that there is potential conflict of interest in the Auditor-General's office in conducting their very role—

Senator Ludwig—That is what the JCPAA also—

Senator KROGER—and the very person who is commissioned to conduct this review is then, with no clear parameters from what I can gather, been given the job to head up an independent communications commission. On what basis was he actually appointed to that role?

Senator Ludwig—I have answered that question, but can I add—

Senator KROGER—You have not answered it. What were the criteria for his appointment?

Senator Ludwig—Persons of high standing, above reproach, who are independent of government, who are clearly of that order of standing that you would not criticise them—I certainly will not. But if you look at one of the issues that you raised earlier, you say—your words, if I can recollect them correctly—and Mr Petro Georgiou on JCPAA, speaking about the old guidelines, came to the conclusion that you alluded to—that is, this had the potential to compromise the apparent independence of the Auditor-General, and the Auditor-General’s capacity to be an appropriate auditor. These are matters that were raised by the opposition in the JCPAA matter, and clearly it might have been a matter that Dr Hawke independently came to a similar view on. It seems odd that you are attacking the appointments themselves, but, be that as it may, these are people whom I hold in the highest regard. I reject the inference that you make.

Senator KROGER—Minister, I was not attacking the integrity of the individuals. What I am questioning is the integrity of the process. That is what is in question here, not the integrity of the individuals. Certainly, given—

Senator Ludwig—So they were recommended by PM&C and finance secretaries, and of course the parameters are set out in contracts with the department of finance. I think that is the short answer that you are seeking.

Senator JACINTA COLLINS—Minister, I am also confused about the opposition’s concern about the removal of the Auditor-General from the process. Can you clarify for the committee what the opposition’s position was on that matter?

Senator RONALDSON—Madam Chair, how is that possibly relevant to this?

Senator Ludwig—It is interesting. Of course why these guidelines are now being attacked is because the opposition have no fig leaf; they do not have a policy in relation to advertising guidelines.

Senator RONALDSON—No, I will tell you why it is being attacked: because you went into an election campaign—

Senator Ludwig—They did not have—

CHAIR—Order, Senator Ronaldson.

Senator RONALDSON—with an independent arbiter—

CHAIR—Senator Ronaldson! I ask you to come to order! As I gave you the courtesy of ensuring that you were listened to and heard in silence, I would appreciate it if you would allow the same courtesy to Senator Collins. The minister was responding.

Senator Ludwig—Thank you. They continued to adopt party political advertising right up to the 2007 election. In fact, \$254 million of it was spent. This government chose to ensure that there was a proper framework in place, that there was going to be a position where you could not have party political advertising while you could also ensure that the secretaries would adhere to the guidelines that were set out. We reviewed those, as you would expect any government to do.

Senator RONALDSON—Minister, given your comments, would you make this committee available to Senate estimates tomorrow in finance so that they can be questioned?

Senator Ludwig—What I can do is I can pass that on. As I indicated to Senator Xenophon, I do not object to their appearance. I imagine they can be called. If the processes allow you to call them, then that is a matter for you.

Senator RONALDSON—Well they certainly were not made available to the committee, that is my understanding. So you are categorically stating now that you are happy for this group to appear before this committee. Is that right?

Senator Ludwig—I will take advice, as I have indicated. I have said I do not object. It is unusual to call non-public servants. It is the secretaries who are accountable, not the ICC. I will get back to you about what the process would be.

Senator RONALDSON—But you have just said they are independent of Finance and the minister, so if they are independent of Finance then presumably there is no issue with them being called. It has got to be one or the other, doesn't it?

Senator Ludwig—It is unusual to call non-public servants. That is clear. These people are on—

Senator RONALDSON—But you have said that they are completely independent of the department.

Senator Ludwig—I will take it on notice and I will seek further advice. That is the easiest—

Senator RONALDSON—At what stage will you get back to the committee?

Senator Ludwig—We should be able to get back to you today.

Senator RONALDSON—I would hope so, because we will need to have these people called tomorrow I would have thought.

Senator FORSHAW—Chair, I have a point of order. There is a serious issue here, which I think the minister has just referred to—that is, the capacity of people in these positions and whether or not they would normally be called before estimates committees. There are quite a number of independent tribunals in this country that, as I understand it, have a reporting role to government departments or to governments. And is Senator Ronaldson now trying to open estimates up to calling those people? It is not just this particular body that this would affect.

Senator RONALDSON—In response to that, I direct Senator Forshaw's attention to the table in front of me. I will direct to him the person second from the left, who is Mr McPhee. He is appearing before this committee as an independent umpire. That is the very point that I have made. We have had an independent umpire who has been removed from the process, and you are now suggesting that a so-called independent group cannot be put in that same position. What an extraordinary notion!

CHAIR—On the point of order, it is not usual for independent contractors and the like to come before estimates. We have sought further advice. When that advice is available, we will report back to the committee.

Senator FORSHAW—Can I give you an example?

CHAIR—Yes.

Senator FORSHAW—This committee deals with issues that arise to do with salaries, conditions and entitlements. Some of those decisions are made by the Remuneration Tribunal, which is an independent body. Are you suggesting that those sort of members could be called before estimates or would you seek to do so? That is the example I am using, which is why I am a bit concerned about how far you extend the operation of estimates for calling witnesses. Clearly in the past people have been called as witnesses who have never been called before.

CHAIR—Senator Ryan, on the point of order. I have indicated what we are doing.

Senator RYAN—I had a question I was asking of you, Chair, when Senator Forshaw raised his point of order. I did not hear when the minister said he would get back to the committee and when we might get such advice. It may be a matter for further discussion of the committee at a private meeting. Do we have an indication of when we might get the answer from the minister and the advice to you?

Senator Ludwig—I did indicate that.

Senator RYAN—Sorry, I missed that.

CHAIR—The advice we are seeking is from the Clerk. That advice will be made available as soon as possible and I will report back to the committee at that time. Then, if it is considered necessary, we will have a private meeting. That is where our advice is coming from—the Clerk.

Senator XENOPHON—Can I just ask about this whole issue of government advertising. I understand what has occurred and it has now gone to an Independent Communications Committee and the committee found that the multimedia campaign in relation to the government's health reform package complied with the four required principles, including that it be 'relevant to government responsibilities'. Do you in terms of broad principles have a concern that—and I note that the former government did the same thing with respect to some of their policies, such as the GST and Work Choices—before something is passed into law, before something has received legislative sanction, governments are promoting a policy that may not necessarily go through? Is there a principle there about the fact that it is one thing to advertise about a government program once it has become a government program but that this is still something that has not been finalised and which will need, as I understand it, legislation to implement the health reform package? Is there a broad principle there from the National Audit Office's point of view about the propriety of that?

Mr McPhee—I understand the point you are making. The previous guidelines were even broader than the—

Senator XENOPHON—But is that desirable given the role of the legislature—that the executive can use taxpayer funds to promote something that may not necessarily be passed by the parliament and so the program may not necessarily be in place?

Mr McPhee—Without having given deep consideration to the issue, there will be circumstances where legislation will not be applicable, in a sense, other than the standard existing agency appropriations to allow the matter to be funded. So I am not sure that a legislative basis will always be the right answer. It may be unduly constraining.

Senator XENOPHON—Given that the role has now been hived off to the Independent Communications Committee, does your office see itself as having a role to comment on the appropriateness or otherwise of decisions made by that committee and whether the committee's decisions are wise or otherwise in the context of the broader role that the ANAO has?

Mr McPhee—We certainly would have the authority to review the work of the independent committee and the decisions that they take. Yes, we would.

Senator XENOPHON—For instance, I am just looking at the transcript of the video for the health reform package. It says that it will deliver better health and better hospitals, that the reform will cut inefficiencies, that it will be run locally, giving local senior doctors and health experts a greater say, and that there will be better health care and better hospitals. They are pretty important statements to taxpayers. It is one thing for a politician to say that during a news bulletin or on *The 7.30 Report*. How quickly could we expect your office to comment on that? It is out there. Is this something that you will be able to provide a report on fairly expeditiously, because the point I am trying to make is that if the ANAO considers that some of this advertising is not a fair cop then a timely reminder from your office could play a powerful role both in the behaviour of governments of any persuasion and in public perceptions in respect of such advertising?

Mr McPhee—Certainly were we reviewing a campaign of that sort we would have asked the department what evidence they had to support those statements you refer to. We would always be looking for evidence to support claims about better health, better outcomes et cetera. I am not aware of what the independent committee sought from the department, but we could look at that matter as part a performance audit subsequently.

This raises one of the issues that comes through in Dr Hawke's report where there is some criticism of my office being risk averse. That is, we were pressing for evidence and support for the campaigns that were put to air. That may be seen to be risk averse but I saw it very importantly as my office doing the job that was expected of it by the government and by the parliament. It is important to get support for the statements that are being made in campaigns, and we certainly do that.

Senator XENOPHON—Finally, is it likely that the ANAO may provide a public view on this latest campaign in which have been made quite broad assertions? They are not just saying, 'We hope this will lead to better hospitals and better health care,' but, 'It will lead to it.' It is a statement of fact.

Mr McPhee—Realistically, it would not be until next year that we would table that performance audit report. One of the benefits of the prior arrangements was in fact that we gave our view about the campaigns ahead of them going to air. Even if we had a different view, the minister could still have progressed the campaign. But we gave our view before the campaign commenced. The point you made earlier was that in this new environment our opinion will be expressed subsequently.

Senator XENOPHON—But it would not be improper for the ANAO—given the role has changed, as outlined by Senator Ronaldson—to have an earlier review than you normally

would. It is not unheard of for you to say, 'Here's a supplementary report that says whether we consider this justified.'

Mr McPhee—We have accepted the government's position. The arrangements we had in place were by agreement—that is, the government and I agreed on the earlier review arrangements. That no longer stands. So we are now back into our normal mode, and I would anticipate doing a performance audit next year. I do not anticipate doing an early one of the kind that you are referring to.

Senator RONALDSON—Indeed, the scrutiny role which you had been specifically given—and the scrutiny role you had been given by way of an election promise—has been removed, and that is the point, Senator Xenophon: this is all post event, and under the previous guidelines it was pre event.

Senator Ludwig—But it still is and continues to be an independent review body, and the Auditor-General plays what is regarded to be his traditional role of conducting an annual audit of at least one pane of the framework. The changes will continue to apply. There is no estoppel on the Auditor-General conducting his usual function, as he has demonstrated most recently.

Senator RONALDSON—But the estoppel is in relation to the requirement for every campaign over \$250,000 to be scrutinised prior to it going to air, prior to it actually being implemented. You can argue the toss about this until the cows come home. You are just completely—

Senator Ludwig—Senator Ronaldson, you are a try-hard in this, and I will continue to say that what you are saying is totally wrong and that the ICC does this job.

Senator RONALDSON—No, you are trying very hard to justify the unjustifiable, Minister, and you have broken a clear election promise. But in relation to Senator Forshaw—

Senator Ludwig—Clearly we have not. The framework continues in place. You are wrong.

Senator RONALDSON—That is simply not true.

Senator Ludwig—By making a statement that is wrong you hope that it will come true, but it is not.

Senator RONALDSON—I am not going to embarrass you by asking Mr McPhee what his view of that ridiculous assessment of the end policy is. It is ridiculous, and you know it.

Senator Ludwig—The independent review found that the system that was in place needed changes to ensure that it worked properly.

Senator RONALDSON—If you are embarrassed about this, fair enough.

CHAIR—Senator Ronaldson, do I have to remind you again? You ask a question; you allow the minister or someone else at the witness table to answer.

Senator RONALDSON—I am not going to embarrass Mr McPhee by asking for his response to that ridiculous notion. Can I just say to Senator Forshaw—

CHAIR—That is your opinion, but if you would like to put a question—

Senator Ludwig—Because you are wrong.

CHAIR—You can put your question—if you can put your question.

Senator Ludwig—In fact, the only person you are embarrassing, I think, is yourself. I am sure the Auditor-General is—

Senator RONALDSON—Thank you very much. What a childish comment from someone who holds a senior position in this government. What a childish, childish comment.

Senator Ludwig—Mine is a measured response, unlike yours.

CHAIR—This sort of cross-discussion is not helpful.

Senator Ludwig—Mine is a measured response.

Senator RONALDSON—I am surprised you would demean yourself, Minister, by that.

Senator Jacinta Collins interjecting—

CHAIR—Senator Ronaldson and the minister! Senator Collins! Do I need yet again to remind you of the standing orders? This is very unhelpful to me as chair, and it is extremely unhelpful for Hansard, who are trying to record these proceedings, which I would like to remind you are being aired publicly. This behaviour does nothing in terms of the image of politicians, so could we pay some courtesy, ask the questions and allow the witness to respond. Senator Ronaldson, you have the call.

Senator RONALDSON—Thank you very much, Madam Chair. I just want to clarify a point that Senator Forshaw raised. I think Senator Forshaw said that the Remuneration Tribunal does not appear before estimates; is that right?

Senator FORSHAW—I was taking a point of order with respect to your proposal to the minister. I was seeking to give some examples. I wanted to know how far you wanted to pursue your request—whether or not it went down to individual members of tribunals.

CHAIR—We have sought clarification from the Clerk's office, so asking questions of fellow Senate committee members is not helpful. Senator Ronaldson, you have the call to put a question.

Senator RONALDSON—Thank you very much. Can I just clarify the fact that the Remuneration Tribunal does appear before the Senate estimates, and if Senator Forshaw wants to hang around on Monday he will see them during the DEEWR estimates.

CHAIR—Put your question, Senator Ronaldson.

Senator RONALDSON—Can I take—

Senator FORSHAW—Excuse me, Senator Ronaldson; what did you just say? Did you just say that the members of the tribunal appear before—

CHAIR—Senator Forshaw, if you want to have conversation with Senator Ronaldson, can you please take it outside the estimates hearing.

Senator RONALDSON—The Remuneration Tribunal appears before DEEWR estimates.

CHAIR—Senator Ronaldson has the call to put questions. If committee members want to have dialogue between themselves, please leave the room. Senator Ronaldson, put your question to the panel, to the minister or those at the other side.

Senator FORSHAW—Individual members—

Senator RONALDSON—Any tribunal is made up of members, you goose!

CHAIR—Senator Ronaldson, can I ask you to withdraw that last comment that you made—

Senator RONALDSON—Okay.

Senator FORSHAW—I am not offended.

CHAIR—and then proceed to ask your questions. Can we just go back to not having cross-dialogue.

Senator RONALDSON—We are all very busy people, Madam Chair, and when we get silly interjections like that it just detracts from the whole thing. It is disappointing. Now, can I continue please?

CHAIR—Senator Ronaldson, I have asked you numerous times to continue. You continue to banter, so I am just suggesting that if people want to have dialogue within the committee they leave the hearing room so that we can go on with the business of the day. Senator Ronaldson, you have the call.

Senator RONALDSON—Mr McPhee, can I take you please to the Hawke review. I want to go through some concerns that are raised there. This is on page 16:

The particular concerns raised during the course of the review include that the ANAO—

and I do note, of course, that you were not given the opportunity respond to these concerns that have been raised, which I think again needs to be placed on the public record—

(a) requires that agencies provide extensive data to justify proposed campaigns, including a detailed cost-benefit analysis, requiring re-justification from first principles even when spending proposals have been scrutinised through Cabinet ...

What is your response to that, because I would have assumed that that is exactly what your role was—to scrutinise these decisions from cabinet down? What is your response to that?

Mr McPhee—Obviously when cabinet takes decisions they are necessarily broad decisions to agree on a particular approach. Agencies are expected to support the campaign proposals with more detailed research and cost-benefit analysis, so it is in the more detailed area that we did press departments to support the nature of the campaign, the extent of it and the cost of it.

Senator RONALDSON—Can you expand on your rejection of the Hawke report contention that your role in vetting government advertising ‘has undermined the proper accountabilities of secretaries for managing their departments and the Auditor-General’s proper place’ in things? That sounds to me like department heads getting a bit narky about the fact that you and not they are overseeing it. They have got their way now, of course, but prior to that.

CHAIR—Before you answer that question, I would just like to acknowledge the Deputy Speaker of the National Assembly of Pakistan, who is here with us this morning and observing. Welcome to you.

Mr McPhee—I clearly do not believe that my role undermined secretaries' responsibilities. I think it was clearly understood what their responsibilities are, and I certainly understood mine, so this is one area of the report that I disagreed with.

Senator RONALDSON—I presume you would have welcomed the opportunity to have discussed that with Dr Hawke?

Mr McPhee—I would have liked the opportunity to respond on a number of the matters in this report, just so he had the benefit of my perspective in finalising the report. It is the approach that we use in our work.

Senator RONALDSON—Yes. I put that it is unprecedented for an independent authority to be treated in such a way as this. Can I now ask you, Mr McPhee, whether you—

Senator Ludwig—Let me respond to that comment, because Dr Hawke was appointed to conduct the review. He was supported by Prime Minister and Cabinet, the secretariat, and he did undertake consultations quite broadly. That included the Auditor-General. Just for the record, that is the process that was undertaken.

Senator RONALDSON—Minister, you have tried—I think most unreasonably—to twist the comments of Senator Kroger in relation to the bona fides of Dr Hawke or others.

Senator Ludwig—I am sure Senator Kroger can stand up for herself.

Senator JACINTA COLLINS—Yes, I think Helen can defend herself. She doesn't need you!

Senator RONALDSON—I actually worked with Dr Hawke back when I was parliamentary secretary to John Sharp—

Senator Ludwig—Then I am sure you would have the highest regard for him.

Senator RONALDSON—and this issue is not about Dr Hawke; this issue is about the independence of the advice that the government is getting. That is the key issue. Mr McPhee, did you see an article in the *Age* by Katharine Murphy on 3 April this year?

Mr McPhee—It does not ring a bell.

Senator RONALDSON—It was headed 'The unkindest cut'.

Mr McPhee—With the cartoon—yes, I did.

Senator RONALDSON—Yes, with the cartoon, indeed. In fact, I will quote the cartoon. There is a sheep under there and it says, 'Auditor-General neutering: a federal government initiative.'

Mr McPhee—Yes.

Senator RONALDSON—Sometimes things are so funny that they are actually not terribly funny, Mr McPhee, are they, given what has happened to you? Given that you have read that, can I just read a portion of the article to you, quoting—

Senator Ludwig—Senator Ronaldson, I am sure that in fairness to the Auditor-General you will provide the Auditor-General with a copy of the—

Senator RONALDSON—I think it is up to the Auditor-General to ask for that rather than you, Minister, with the greatest of respect to you.

Senator Ludwig—It is not, in fairness to the Auditor-General. The comments that you may read out should be read in context by the Auditor-General so that the witness can provide a response.

Senator RONALDSON—It is a bit rich for you to be defending the Auditor-General after what your government has done over the last six months. The Auditor-General said he has got a copy.

Senator Ludwig—As I have indicated, I have the highest regard for the Auditor-General. I reject that. All you are doing is putting a slur on the Auditor-General, quite frankly, and I reject that.

Senator RONALDSON—No. I do not think so. I will repeat the cartoon: ‘Auditor-General neutering: a federal government initiative’.

CHAIR—Senator Ronaldson, are you prepared to table that? If all committee members could get a copy of that that would be great, thank you.

Senator RONALDSON—Mr McPhee, I suspect, has seen it. I will give him another copy. I will read from that again:

Dumping McPhee means one of two things: either the government tried to implement a silly and unworkable policy and then had to step back once it became clear that the theory didn’t meet the practice—or it didn’t like what he was doing. He was slowing things down. He was being too literal in the application of the guidelines—although this raises the question, what on earth did they expect? A rubber stamp from the auditor?

I take you to the same article where Ms Murphy writes that the decision to cut the ANAO out of the government advertising loop represents a victory for the department heads who were annoyed by his ‘pesky, nit-picking due diligence’. What is your view of her assessment, as to whether it was pesky, nit-picking or not, Mr McPhee?

Senator Ludwig—I do not think the Auditor has the article at this point. It should be read in context.

Senator RONALDSON—I did not ask you the question, Minister.

Mr McPhee—I think my office performed an effective role here. Obviously, we did ask for support for statements being made in campaigns and for the design of campaigns and we make no apologies for that. Having said that, we did work with agencies closely. We worked very hard to make sure we were not slowing down campaigns. In some cases we were able to clear our review reports in a matter of days. So it is not a correct image to suggest that we were slow and that we were nit-picking. We had a job to do, which we took seriously because we were well aware of the sensitivities on both sides. We felt we were doing a pretty good job.

Senator KROGER—Clearly you were doing too good a job, Mr McPhee.

CHAIR—Senator Kroger, would you like the call?

Senator RONALDSON—It certainly looks a bit like that, doesn’t it, Senator Kroger?

Senator JACINTA COLLINS—In comparison, we have—

CHAIR—Senator Ronaldson has the call.

Senator RONALDSON—Can I now turn, please, to this. Minister, do you recall that in a speech delivered at the National Press Club on 8 August 2007 the shadow Minister for Finance and Deregulation declared:

The bloated government advertising programs and politicians electioneering entitlements are simply cynical raids on the Treasury coffers to ensure political survival.

Minister, can you honestly deny that the election year advertising campaigns that appear in the Rudd government's 2010-11 budget are anything other than 'cynical raids on the Treasury coffers to ensure political survival' when they include \$30 million on a climate change ad campaign despite the government's abandonment of the ETS, \$38.5 million to advertise the outcome of the Henry tax review even though the Treasurer only adopted a handful of its 138 recommendations, \$12 million to advertise paid parental leave, which might have been introduced into parliament now but certainly had not been before then, \$29.5 million to sell Kevin Rudd's healthcare reform package, even though the Western Australians have rejected it and a serious question mark hangs over its implementation, and \$16 million on an advertising campaign for the Rudd government's NBN, a program that has been plagued by a bungled tender process and that some analysts have even described as not a viable commercial proposition in the real sense? Minister, isn't that a cynical raid on Treasury coffers to ensure the political survival of the Rudd government?

Senator Ludwig—I reject that totally. You have had the opportunity of actually spending some time asking what I would say are less than penetrating questions in this area. I have indicated it right from the outset, and in fact it is really a reiteration of what I have already said but you choose not to listen and in fact you choose to try to make your political points about this where there are none to be made. The clear situation is that the government has an obligation to inform the community of important policies, rights, responsibilities and the like and issues that go as broad as such matters in the campaigns that are seen. What we have ensured in fact is that there is a framework in place, unlike the previous government, which had no framework in place, which did run party political advertising and which spent \$254 million in one year on party political advertising. The defence of that was pitiful then. What this government has done is ensure there is a framework in place. That ensures that there is a framework which has both reduced costs and increased transparency and accountability—which has not been in this area before. It is a significant milestone that should be recognised, unlike under the previous government, which did nothing in this area. That is why we put it in place about campaigns over \$250,000. We did not adopt the recommendation from Dr Hawke's report which said you should increase that. We kept it at that rate. Why? Because we wanted to ensure accountability and transparency in this area. The truth is that the Labor Party has done a great deal to clean up the government advertising framework to ensure that, as I have indicated again and again here this morning, campaigns are legitimately authorised, properly targeted and non-political. Those principles remain. Principles (1), (2), (3) and (4) continue to be applied. We have an independent communications committee.

Senator RONALDSON—What, that you went to the election with?

Senator Ludwig—You had your opportunity of making your bold statement, which I am now rejecting comprehensively. What you have not done is look at the facts. You have not done your homework to see how the framework now operates post the review that we promised we would undertake. You have not consulted, by the look of it, your own opposition people on the JCPAA who also found findings similar to the findings of Dr Hawke, that there was a difficult position that the Auditor-General was placed in. So you have chosen to ignore the comments of your deputy leader, which is quite surprising to me.

Senator RONALDSON—Would you have the courtesy to go to the Auditor-General—

CHAIR—Senator Ronaldson.

Senator Ludwig—Nonetheless if you want to undermine Ms Bishop that is a matter for you. Maybe you covet her job. What I have said is that the government's new measures do not diminish our commitments at all by not one jot.

Senator RONALDSON—Rubbish!

Senator Ludwig—We have increased the level of transparency and accountability in this area more so than you have. I am corrected: it was Bronwyn Bishop that made those comments. Nonetheless I will stand corrected on that. What I can add is that the position which we are now at is of course that we continue to apply the framework and the guidelines. What you are arguing is wrong. You know it is wrong. You simply will not accept that fact. There is not any evidence.

Senator RONALDSON—What? This is a commentary.

CHAIR—Senator Ronaldson, the minister was responding. You will have your opportunity afterwards.

Senator Ludwig—Where is your evidence?

Senator RONALDSON—Read the letter from the Auditor-General if you want the evidence. What a disgrace.

Senator Ludwig—The difficulty is you have spent a significant amount of time this morning making outlandish claims without any evidence. I have responded to the Auditor-General's remarks and I can respond again, if you did not hear them the first time. I do respect the Auditor-General. I have indicated that. He has done a magnificent job. We did commission a review and the review found that the guidelines—

Senator RONALDSON—Damned by faint praise.

Senator Ludwig—would benefit from some changes but the core issues remain. Unlike the Howard government where there were no frameworks in place. There were political ads that were run continuously. We have done two major things.

Senator RONALDSON—Yes, you have breached your election promise—

CHAIR—Senator Ronaldson!

Senator RONALDSON—Two very big things.

Senator Ludwig—We have put a framework in place and we have also significantly reduced the cost of campaign advertising. Those are two important milestones. The finance

spokesman, Lindsay Tanner, has outlined that on occasion and I have continued to indicate that is the case. You do not accept it, but there is not much I can do about that.

Proceedings suspended from 10.30 am to 10.49 am

CHAIR—Welcome back.

Senator KROGER—Mr McPhee, during the Hawke review and its investigation it is said that you conducted 79 reviews, of which 36 campaigns were audited. Is that correct?

Mr McPhee—That is broadly correct. That accords with my numbers. We issued more review reports than campaigns themselves, because sometimes the agencies had not completed, for instance, the non-English-speaking element of a campaign. Because of timeliness issues, they sometimes asked, ‘Can you give us a review opinion on the main campaign and we’ll do the English-speaking part as a secondary element.’ So that explains why, sometimes there are more review reports than campaigns.

Senator KROGER—That is what would account for the audit of only 36 campaigns, out of a suggested 79 reviews. Is that right?

Mr McPhee—No. There were 36 primary campaigns, if I can put it that way, but in some cases in respect of a campaign we had multiple review reports, just to reflect the timing issues from the departmental perspective. It was always a case of my office fitting in with the agency timetable. It would have been desirable for us to receive all of the campaign material together, but that did not always happen. So we were willing to give a review report on the first component and then a subsequent opinion on the second component. But both of those components related to the same campaign.

Senator KROGER—Am I right in presuming that the interim audits that you would conduct would then identify other matters or other information that you would be seeking in order to clarify your position in terms of the reviews, so you would go back to the various agencies and seek that further information to complete a full review?

Mr McPhee—Let me ask Mr White to give you an illustration of a campaign and the number of review opinions.

Senator KROGER—That would be great; thank you.

Mr P White—There are two separate things there that we are talking about. To answer your first question, where we are looking at a particular campaign—for example, on health, we might have reviewed the material as it relates to the main campaign. Some time later we may get, say, the material relating to non-English-speaking people and the transcripts. So to close off on what Mr McPhee was saying, we did not delay the whole review; we would issue a review report on the first part of the campaign. It may be four weeks later that we would get the non-English-speaking material and we would issue a separate review report on that. You had a second question—

Senator KROGER—I was going to make an observation which you may like to make a comment on. It is a demonstration of your awareness of time and the importance of time in considering these advertising campaigns before they are launched. I take it that that demonstrates your appreciation and an effective way of dealing with time constraints that might have been a limiting factor to the various agencies concerned?

Mr P White—Yes, which is a separate issue which I will comment on. For example, we may get an indication that a department will have a campaign. We may be told that a couple of months before the campaign occurs. We have standard material that we have on the internet and which we provide to the agency just outlining our requirements, which they need to satisfy. So over a number of weeks we would work through with the agency, outlining to them that they need to satisfy us that they have satisfied the requirements of the guidelines. In some instances, you may not get the sign-off from a secretary on a campaign until five days before, but we might have been working with that particular agency over a number of weeks to work through the various requirements. And, yes, we would be providing feedback if we thought there was a doubt in terms of the guidelines or if there were a question. And, as Mr McPhee said earlier this morning, it was an evidence based process, so we wanted to see evidence to satisfy claims that were being made.

Senator KROGER—Given that you just said that sometimes you would be advised a couple of months in advance of a possible campaign, were the goalposts changed before there was any indication of the advertising in relation to the government's health measures? Were you given an opportunity to look at that particular campaign?

Mr P White—The most recent health campaign?

Senator KROGER—Yes.

Mr P White—No, we haven't reviewed that campaign.

Senator KROGER—It obviously happened after the government determined that you were doing too good a job and wanted to change the goalposts. Mr McPhee, given the extensive nature of the reviews prior to campaigns being launched, what is the effect on the operations of the ANAO of you being involved only in the auditing of the process, as opposed to vetting material prior to campaigns going to air?

Mr McPhee—We have redirected the resources to our performance audit program, so the staff are otherwise engaged on meeting our program responsibilities.

Senator KROGER—So you do not see that any budgetary changes would change the staffing nature of the ANAO?

Mr McPhee—We do have some people with specialist communications skills, but my understanding is they have elected to stay with us and work with us on other matters, even though they joined that particular branch to work on the advertising reviews. There potentially are some budgetary effects, but we are yet to be notified of them. As the minister has indicated, the government has requested that I undertake a performance audit each year and, as I understand it, is happy to fund that. There may be some resource adjustment, but we have not been informed about that yet.

Senator KROGER—Have you been given any indications of any budgetary targets which you might be asked to achieve in rationalising the very functions of the ANAO?

Mr McPhee—Nothing out of the usual. We are obviously bound by the normal arrangements like efficiency dividends and other dividends. We follow the normal processes for funding through the department of finance. As you would be aware, we have a separate process whereby we also inform the Joint Committee of Public Accounts and Audit of our

budgetary requirements, so we have dual process. At the moment, particularly in relation to advertising, there is nothing unusual coming through at this stage.

Senator KROGER—So since the establishment of the ICC you have not received any instructions to further consider efficiency savings. Are you aware if any of these officers have been approached by the ICC to transfer over to the commission?

Mr P White—No, we are not aware of anything like that. My understanding of the independent commission is that it is a separate group, and that work is done for them through the department of finance. But, no, none of our staff have been approached by the Communications Advice Branch within the department of finance. To my knowledge, none of our staff have been approached to go there.

Senator KROGER—And you are comfortable that you will be able to deploy those staff in a way which maximises their opportunity to utilise their skills?

Mr McPhee—If our staff expressed an interest in following the communications work then I would see what we could do to facilitate that. But my understanding is that they are more than happy to work with us in the Audit Office on other matters. We have deployed the staff and we have got a talented group of people within the office with a range of skills in doing performance audits. So these people will readily fit in with that work. It would only be if they expressed an interest themselves in following a different career that we would seek to facilitate that.

Senator KROGER—Thanks, Mr McPhee.

CHAIR—Before we go any further, on seeking further advice from the Clerk in relation to the three-member board, Minister, would you be able to outline to the committee so we can seek further clarification as to whether or not they should be appearing before estimates how the members of the board are employed and how they are paid?

Senator Ludwig—That is why I indicated earlier that I would have to take advice on that. It is the department of finance and we are currently in PM&C, so I do not have any finance officials here to be able to take you through that. I understand that work is going on in the background. I will add that to the list. I am sure one of my staffers is watching this and they can take that as part of the additional advice that they will seek. I will email them as well just to make sure.

CHAIR—Thank you very much. We do need that before we can seek further advice from the Clerk.

Senator JACINTA COLLINS—Mr McPhee, can I go for a moment beyond the changes to the ANAO role issue and ask you if you can compare the revised guidelines to the arrangements that existed under the previous government?

Mr McPhee—I will answer the question generally and I will see if some of my colleagues can assist me with some of the detail. I have always been positive about the guidelines that the Labor government introduced on assuming office. I have always said that government advertising is a sensitive area and in some cases it has been problematic in terms of public administration. In my mind, there is no doubt that we have seen a positive trend in terms of improving the integrity of public administration around government advertising. Of course, as

we discussed previously, I and the minister have got a slightly different view about the nature of the changes to the guidelines just recently but, putting that aside, it is a positive step for government to set out principles and to put out guidance in sensitive areas of public administration as to how they expect agencies to perform.

Senator JACINTA COLLINS—If we look at the issues around the role of the ICC as opposed to what the Audit Office previously conducted, there is still that process.

Mr McPhee—There is that process, which we have not looked at in any detail. I and my staff did speak with two of the members of the ICC who came across to talk to us about our approach and our processes. We provided some information to them and obviously, if we can provide any support to the ICC, we will in terms of conveying our experience for the benefit of their review work. But we have not looked at it in any detail.

Senator JACINTA COLLINS—In part I am curious about the aspects of your experience here as well. For instance, you were talking about cabinet decisions, the role of ministers and the detailed requirements of departments in campaigns. Was it not the case that ministers under the Howard government's arrangements had a role in the artistic creation and direction of advertising?

Mr McPhee—It was. We in fact did a performance audit on some of the earlier arrangements with the MCGC, the government's communication unit, and we did point to quite a range of administrative issues, which in my view needed attention. That is why I say I think we are on a positive trend line in terms of improving public administration.

Senator JACINTA COLLINS—You indicate that is a positive trend but it is pretty vast improvement if that is not occurring now.

Mr McPhee—Yes. I just do not have any basis for giving you a quantitative assessment of the extent of the improvement. But it is an improvement in my view.

Senator JACINTA COLLINS—So you don't have a basis to say whether it is a slight improvement or a significant improvement?

Mr McPhee—I think it is a significant improvement because it articulates the responsibilities much more clearly than existed under the previous arrangement. We have an arrangement where the secretaries of departments are responsible for signing off that the principles have been met, so the accountabilities are very clear. Under the prior arrangements the accountabilities were not always clear. We have got detailed principles and dot points to provide guidance to agencies. So it is a response to a situation where I think everyone understood that government advertising is sensitive, and in the past has been problematic, and there was a desire to improve the administration around it.

Senator JACINTA COLLINS—Some of the previous discussion went to the current government's election commitments. Are you aware of what the coalition's election commitments were on this issue?

Mr McPhee—I do not recall hearing their commitments.

Senator JACINTA COLLINS—You do not recall hearing of any commitments?

Mr McPhee—It is now some years but no, I do not.

Senator JACINTA COLLINS—Thank you.

Senator CAMERON—Mr McPhee, you indicated that some government advertising was problematic. Does that fit the description of the Work Choices advertising that took place under the Howard government?

Mr McPhee—It was a broader statement referring to the arrangements towards the end of the Howard government.

Senator CAMERON—There was an audit carried out on the Work Choices advertising campaign, is that correct?

Mr P White—There was an audit—Audit report No. 24 2008-09—which I think was tabled early in 2009. From memory, I think Work Choices may have been in it.

Senator CAMERON—Did that report find that contracts had been let without any contract documentation being signed for Work Choices advertising?

Mr P White—I would have to check and get back, but I think from memory that is the case. I would have to check that, though.

Senator CAMERON—Did it also find that contracts had been issued but not signed, and work carried out for printing for Work Choices documentation?

Mr P White—Again, from memory I think that is correct.

Senator CAMERON—And that was one of the reasons why there was concern both in the community and within the then Labor opposition about trying to achieve some controls over this spending?

Mr P White—You will have to ask me that again, Senator.

Senator CAMERON—I understand that there was something like over \$100 million spent on Work Choices campaigns.

Senator RONALDSON—How could this witness possibly have that information?

Senator CAMERON—Because they did an audit on it. They looked at your excesses. They looked at what you lot did in government.

Mr P White—We did do an audit on it, Senator.

Senator CAMERON—Okay, Mr McPhee, you said you would have a look at that and come back and check that, and I am happy for you to do that. But you do agree that these were broadly the issues that were raised—lack of proper auditing, lack of effective oversight and the use of this for purely political purposes. That was the outcome from the ANAO audit, wasn't it?

Mr P White—From memory, I certainly recall that there was criticisms there in terms of how contracts were managed, yes.

Senator CAMERON—Thank you; and you will come back to me on that. Can I just move to another issue, Mr McPhee. How many employees are in ANAO?

Mr P White—Broadly, 340.

Senator CAMERON—With highly specialised skills, some of them?

Mr P White—Yes, absolutely.

Senator CAMERON—What is your turnover of employees in terms of resignations and retirements?

Mr P White—I know our target is to keep turnover below 25 per cent. I will have to get back to you to give you the exact figure but at the moment I think we are tracking a turnover rate of around 15 to 20 per cent.

Senator CAMERON—If you had a turnover rate of 15 per cent and you were unable to replace those employees, what would be the implications for ANAO's functions under the act?

Mr P White—In today's market we are not experiencing any major problems, particularly in the performance audit area, in terms of our ability to replace staff. We have had a couple of recruitment rounds and very strong fields.

Senator CAMERON—That is not the question I am asking. The question I am asking is: if you were unable, through government direction, to replace anyone who retired—

Mr P White—Sorry, I see.

Senator JACINTA COLLINS—If there was a recruitment freeze.

Senator CAMERON—If there were a recruitment freeze, what would be the implications for your department?

Mr McPhee—It eventually would affect our audit coverage. I have two primary responsibilities, the financial statement work and the performance audit work, and it would affect probably both programs to some extent.

Senator CAMERON—So your capacity to provide accountability to the Australian public would be diminished?

Senator RYAN—On a point of order, Chair: my point of order is that Senator Cameron has had considerable latitude. He is asking the witnesses about a hypothetical that is in no way contained in the budget—

Senator CAMERON—It is your policy; it is not hypothetical.

Senator RYAN—Excuse me. Well, guess what, Senator Cameron—

Senator CAMERON—It is your policy.

CHAIR—Order! There is a point of order before the chair. Senator Cameron and Senator Ryan, there is—

Senator RYAN—Estimates hearings are for—

CHAIR—Excuse me. There is a point of order. Please allow Senator Ryan to make his point of order.

Senator RYAN—Budget estimates hearings are for the examination of the estimates of expenditure by the government. There is nothing in this budget along the lines of Senator Cameron's questions. He is asking the witnesses hypothetical questions, which is not appropriate.

CHAIR—I remind all committee members that we are here to scrutinise the government budget. Senator Cameron, do you have another question?

Senator CAMERON—That is a question that, in my view, is legitimate. The government has a budget position in place. I am looking to see whether that budget position is a fair and reasonable budget position and I am putting some propositions to the witnesses on the budget—on policies that have been announced by the opposition, including cutting back 15 per cent of ANAO's employees. That is the position I am putting, and it is a fairly reasonable proposition.

Senator RYAN—Estimates hearings are for the examination of the government's budget—

CHAIR—Senator Cameron, Senator Ryan, we all know that hypotheticals will not be answered by the witnesses—

Senator JACINTA COLLINS—Even Senator Ronaldson's?

CHAIR—so, Senator Cameron, if you could be mindful of that when you are wording your questions. Senator Cameron, you have the call.

Senator CAMERON—It is not hypothetical that the opposition have said that there would be a freeze on new recruitment across the Public Service if they won the next election. It is not hypothetical. Mr McPhee, you have indicated to me that ANAO has some specialist skills, you have indicated you could have a 15 per cent turnover and you have indicated that that could mean you might not be able to carry out your obligations under the act. I think that is a very serious situation—if you are faced with the opposition's policy position. I will leave it at that, thanks.

CHAIR—Is there a question?

Senator RYAN—I did not hear a question. I did not see a question mark at the end of that.

CHAIR—Senator Collins, with a question.

Senator JACINTA COLLINS—What proportion of your staff would you regard as front line?

Mr McPhee—All but about 50 probably, in broad terms.

Senator JACINTA COLLINS—50 out of a total of?

Mr McPhee—340 or thereabouts.

Senator JACINTA COLLINS—So what is your distinction between front line and off line?

Mr McPhee—All my audit staff, who are involved in the financial statement, performance auditing or other review work, are front line. I am suggesting that the others are support staff in my corporate branch, and I have got a technical accounting and auditing branch, and between them there would be about 40 people in round numbers.

Senator JACINTA COLLINS—Are you aware of any precedent for a distinction between front-line and offline in relation to your type of work? Is there some other basis for the distinction?

Mr McPhee—No, I understand where you are coming from. That terminology is fine by me.

Senator JACINTA COLLINS—Just for the benefit of you understanding your memory is not flawed, you do not recall any coalition policy last election because they had none.

Senator RYAN—You may need to take this on notice, Senator Ludwig, but you referred to the contractual appointments—I believe you used the term ‘contract’—of the independent panel.

Senator Ludwig—Yes, you needed then to check with Finance about what the arrangements are. I do not have Finance officials with me today.

Senator RYAN—As well as Senator Kroger’s question about the criteria for their appointment, could I also ask you to consider the criteria for their re-appointment? They only have two-year terms, so I would be interested in material that related to any criteria that relates to re-appointment because, obviously, one’s independence can relate to one’s certainty of tenure.

Senator Ludwig—I will take that on notice.

Senator KROGER—Following up on my questions directly after the break in relation to staffing I understand you have been seeking extra funding to take on tasks such as auditing the NBN tender—is that right?

Mr McPhee—The NBN Co. Because it is a Commonwealth controlled entity we have responsibility to undertake the audit of its financial statements and so the new funding was for that purpose to us to do the audit of the NBN’s financial statements.

Senator KROGER—What funding or extra funding have you sought to undertake the task?

Mr McPhee—We have received I think it was about \$500,000 this year and it is ongoing based on the estimated workload to undertake that audit. We sought funds and we received funds for that purpose.

Senator KROGER—Does it require additional staff to cope with that?

Mr McPhee—We often contract out some of these audits to private sector firms. We manage the audits but in doing the audit workload we use the big four. In this case, in due course, we will probably do that. While it may mean some small adjustment to our staff, much of it would be in the longer term contracted out I would expect.

Senator KROGER—How many audits would you contract out in a year?

Mr McPhee—When I say contract out can I just be very clear, we manage the audits, we attend the audit committee meetings and we are obviously involved in all of the critical decisions. In contracting out we use the firms to do the auditing work. I want to be clear on that. We would contract out, from the advice I am getting, up to 100 audits. A lot are very small companies as you would presume. The larger ones would probably be Australia Post, the Future Fund and those sorts of bodies because we use the industry expertise that the firms have. We also do a large range of small entities throughout Australia where it is not cost-

effective for us to undertake the audits ourselves so we have contracts in regional Australia, say in the Northern Territory, for firms to do the work in some of those locations for us.

Senator KROGER—Can you take me through the tender process for those contracts?

Mr Chapman—The tender process is the normal public service tender process. For the larger audits the tender is publicly released. Firms can bid and the tenders are evaluated.

Senator KROGER—What is the classification of a large audit?

Mr Chapman—I was using that in a fairly general sense. Some of our larger clients that we tender out are Australia Post and the ABC, and there are some other specialised ones like the Reserve Bank where we look to recruit specialist knowledge that would be held by firms. At the other end of the scale, as Mr McPhee indicated, there are quite small government-owned companies. For the conduct of those audits we might bundle together companies in a particular geographical region and put that out as a package to allow firms to bid for those particular client engagements.

Senator KROGER—I am just seeking clarification for my own interest. Those smaller ones are not actually advertised; they are—

Mr Chapman—Sorry; they are advertised.

Senator KROGER—They are advertised.

Mr Chapman—Yes.

Senator KROGER—Of the audits you undertake, what percentage would be tendered out?

Mr Chapman—I would need to check the numbers but we are talking about financial statement audits. We do approximately 240 financial statement audits a year. From memory, we tender out somewhere between 40 and 50 per cent of those audits. I might say that that varies from year to year as we constantly review our own workloads.

Senator KROGER—Do you anticipate a similar number of audits over the coming financial year?

Mr Chapman—The number of financial statement audits we do varies slightly year to year depending on whether the government establishes new departments, closes down smaller agencies or amalgamates departments. So there is a variation, but broadly it sits at around 240 per annum. We would expect that to continue. Our general desire is to audit, ourselves, those clients that fall in the general government sector. That is where we believe we have particular expertise and skills. The ones that we contract out would tend to be those that have a more specialist audit requirement—the Reserve Bank being one example—or where the geographical location of the client means that it is more cost effective for us to use other firms. In all cases we maintain responsibility for the audit. So these firms are doing the work on our behalf but we carry responsibility for the audit opinion.

Senator KROGER—With the establishment of the ICC, and changing the responsibility of the ANAO in the process, do you anticipate a need for more audits of campaigns in the coming financial year?

Mr Chapman—Audits of campaigns would generally fall into our performance audit area. I think government has suggested that we may do an audit a year of a particular campaign.

Senator KROGER—Could you repeat that. Was that one audit a year?

Mr Chapman—Yes, I think the Hawke review was suggesting one audit a year. This is in the context—

Senator KROGER—So in a campaign year we are suggesting there will only be one audit per year of campaign advertising.

Mr Chapman—No; I will clarify. We are talking here about our performance audit program. The Auditor-General has full discretion, as you are aware, in determining his performance audit program and the scope of the audits that fall within that program. In looking at our program going forward, our normal processes would apply and we would seek to identify what might be the priorities or what might be the benefits in conducting particular audits, and what might be the scope of those audits.

Senator KROGER—Thank you, Mr Chapman. You have just clearly demonstrated why there has been a change and that you obviously have been doing the job far too well. I have no further questions.

CHAIR—There being no further questions on outcome 1 and outcome 1.1, we will move to outcome 2.

[11.25 am]

Senator MASON—Good morning, Minister, Mr McPhee and officers. I will be addressing report No. 33 *Building the Education Revolution: Primary Schools for the 21st Century* and also touching on some of the evidence you gentlemen were good enough to give the other day to the Senate Education, Employment and Workplace Relations References Committee in its examination of the BER. Mr McPhee, you will recall that Senator Williams and I were concerned that the audit of the BER that you did undertake did not address the Senate's request that the Audit Office specifically examine whether value for money was being achieved for Australian taxpayers in this program. That was a concern I had. You were good enough on 7 May to write to both Senator Williams and me. You advised that you did not have the mandate under the Auditor-General Act to consider whether the 22 implementing education authorities in this program were achieving value for money from individual projects; is that right?

Mr McPhee—That is broadly the case, yes.

Senator MASON—Without going into the act itself, I was wondering as a matter of administrative practice—as a matter of principle nearly—whether it would be possible for the Audit Office to in a sense flag to the parliament in future that you did not in fact have the powers or the mandate, to use your words, to investigate questions relating to value for money as it relates to state instrumentalities. I raise that without being partisan about it—

Senator Cameron interjecting—

Senator MASON—I do. Unusual as it is for me. You are a parliamentary officer. Would it be possible to flag in the future where you thought there were restrictions on your capacity to undertake a full audit or a full examination of what the Senate has asked you to do?

I do this in this context. I have some very good staff, who did a bit of hunting around. Mr Barrett, your predecessor, adopted this process in the past. In ANAO report No. 5 of 2001-02, which relates to parliamentarians entitlements and was also in response to a resolution of the Senate, Mr Barrett stated on page 14 that he had responded to the President of the Senate to advise that he decided to accept the audit, and in fact he wrote to the President of the Senate again three months later to advise that he had decided it would be preferable to refine the scope of the audit due to a number of factors, which he outlined in the report. Do you think you could let the Senate know in advance that you were constrained by the nature of the audit?

Mr McPhee—In the light of that Senate resolution I did respond to Mr Evans, the Clerk of the Senate at the time, explaining what we would examine as part of the audit. I did explain that we would examine the arrangements for administering Primary Schools for the 21st Century in accordance with government policy, the selection and approval—

Senator MASON—You wrote to the Clerk, Mr Evans?

Mr McPhee—I wrote to the Clerk, yes.

Senator MASON—When was that?

Mr McPhee—On 30 July 2009.

Senator MASON—On 30 July 2009 you wrote to Harry Evans?

Mr McPhee—Yes and I am happy to table the letter. I wrote to him and indicated the scope of the audit at that time, which was to include the selection and approval of P21 projects, the monitoring and reporting of the progress of projects and the achievement of broader BER program outcomes. I think the important point I was trying to make—

Senator MASON—Could I have a look at that, Mr McPhee?

Mr McPhee—Yes, of course you can.

CHAIR—Can we have that tabled so that we all can?

Senator MASON—Okay, that is fine. Having it copied would be great, thank you.

Mr McPhee—The important point I wanted to make was that my statutory responsibilities are to focus our performance audits on the administration of Commonwealth agencies. Clearly the states have state auditors-general who focus on the performance of state government entities. As I mentioned in my correspondence with you recently, Senator Mason, it is a very contemporary issue in public administration—

Senator MASON—I promise I will get to that issue. I think the committee will be interested in how we are going to resolve, in a sense, some of those new administrative issues.

Senator CAMERON—Is that a written promise or a—

Senator MASON—You can always trust me, Senator Cameron, as you know. We will get to that, Mr McPhee. You can take it from me that we will. The reason I raised it—and I will

be frank—is that I was a bit disappointed. I am not saying for one second that you did not do the right thing. That is not my point. My point is that I thought, ‘Oh no, the Auditor-General did not have the power to do it’ and I was disappointed. I would have liked some notice that that was the case. Mr McPhee, does your letter to Mr Evans flag the fact that you would be unable to undertake a full examination of value for money? Did you flag that in the latter?

Mr McPhee—No, it does not say that we cannot look at the individual construction projects. I am happy to take your general point on board.

Senator MASON—Is that all right? I just think is a general—

Mr McPhee—Yes. I would need to look at the Senate motion again, but clearly I thought I was responding to that request. If we can be clearer, particularly where there are jurisdictional boundaries involved, I am happy to take that on board. I accept your point in the broad.

Senator MASON—That would just give the Senate some warning. Mr McPhee, I do not even know if this letter from Mr McPhee to Mr Evans, the Clerk, was tabled in the Senate or not. I do not know that. I think that it would facilitate the work of the parliament if, over the next few years—particularly with administrative arrangements changing—the Senate could be informed of how you see yourself precluded from examination. That was all. It was as simple as that.

I will now move to the issue of Commonwealth oversight of value for the money, an issue that I know we touched on the other day in the Senate inquiry. Let me start at the beginning. In the context of your audit, Mr McPhee and gentlemen, while you could not examine individual school projects—and I understand you could not examine them all as there were thousands of them—I was wondering whether it would have been possible to have taken a selection? You gentlemen explained that there is one for each state and territory and for Catholic and independent schools, so that adds up to 22 educational authorities. Could you have taken a sample of the arrangements from each of those 22 and analysed that—and the governing arrangements?

Mr McPhee—We could have sought information on particular projects. There is no question about that. We could have done that. But one of the issues with this program is that we were in there early looking at the establishment of the program, so the audit focus was on how the federal government department established the program. It is conceivable that you could extend an audit in any number of ways, including in the way that you have suggested—to seek information through the department on certain cost information, for example—but in some cases the building construction projects had not commenced. I am happy to ask my colleagues to put more detail—

Senator MASON—I will be more specific. Would it have been possible to ask all or some of the 22 education authorities how they were planning to report back on the expenditure of Commonwealth money? There is the state and the block grant authorities.

Mr Cahill—We did examine the reporting arrangements coming back to the Commonwealth, and a couple of mechanisms were put in place from the Commonwealth, with the starting basis being that each of the education authorities were to submit implementation plans—which, as we advised, we looked at but found did not give a lot of insight in terms of the respective implementation approaches. We also looked at the data that

came forward in the application process to see if we could look at some of the costing data and the square metreage. Again, a lot of it was assumption driven and had inaccuracies in it. So our ability to even form opinions there was limited.

Senator MASON—We touched on this the other day in the Senate references inquiry. The report sets out a number of weaknesses in the administration, management and oversight of this program by the Commonwealth. Let me give you a couple of examples. If you disagree with any of this, please say so. You say, for example, that the BER guidelines were contrary to the intent of the national partnership agreement in relation to allowing flexibility for state and territory governments to set their own funding priorities—in other words, they were overly prescriptive. I think one of you gentlemen gave the acute example about whether a piano was a piece of furniture. You gave that example in the references inquiry. Another example you gave was the lack of flexibility in DEEWR's governance arrangement, particularly with respect to risk management and you said that DEEWR applied a one-size-fits-all model. I think that was in chapter 6. You also mention monitoring and compliance was only finalised in late 2009—well after the project was underway and, therefore, too late to collect and measure the information necessary to assess and determine the achievement of value for money and, indeed, whether the program was meeting intended outcomes like the number of jobs created. These are weaknesses with the oversight arrangements. This is well within your purview, because you are looking at a Commonwealth department and its oversight arrangements.

I have brought with me some copies of your evidence to the Senate Education, Employment and Workplace Relations References Committee. We may not need it. I will not take anything out of context here. It is more a matter of public administration. Dr Clarke, you said:

We considered—
the Commonwealth did not manage—
a risk based approach.

Mr Cahill you then said, as reported on page 102 of the transcript:

We were conscious that the 22 educational authorities each had different approaches, to varying degrees, of how they were going to implement it. As you would be aware from your briefings, some used a centralised procurement approach and some had a decentralised to the schools based approach.

Is that correct?

Mr Cahill—Yes.

Senator MASON—You went on to say:

We were of the view that if the Commonwealth department could have had a greater focus on the strategies employed by those respective education authorities to be able to see whether or not they felt the procurement approaches of large bodies or the decentralised ones were effective, that would have informed them to ask, 'Do we have confidence in their arrangements in terms of optimising value for money?' That would inform them where to focus any subsequent detailed checking. That was the first thing which I think was important.

I had to read that a couple of times. It sounded like one of Chief Justice Barwick's taxation judgments from the sixties, Mr Cahill—so I had to read it a few times.

Senator Ludwig—Is that a criticism?

Senator MASON—I just did not understand it. I do not want to put words in your mouth, but that is what the transcript says. So what you were saying is that the Commonwealth did not do that and they did not allow themselves to have an oversight? Is that correct?

Mr Cahill—Correct.

Senator MASON—Dr Rowlands, you then say:

To add to that, I think there was an opportunity at the outset of the program, when the department required each education authority to submit an implementation plan, for that plan to have been the basis of them forming some sort of assessment, and a basis for them to go forward.

And then you say:

At the start of the exercise each education authority had to submit an implementation plan to DEEWR that outlined its approach. That reflects what was required under the national partnership agreement. That might have provided the information, or could have provided the information, that could have given DEEWR the basis to do some sort of assessment as to where risks might lie, and what sorts of approaches each education authority was undertaking, and do the sorts of things that Mr Cahill was referring to.

And I said:

Some more perhaps should have been made of that.

And you said:

More could have been made of that, in our view.

Is that right?

Dr Rowlands—Yes.

Senator MASON—So these were all, in a sense, criticisms of the Commonwealth's oversight mechanisms. Mr Cahill, you went on to say:

For example, those implementation plans might have talked about knowing the procurement approach, about the use of independent quantity surveyors and a range of other things that said, 'Okay, on balance we think that this system of authority has a strong track record, a robust balance of ways of checking and assuring value for money while this one might be slightly different so we want to look at different assurance arrangements.'

Mr Cahill—Correct.

Senator MASON—So more should have been done by the Commonwealth to ensure that the states would secure value for money?

Mr Cahill—Correct.

Senator MASON—That was what I wanted to get to. While acknowledging all these administrative weaknesses—and you do that comprehensively both in your report and in your evidence to the references committee—you do not seem to come to a firm conclusion about whether in these circumstances DEEWR could know whether value for money was being achieved. You imply, Sir, that the department has not got a clue but you do not say that.

Senator Ludwig—I am not so sure that is appropriate. You can ask the question.

Senator MASON—All right; let me ask a direct question. You are right, Minister. In the ANAO's opinion, did DEEWR have adequate mechanisms in place to assure itself that value for money is being achieved for Commonwealth money by each of the 22 implementing education authorities?

Mr Cahill—Our assessment was that their assurance arrangements were focused on the individual projects. Did we find evidence that they had done an assessment of the 22 different education authorities? Correct me if I am wrong, but I think we found no evidence that they had done such an assessment.

Senator MASON—So there was no evidence that value for money was being achieved—sorry, that the Commonwealth could assure itself that value for money was being achieved by the 22 education authorities. That is correct, is it not?

Mr Cahill—Correct.

Senator MASON—Gentlemen, can you now—in May 2010—be confident that the Commonwealth is now achieving value for money?

Mr Cahill—I cannot, because it was outside the scope of the audit. We did it up to a point in time. What the Commonwealth department has done since could be asked of them.

Senator MASON—You are right. So, in a sense, next week, Ms Paul and the department will have to run the gauntlet on the current processes? Is that your evidence?

Mr Cahill—Yes.

Senator Ludwig—I think you also missed a point. Given that you have forensically gone through those documents, I think you have missed the department and Department of the Prime Minister and Cabinet on the collection of job data at the project level. You will find those in appendix I of the report. It has been explained there that Treasury has the responsibility for measuring the overall economic impact of the economic stimulus plan and it has reported regularly on that. So it is interesting that you asked the ANAO questions you know they cannot answer, because, of course, it is outside their brief. They advised the Clerk of the Senate that it was outside their brief. You then get a nil response. Quite frankly, it is entirely logical to get that response.

What you have not done—and I presume you will do it in DEEWR when they appear—is to provide the full picture, which is that the project level data collected by DEEWR from education authorities serves a different purpose. It provides an indication of the average daily number of people working on a particular project. It was useful for demonstrating at a local level the impact of P21. The reporting requirements were agreed by Commonwealth and state coordinators-general at the beginning of the program. I would also note that there had been a number of other positive statements about the impact of the program, such as the statement by the Master Builders Association. I just think that you—

Senator MASON—Minister, with the greatest respect, Treasury does not monitor whether these projects are value for money. They do not do that, so let us turn to the issue at hand.

Mr Cahill—I might clarify that. We commented on value for money from two perspectives in the audit. With respect to the two objectives of the actual stimulus package, the first one was stimulus itself and that is where we brought the commentary about some early indications about stimulatory effect. The second one—

Senator MASON—The stimulus has an effect even before it is spent. I recall that.

Mr Cahill—Yes. The second objective that you are examining was about the learning environment and the infrastructure and whether or not building that was striking the right balance of value for money.

Senator MASON—And whether state educational authorities received value for money, which of course you gentlemen know is the hot topic. The point—I am sure you gentlemen appreciate this and I am sure Mr McPhee does—is that these issues are about parliamentary oversight of the expenditure of money by Commonwealth instrumentalities given to state instrumentalities. In a sense we have to work out whether we have sufficient oversight mechanisms. These are very important matters of principle—whether the Commonwealth parliament can be certain that the money has been well spent. These are pretty fundamental issues. On page 61 of your report in paragraph 2.35, you state, and this perhaps goes to the heart of the discussion we are having:

The premise on which the reforms to federal financial relations are founded is that the delivery of intergovernmental programs should be on the basis of partnership, as opposed to the more traditional ‘purchaser - provider’ arrangements. This premise recognises that government Education Authorities are accountable to their governments and parliaments for their service delivery performance, including in respect to the delivery of programs for which the Australian Government provides a financial contribution.

Let me just get this clear. What you gentlemen are saying in the report is therefore that the way the New South Wales education department spends its money is subject to review by the government, the parliament and, as Mr McPhee has said before, by state auditors-general as well.

Dr Clarke—That is correct.

Senator MASON—Does that accountability to state and territory governments and parliaments include block grant authorities?

Dr Clarke—In rolling out BER P21, DEEWR adopted a more direct relationship with the block grant authorities than with the education authorities. It was directly dealing with the block grant authorities rather than through state instrumentalities, for example.

Senator MASON—The block grant authorities from each of the individual states?

Dr Clarke—Indeed.

Mr Cahill—As a result, if I am correct, the state auditors-general did not have the purview over the funds that flowed to the private school systems.

Senator MASON—Is that right?

Mr Cahill—I have been corrected. The funds for the Catholic school system or the independent school system flowed through the respective state and territory treasuries. The extent to which that got scrutiny from a state auditor-general is not as clear to me.

Senator MASON—It is not clear to me, either—what the lines of accountability are. And with this new partnership arrangement, as the government calls it—and that is fine; the government is entitled to frame federalism any way it wishes—the lines of accountability to the federal parliament are starting to blur. You will understand that the government’s new approach to health, for example, is going to be not just \$16 billion but hundreds of billions of dollars over the years. This process is going to have to be ironed out, and it is going to have to be really clear. Otherwise the federal parliament will lose its capacity to oversight expenditure. You can see where the concern comes from. I am like you; I am not sure either. That is what worries me. Do we know how many state Auditors-General are undertaking an audit of state education authorities’ delivery of the BER?

Dr Clarke—We do not have that figure with us but there would be nothing preventing us going out and asking them.

Senator MASON—I am not saying there are not any, but I do not know of any.

Dr Clarke—I am aware that the Tasmanian Audit Office has undertaken an early review of the implementation of aspects of the BER program.

Senator MASON—That is fine. In the transcript of the references committee hearing the other day, and this reflects the new philosophy you have outlined in paragraph 2.35, Ms Paul, the Secretary of DEWR, said in terms of responsibility:

It is not so much us; it is really they who are responsible for value for money and we want to know what they are doing.

In other words, who is responsible for value for money is not the Commonwealth—this is what Ms Paul is saying—it is the state governments. Do you see the problem? Then there is the evidence from the Queensland state government. Mr Atkins, from the Queensland state education department, says:

They—

meaning the Commonwealth—

seek the cost of the project, they do not seek a breakdown of the costs below a high level.

So, Ms Paul is telling us that the only information she has is information at a high level. You have told us about all the administrative problems in these arrangements. Ms Paul says it is for the state education authorities to procure value for money. How does the Commonwealth parliament become satisfied that this process is receiving good value for money? Maybe that is not a question you can answer, but you can see the issues arising, particularly as the health agenda for the government approaches. You are all nodding, gentlemen, but no-one is saying anything.

Mr McPhee—It is a very contemporary issue. We see it in other areas, too. Obviously it is an issue in Commonwealth-state relations, but it plays out to some extent in, say, defence procurement, where the Commonwealth is acquiring equipment from major defence suppliers. It is a question of who is responsible for what in some of those areas. That is why we have raised this issue—perhaps it is time to look at the Auditor-General’s mandate to be clear about this. I think we see the benefits of a partnership arrangement, where the responsibilities are

clear. I accept your point that it does not absolve a Commonwealth department from getting some level of assurance around value for money—we accept that.

Senator MASON—That is the issue we have with the BER, clearly.

Mr McPhee—Yes; there was a question about that. On my understanding of some of these projects, it is not as though the Commonwealth money was solely used for a building. In some cases my understanding is that the education authority supplemented that funding with funding of their own, and put additional money in to build something which made a whole lot more sense.

Senator MASON—I am sure that is right and I am not disputing it—

Mr McPhee—No, but it is an example, though, of how, if you are trying to put the value for money responsibility back on the Commonwealth for the Commonwealth component of a larger project which is being funded by an education authority, it gets even more cloudy. Someone may have got a grant for \$800,000, or \$1 million dollars, and they have supplemented it with \$2 million more. Who is responsible for getting value for the \$3 million? The answer is: the education authority because that is where the responsibility lies.

Senator MASON—But as long as the Commonwealth parliament can be certain that value for money is being secured by the state educational authorities.

Mr McPhee—Absolutely. If we were looking at this in a conceptual, theoretical model, we would say that, if you plan to allocate responsibility to another party, you need to have confidence in the ability of the other party to manage the risks in terms of their own responsibilities; otherwise, the problem comes back to the Commonwealth. We see that in some other areas. If the Commonwealth seeks to offload risk in some areas—quite reasonably—but the other party does not manage to effectively mitigate the risk, then there is no question that it will probably come back to the Commonwealth.

Senator MASON—These are huge issues. It is so critical. The partnership arrangement has all sorts of implications for public policy. Who determines the efficacy of these administrative arrangements and whether they are in fact working? To me, the BER looks to be a bit of a shambles, particularly the way it has been—

Senator Ludwig—I do not accept that.

Senator MASON—Minister, the question remains: who examines the efficacy of the arrangements? That is a fair question.

Mr McPhee—It is fair to say that, if you look back over time, the Commonwealth and the states have been working at different models to get the most effective outcome. The current model builds in the best experience to date and reflects government decisions. It is a journey.

Senator MASON—It is an expensive journey, Mr McPhee. I am not just concerned about the BER—we can discuss that today and next Thursday with Ms Paul—but it has ramifications right throughout the Commonwealth's administration of huge expenditure.

Dr Clarke—In relation to the BER, the expectation that the states and block grant authorities were responsible for—regarding achieving value for money—was first explicitly

stated in the guidelines in August 2009. Before that there was no stated expectation in that regard.

Senator MASON—If we say that, initially at least, it is up to state education authorities to get good value for money—that is what the evidence is and that is indeed what the guidelines say—there are some problems with that. These are the problems. Sitting here as a Commonwealth parliamentarian, this is the way I see it, and I suspect my colleagues would agree. The state estimates process—and this is not partisan—is generally a shambles—

Senator Cameron interjecting—

Senator MASON—Senator, I am not being partisan. I do not care who is in government, but the state estimates processes—I do not mind saying this—are not as—

CHAIR—Senator Mason, could I just remind you, and Senator Cameron, that talking across the chair is unhelpful. Your questions are to be directed to the minister or to the officers in front of you. If you want to have a discussion, you and Senator Cameron can go outside.

Senator MASON—State estimates processes tend to be a shambles across the country. In Queensland, for example, no matter who is in government, three to four hours per year is allowed for the examination of the executive by the parliament. In Victoria, the minister refused to tender information relating to the use of Commonwealth money by state authorities—Ms Pike refused to. State auditors-general cannot be questioned by the Commonwealth. Some state departments refuse to appear before Senate inquiries—Victoria last week. Mr Orgill, who is heading the BER Implementation Task Force, is not even a compellable officer for the purposes of estimates. All those factors about leaving value for money to the states make me really worried about getting good value for money out of the expenditure of billions of dollars that has been voted by the Commonwealth parliament, through the executive, to state governments. Do you really think that is good enough?

Senator Ludwig—I think that is a question at large that might be, quite frankly, outside the ANAO's ability to answer.

Senator MASON—But it is a fair one.

Senator Ludwig—I assume you are criticising the Western Australian government as well.

Senator MASON—You know what, Minister, I cast that net across all states.

Senator Ludwig—The difficulty that you are presented with is that we have estimates and you are entitled to ask questions in relation to the budget and a whole range of other matters that are associated with that but I am not sure if I can manage answers on the state budget for you.

Senator MASON—You are right, but you are now relying on them and that is the problem. It is not even a partisan issue.

Senator Ludwig—The challenge has been around for a very long time.

Senator MASON—It is worse now.

Senator Ludwig—I utterly disagree. There is a COAG process in place that far and away is a significant improvement on what existed before and, in fact, I think you might be

reflecting upon the period when you were in government for 12 years where you may not have worked—

Senator MASON—You keep thinking that this is some huge partisan issue. Just hold on.

Senator Ludwig—All right.

Senator MASON—If you want to have a discussion about new federalism, I just read out the paragraph from the Auditor-General's report, didn't I? That reflects the government's new philosophy. That is fine. It is not a criticism of the philosophy. It is just that if that is the way you want to organise federal financial relations then there have to be clear lines of accountability. We have already had evidence from Mr Cahill that there are not those clear lines of accountability. We know what happens in state estimates, with state auditors-general and Mr Orgill et cetera et cetera.

Senator Ludwig—I am not sure I can agree with what happens at state estimates. I am not privy to understanding them.

Senator MASON—I think you would admit that they are hardly the most accountable of all mechanisms.

Senator Ludwig—I would not do that. I am not familiar with them enough to make a passing comment and I would not unless I was and did have detailed knowledge of how they operate because you have to put it in context. It is a democracy with a working parliament. They have both a Senate and a House of Representatives or an Upper House, except in Queensland which does not. Ultimately, they also have accountability mechanisms. They have an Auditor-General; they have an Ombudsman; they have a whole range of accountability mechanisms.

I do not think you can just put it in isolation and simply point to the number of hours that an estimates committee might sit and say, 'There you go.' Take this for an example. You have been using estimates for an hour or so for the ANAO report in relation to the Building the Education Revolution.

Senator MASON—I have not.

Senator Ludwig—But somewhere like that—half an hour. I stand corrected. But many of your questions were also drawn out of two other committee examinations.

Senator MASON—Senate references committees.

Senator Ludwig—Yes, therefore saying that you had half an hour with the ANAO today is not a true reflection. I am using this as an example. It is not a true reflection of the level of detail that you have been able to go through in committee processes outside of estimates.

Senator MASON—I understand that.

Senator Ludwig—So if you use that and hold that thought for the moment and draw it into the states example, I do not think it is a fair comparison to say a couple of hours at estimates—

Senator MASON—I do not know if you are on top of this issue but—

CHAIR—Senator Mason, if you could allow the minister to complete his answer then you can continue to question him. The minister has the call. Minister, have you finished?

Senator Ludwig—No, to the extent that I think the comparison that is being made is both unfair and unwise. In addition, of course, the ALP, the relevant government of the time, does not have a majority in the Upper House in New South Wales, Victoria and South Australia. So without bringing into the examination of those other types of committees that they might use to hold the government to account—because the role of the Upper House is to review the legislation, to hold the government and the executive to account; all of those mechanisms—I think you are just focusing in on one point—

Senator MASON—No, I am not.

Senator Ludwig—without actually giving due credit to state governments.

Senator MASON—Let us give due credit to state governments of whatever complexion. When the Commonwealth parliament asks for the expenditure on projects by state governments, those state governments are not giving that information to the Commonwealth parliament. So the process is not working. Let us just move on to the next step.

Senator Ludwig—I do not accept that. There is a COAG process in place.

Senator MASON—Thanks for the constitutional round robin but the fact is that it is not working and if we do not fix it—

CHAIR—Is there a question, Senator Mason?

Senator MASON—I made, I think, a very fair point, Madam Chair.

CHAIR—Well, the process in estimates, as you well know, is question and answer. Senator Mason, you have the call.

Senator MASON—I made the point—

Senator Ludwig—It does appear, Chair, that Senator Mason does not want the state parliaments to be independent and able to set rules for themselves in providing their governance. But, that aside—

Senator MASON—No, I want the—

Senator Ludwig—It was a cheap comment; I recognize that.

CHAIR—Senator Mason has the call. Do you have another question, Senator Mason?

Senator MASON—Thank you, Chair. The point is about whether the Commonwealth oversight is sufficient to ensure accountability as to value for money from the states. We have already heard that it has not been.

Senator Ludwig—No; I indicated in my answer earlier what that process is and I think that still stands. I think I answered that question much earlier.

Senator MASON—That is fine, but that is not going to work.

Senator Ludwig—Well, you may not accept it but that is the process in place.

Senator MASON—That is fine; that is your view. Can we move on to the school survey, which I mentioned very briefly in the references committee hearing. Mr Clark, I am not a

statistician so you will have to help me here. There were a couple of surveys undertaken, I understand, for the purposes of the audit report. Is it correct that 3,159 principals responded out of the 7,951 principals who were invited to participate in the first survey?

Dr Clarke—There was only one survey undertaken of school principals.

Senator MASON—All right. Was that first survey incorrectly reported?

Dr Clarke—There has been a range of reporting on the survey. In designing the survey, we drew on specialist expertise—

Senator MASON—I will just go back. I have a copy of an article from the *Sydney Morning Herald* here. I know the minister is always keen for this to happen—I actually brought it along. This is from the article, for what it is worth. You can have a look at it, but I will not misquote it or anything. The allegation is that there was a survey of 7,951 principals. Did that occur?

Dr Clarke—There was a survey undertaken of all school principals, yes.

Senator MASON—Who designed the methodology for it?

Dr Clarke—We drew on specialist statistical expertise in designing the methodology for the survey.

Senator MASON—After they designed it, you obviously approved of it?

Dr Clarke—We used it.

Senator MASON—When did you learn the results of this survey?

Dr Clarke—The survey was conducted over a period of about six weeks, beginning, I believe, in early October 2009 and running through to around the middle of November 2009.

Senator MASON—What are the results?

Dr Clarke—The results are in the back of the report.

Senator MASON—All right, and again, this is according to the newspaper. Can you provide the full copy of all the information relating to that first survey? Is there any other documentation that you can provide?

Dr Clarke—It is important to understand that the results contained in the audit report reflect a statistical sample of all school principals. Because of the convenience of the internet, it was decided to send this survey instrument out to all school principals. We received a good response rate, 45 per cent, but we were concerned about potential nonresponse bias in terms of the 55 per cent who did not respond.

Senator MASON—Aha! Now I am with you.

Senator JACINTA COLLINS—Sorry, I am not quite with you. So there was a statistical sample?

Dr Clarke—Indeed.

Senator JACINTA COLLINS—But then you sent it to all principals, is that right?

Dr Clarke—Yes. We identified the sample that we wanted to draw at the outset. We also wanted to canvass and gather verbatim, free hand comments from the whole population. That

is why we sent it out to all school principals, 45 per cent in total of whom responded. In drawing our sample we wanted to have a higher response rate than 45 per cent. We obviously did not need to follow up with those who had responded to the survey at the initial call, but we did follow up with the 55 per cent who had not responded and were able to lift that to 63 per cent, which gives us a very high confidence level in the results.

Senator MASON—So it was a self-reporting survey, and you had a 45 per cent response rate. Forty-five per cent is a pretty high take-up, isn't it, of a self-reporting survey?

Dr Clarke—We were quite happy with it, yes.

Senator MASON—But you said that it was not statistically robust or strong enough. Why?

Dr Clarke—There is this concept called non-response bias in sample surveys, particularly voluntary surveys. In this case we had 55 per cent of the population not respond. It is possible, theoretically, that that 55 per cent might be of a different character to the 45 per cent who did respond, so we wanted to make sure that the results contained in the report were as robust and representative of the totality of the population as we could get.

Senator MASON—According to reports of the first survey, of the 45 per cent of the principals who replied, 65 per cent said that they could not agree that they got value for money from the building templates. Is that right?

Dr Clarke—In the sample survey, 65 per cent responded in that way.

Senator MASON—So nearly two in three said that they could not say that they got value for money. You have to help me here. I am not an expert on this. In the first survey, I understand that 75 per cent of the people who replied were from government schools and 25 per cent were from non-government schools. But in the sample that you drew on, only 40 per cent were from government schools and 60 per cent were from non-government schools. We know that non-government schools are much happier with the BER than government schools. So, given that the overall proportion receiving BER funding is roughly 71 per cent government and 21 per cent non-government, didn't the 45 per cent who replied much more closely reflect the difference between government and non-government schools?

Dr Clarke—When we prepared the report, we did take into account the distribution of government and non-government schools in the total population. It is important to understand that the survey was intended to provide information not only about the total population but also about each subpopulation in the school principal community—that is, government, non-government and the like. You would be aware that, when you draw a sample from differently sized populations, you need different sample sizes. This is important because just drawing a simple proportion analysis like the one contained in the article—

Senator MASON—Is it correct, by the way? They say this, but if it is not correct tell us.

Dr Clarke—The numbers are correct, but they do not represent what is in the report. When we prepared the final figures, we weighted them according to the distribution of, say, government and non-government schools in the total population, so the figures you have in the report reflect the total population and its makeup.

Mr Cahill—If you are talking about 22 education authorities, eight of them are government schools and the remainder are in the private system, whether Catholic or

independent. We wanted to make sure that we had a suitable sample size in each of those, but then we weighted the answers. If there were, say, 20 responses in the New South Wales government system, we would weight that to reflect that there were so many thousand principals there. The idea was to make sure that we had a good representation across all 22 that reflected the weighting of those principals. If one education system made up one-tenth of the overall number, then the sampling would give weighting to reflect that one-tenth. We made sure there was no distortion.

Senator MASON—Each of the 22 educational authorities, in a sense, are weighted.

Mr Cahill—Yes.

Senator MASON—Sixty-five per cent of people who bothered to reply said they did not get value for money. That is in the raw figures. That is correct, isn't it?

Dr Clarke—Yes.

Senator MASON—You have weighted it so that all educational authorities, in effect, are counted.

Dr Clarke—Yes.

Senator MASON—Whose idea was it to do that?

Mr Cahill—Two points: firstly, we took the advice of statistical expertise. Allanson Consulting and ORIMA were the two companies involved. Secondly, as auditors, we want to make sure we give a very objective, clear representation, so we also had a look at what the results would have been if you had used the full 3,000 responses. What it showed us was that give or take two or three per cent in what we presented as the sample—all 3,000—the results were fairly much the same. The two per cent deviation showed there was a non-response bias, but it was marginal. So, if it gives you comfort, our results presented in the appendices of this report do not have a major deviation from those we would have if we had used the 3,000. I get amazed by statistical advice.

Senator MASON—I have a few more questions but I know the chair wants to move on. Can I resume after lunch?

CHAIR—You certainly can, Senator Mason. That has already been agreed to.

Senator JACINTA COLLINS—Just a supplementary question before we move on. Is there a description of the methodology that you can point us to?

Dr Clarke—Yes, it is in appendix 2.

Senator CAMERON—Mr McPhee, I am not sure who has taken questions on this, so I will just address them to you and I am happy for anyone to take them. It would be fair to say that you have to look at this program in the context of the economic situation facing the government. Is that correct?

Mr McPhee—Yes. The program has twin objectives: firstly, the stimulus effect and, secondly, improving educational outcomes.

Senator CAMERON—The government was faced with a global financial crisis, which has been described as the biggest financial crisis since the Great Depression. Is that correct?

Mr McPhee—Absolutely, yes.

Senator CAMERON—So in the context of facing a global recession and the government trying to avoid a recession, stimulus had to be injected into the economy quickly. Is that correct?

Mr McPhee—That is correct.

Senator CAMERON—A failure to inject stimulus into the economy quickly could have meant the country falling into a recession, with the problems that a recession brings; that is, workers losing their jobs, families going into long-term unemployment—all of the classical results of a recession that are well documented in economic publications. Is that your estimation?

Mr McPhee—Certainly they are the implications, yes.

Senator CAMERON—So, in the context of trying to put the stimulus in place, we had to do rapid construction. That was one of the clear outcomes from COAG. The construction had to be done rapidly. I suppose that brings its own challenges—and it is a challenge to any government, regardless of its political outlook, to do something like this. It was quite novel, quite different from how governments normally operate. Is that correct?

Mr McPhee—Timeliness was a critical element of this program—correct.

Senator CAMERON—In your report on the BER, you outlined its two objectives:

... first, to provide economic stimulus through the rapid construction and refurbishment of school infrastructure and, second, to build learning environments to help children, families and communities participate in activities that will support achievement, develop learning potential and bring communities together.

They were the two overriding COAG points that delineated what this program had to be about. There was no criticism of that approach from your analysis of the program, was there?

Mr McPhee—There was not, but I do need to make it clear that we accept the government's policy position and we look to the implementation of that policy position rather than the nature of the decision itself.

Senator CAMERON—Yes. Under BER, the government then looked at three elements: P21, described as building 'iconic facilities'—that is, libraries and multipurpose halls; the National School Pride Program, where minor capital works that had not been done for over a decade could be implemented; and science and language centres to build for the future. You also said in your report that we had to find a balance between quick implementation, sustainability and value for money. That is the point you make.

Mr McPhee—Yes.

Senator CAMERON—The BER was described as 'a new framework for intergovernmental program delivery', so it was something new, given the circumstances we faced.

Mr McPhee—Yes.

Senator CAMERON—And you point to that in your report—that we were facing these new circumstances. Going back to paragraph 2.7 in your report, you quote the Treasurer—and you obviously find it sufficiently compelling to include it in your report:

For decades, the Commonwealth imposed input controls on Commonwealth funding to the states—tough conditions to dictate the way funding was to be used. These conditions constrained flexibility and innovation in service delivery. This made it difficult for the states to set their own priorities. It also created inefficiencies, as the Commonwealth devoted unnecessary time to administering them. Most importantly, Commonwealth intervention in areas of state responsibility blurred the lines of accountability. The conditions imposed on Commonwealth funding confused the public because it was no longer clear whether the states or the Commonwealth was accountable for poor service delivery, or indeed good service delivery.

So some of the issues that arose from the government's Building the Education Revolution stimulus package are not new issues. The relationship between state governments and—

Senator KROGER—On a point of order, Chair: is this a question? We have been sitting here giving Senator Cameron a lot of latitude.

CHAIR—What is your point of order, Senator Kroger?

Senator KROGER—I think we are here to ask questions.

Senator CAMERON—Which I am doing.

Senator KROGER—Is this a question or are you giving a general statement of what you believe to be—

Senator CAMERON—I have only done about 10 per cent—

CHAIR—Senator Cameron, if you could just wait so I can listen to the point of order, please.

Senator KROGER—I would just like to know if this is a question from the senator.

CHAIR—Senator Kroger, I think, as someone who has sat through all yesterday and last night and this morning you would be well aware that senators on your side of the bench have been, as they put it, 'setting the scene' for their questions. I think I have been quite mindful of that, but I will remind all senators that the process here is not to have a running commentary but to put questions to witnesses so that we can ascertain the answers. Senator Cameron, I am sure you are getting to a question.

Senator CAMERON—Yes, and I think my question is about 10 per cent of the length that Senator Mason's question was, so apply the same rules to Senator Mason.

CHAIR—Senator Cameron, you have a question?

Senator CAMERON—I have gone through that quote from the Treasurer, and I am just saying that this is not a new issue that governments have to face, and that is: how do you get it right between state and federal government implementation of major projects? Is that correct?

Mr McPhee—Correct.

Senator CAMERON—But there was an extra problem that the government was faced with here. That was: it is not just a normal time of trying to deal with these issues. It is a time

when rapid economic stimulus has to be applied to the economy to underpin 210,000 jobs. I think you do—

Senator KROGER—Get on with it, Dougie! Ask your question!

Senator JACINTA COLLINS—A point of order, Chair. There is a level of discourtesy here from Senator Kroger. Perhaps you should ask her not to interject in such a fashion.

CHAIR—I will remind all senators that unruly interjections are not helpful for me or for Hansard. I think it would be fair to say that Senator Cameron commenced his questioning at 17 minutes past 12. We are breaking for lunch and then we will be coming back after lunch. Senator Cameron, do you have a question?

Senator CAMERON—Yes. Do you want me to start again?

CHAIR—No, I just want you to put the question.

Senator CAMERON—The question was nearly finished when I was rudely interrupted. I am sure you understand the gist of it, even if Senator Kroger did not.

CHAIR—Just put the question, please.

Mr McPhee—If you would just succinctly capture the question.

Senator CAMERON—Basically this is not a new situation for governments. That is the state-federal relationship.

Mr McPhee—Yes.

Senator CAMERON—And this was particularly an issue because of the need for the economic stimulus and the need to underpin 210,000 jobs. So the government was faced with some real problems and COAG were faced with some real issues.

Mr McPhee—And we understood that. Clearly we understand the context in which government programs are implemented. We understood that; we reviewed the intergovernmental agreements and the arrangements in place. You are correct about the stimulus effect and the focus on the educational outcomes as well. I agree with what you are saying.

Senator CAMERON—Could I move on to 4.26.

CHAIR—Are you moving on to a new area, Senator Cameron?

Senator CAMERON—No, this is questioning on the report. In 4.26 you point to a range of issues that can apply to building, and you outline some of the problems that you can experience. It is in your report; you do not do it. I am not sure who it is. In your report it talks about cost variations with rock, soil issues, extending water, gas or electricity services. I have been to a number of the BER projects and I have spoken to school principals who tell me that they just did not understand the cost of extending water, of extending power, of digging through rock. I suppose that is no different from people who build a house and get a quote, and they are suddenly told that there are these huge extra costs because of the nature of the terrain. Was this specifically put to principals, when 65 per cent of them said that they were not happy with the value for money? Are you confident that that they understood these parameters of major building projects?

Senator RYAN—They understand their schools.

Senator CAMERON—They are not builders.

Senator RYAN—They knew a lot more about their local area than a lot of builders.

CHAIR—Senators we are about to break for lunch, so the interjections are only eating up time. A question has been put. We will wait for the witness to respond and then we will be breaking.

Dr Clarke—I will deal with that answer if I can. We did not specifically ask the views of principals about their expertise or experience in the construction of capital works for their school. The survey responses represent their perceptions of value for money—

Senator CAMERON—Ah, their perceptions.

Dr Clarke—As all surveys do. And what we noticed—and I think it is quite illustrative—is in chapter 7 we set out some of the more disaggregated information from the survey—

Senator CAMERON—I am just running out of time, so what you are telling me is that these are perceptions from the principals. They do not take into account those extra costs that you have identified in your report—is that correct?

Dr Clarke—Those costs were identified by the Victorian government in its submission to the Senate inquiry.

Senator CAMERON—But you have included them in your report and they are valid in the context of your survey, aren't they.

Dr Clarke—We did not assess the validity of those in the submission.

Senator CAMERON—So you just asked people: 'Are you happy with the outcome? We don't really care whether you are to dig rock out. We don't care whether you had to extend water or sewerage or power. You make a simple thing; did you get value for money?' Do you now concede that that question is too simplistic and does not represent reality?

Dr Clarke—In chapter 7 in the report we identified that this was a perception that was strongly correlated with decisions that were made about the type of building approach to be taken—whether a template was used or whether a design was used.

Senator CAMERON—So you basically ignored all these other issues.

CHAIR—Thank you, Senator Cameron. You will have to continue your questions after lunch.

Proceedings suspended from 12.31 pm to 1.38 pm

Senator CAMERON—Mr McPhee, I was trying to get some clarity in terms of the weight that can be given to the survey that was undertaken. I think there was a concession that the survey was sort of indicative and not specific. I have seen some of your other survey results. Paragraph 6.80 states:

... one-third of respondents stated that they or someone ... had communicated a concern or complaint about BER P21.

I am just wondering what weight we should put on that, given that it talks about 'someone', who could be a parent or a citizen who does not know what is happening in the school in any

detail, but says: 'I don't like the size of this. It should be bigger or it should be smaller.' Is that type of complaint included in this?

Dr Clarke—This survey was of school principals. It was asking school principals whether they had communicated a concern or complaint.

Senator CAMERON—Yes, I understand that.

Dr Clarke—But they could well have communicated that to any level of government, for example.

Senator CAMERON—No. If you read paragraph 6.80, you will see it says:

... one-third of respondents stated that they or someone in their school community had communicated a concern or complaint about BER P21.

Dr Clarke—You are quite correct, Senator; I stand corrected.

Senator CAMERON—I am just wondering what weight do we put on this 'someone' saying, 'We've got a problem with this; we've got a complaint'. This could be someone who has absolutely no linkage, other than a child at the school, who would not know what the BER program is, would not know whether there was rock to be taken away, whether there was sewerage to be extended. Isn't that correct?

Dr Clarke—It is correct that one-third of respondents indicated that they or someone in their community had communicated a concern about BER P21. That is what the survey indicates.

Senator CAMERON—Yes, but what weight do they put on that? I am saying the weight you can put on that is extremely limited. What does it mean?

Mr Cahill—In the context of paragraph 6.80 on page 151, I might get Dr Clarke to expand on what weight we put on that response.

Dr Clarke—We do not draw very heavily on this result, other than to indicate that in the context of the number of complaints being used as a proxy indicator for program success, we were suggesting that one had to be careful about relying on complaints received at one level of government when there may in fact be complaints being generated at multiple levels of government. For example, it may be being received by state and territory education authorities or the like. That is as far as we take it.

Senator CAMERON—I am not sure that answers my question, to be honest. I think you have confused me a bit. As you have indicated, this is about a survey of principals. The principals are saying, I suppose, 'We've had a complaint from someone else.' You then take that and put it in your ANAO report without any clarification about the context of the complaint, the importance of the complaint, the knowledge that the complainant has of the project. I put it to you that it is quite meaningless. This point is quite meaningless.

Mr Cahill—The point we were making was that in much of the reporting on the program a limited number of complaints had been made about the program itself, which was an indicator that the program was successful. As a part of that process, we decided to survey the principals to see whether they were aware of complaints or concerns. The reason we used the language 'complaints and concerns' is they were consistent with the two different terms over the life of

the program that the Commonwealth department had used. In doing that, we formed the opinion that using complaints and concerns as an indicator could not be relied on as a sole measure of the success of the program when you got results like ours compared to results reported through the Commonwealth department. That is the point we were making.

Senator CAMERON—And in 7.21 you go on to say:

... the ... survey of school principals [showed] that a substantial proportion of school principals (45 per cent) reported that they had insufficient time to consult with their school communities ...

Now that has to be seen in context, hasn't it?

Dr Clarke—It all has to be seen in context, yes.

Senator CAMERON—And the context is that we had a global financial crisis; the BER program was a major aspect of injecting funds into the community to underpin jobs. Why do we just say these things in 7.21 in black-and-white? It just does not make any sense in the context of what this program was about.

Dr Clarke—In 7.21 we also indicate that there were constraints because of the compressed time lines associated with the stimulus objective for the program, and we are trying to situate it within its context. The other thing to stress about the survey is that it is a point in time. It was conducted in October and November last year, at a time when, in many cases, construction would not have commenced.

Senator CAMERON—But you do concede that this survey has to be taken in the context of the overall priorities of COAG and the government to try to put stimulus in place quickly?

Dr Clarke—Yes, absolutely.

Senator CAMERON—The survey has to be taken in the context that many principals are not experts on building.

Dr Clarke—Absolutely.

Senator CAMERON—Many of the principals would not understand the complexities of running sewerage systems, power facilities or any of the basic issues of the building program.

Dr Clarke—Indeed.

Senator CAMERON—Thank you.

Mr McPhee—Can I pick up on your overall comment. The reason we did the survey was to try and get an overall perspective. At the time this program was implemented there was quite a range of critical media reports about the program and we were looking for an avenue of getting a more rounded perspective on the program and how it was being received; hence, we undertook the survey. It does have limitations and the report does cover those off to a large extent, but it was done with the intention of trying to get a more global perspective of how the program was being received by school principals.

Senator CAMERON—I can understand why you would go to school principals, but why would you not also go to the workers of the construction companies whose jobs were being saved by the projects and talk to them about what their perceptions were?

Mr McPhee—I might need some assistance here. We clearly did not go there, but we did look to see if we could get some information about the construction side of this program as well. I will ask my colleagues to cover that off, because we did want to get a well rounded view of this.

Senator CAMERON—Before you answer that, there were two aspects to it that you identified in your report. The first and fundamental aspect was the economic stimulus and the rapid reconstruction and refurbishment of school infrastructure. What the ANAO has done is go to the recipients—and I use that word loosely as the principals are not the recipients—who were the secondary aspect of this. Why did you ignore the fundamental principle of the program, which was to stimulate the economy, and go instead to the principals and ignore the major aspect?

Mr McPhee—We do cover that off with reference to Treasury information on the stimulus effect earlier in the report. I will see if Dr Clarke can add to the comment.

Dr Clarke—As part of our audit field work, we did consult with representatives from the construction industry, the Master Builders Association and the like, to try and get a sense of their perspective. It is intrinsically very difficult to identify and survey, for example, individual workers on a building site.

Senator CAMERON—The ABCC does it regularly.

Dr Clarke—We certainly consulted with the construction industry as part of our audit. The other thing we did was to send a questionnaire to all 22 education authorities to get their perspective. So we were trying to get, as the Auditor-General said, a rounded perspective on recipients, some of the delivery agencies and also the Commonwealth agencies responsible for the program as a whole.

Senator CAMERON—I do not really see the views of the MBA, construction companies and the workers. There is plenty said about the principals, who do not understand—I would expect most of them do not understand—the complexities of building on a school site and yet you ignore the builders in your report. Why?

Mr Cahill—We were quite conscious of putting some of the economic indicators into the report because the key driver was economic stimulus. In chapter 7 you can see clearly the analysis of the spike in the value of education sector building approvals and non-residential building activity. We were quite conscious to position the report in terms of the impact on the economy and some of the lead indicators.

Senator CAMERON—Thank you.

Senator KROGER—I would like to ask some questions in relation to DFAT overseas properties under ANAO.

CHAIR—It might be beneficial then if we actually deal with that now and then go to Senator Mason so the officers—

Senator MASON—I will not be long either.

CHAIR—We will finish with BER then. Senator Mason, you have the call.

Senator MASON—Gentlemen, I will not detain you for long I don't think. Mr McPhee, would you have any objection if I sought to tender the letter that you kindly wrote to me and to Senator Williams on 7 May this year?

Mr McPhee—No objection whatsoever.

Senator MASON—It goes to the discussion about your mandate and any administrative lacuna that may be there.

Mr McPhee—That is fine.

Senator MASON—Thank you, Mr McPhee. I just have a couple questions on the survey before I finish. Dr Clarke, who's idea was it to have another look at the survey and engage in weighting the survey?

Dr Clarke—The weighting methodology was always part of the original design of the survey methodology.

Senator MASON—From the beginning?

Dr Clarke—From the beginning.

Senator MASON—When you originally designed the survey, the original intention was to weight it?

Dr Clarke—The original intention was to make sure that the sample results were weighted appropriately so that they represented the distribution of the population as a whole.

Senator MASON—The 22 education authorities and so forth. So that was a decision from the beginning?

Dr Clarke—That is correct.

Senator MASON—Was it taken by the Audit Office?

Dr Clarke—It was taken on advice from the expert advisor who provided us with the design of the methodology.

Senator MASON—Remind me who that was again.

Dr Clarke—Allanson Consulting.

Senator MASON—How were they chosen to be the research adviser?

Dr Clarke—They are on our panel of consultants.

Senator MASON—Can the raw data that relates to the 3,159 principals be made available to the committee?

Dr Clarke—I would have to take that on notice.

Mr McPhee—The only thing I would want to be careful of is that, as Dr Clarke said earlier, some of the comments are actually narrative comments and we would want to retain the confidences of those. We can try and give you as much data as possible, as long as it protects the individual respondents.

Senator MASON—I want the privacy of the individuals to be maintained.

Mr McPhee—Within those parameters, I am happy to have a look at that.

Senator MASON—Gentlemen, thank you very much. I appreciate your help.

CHAIR—We will finish on BER, so we will go to Senator Collins, Senator Ryan and then Senator Kroger.

Senator JACINTA COLLINS—Dr Clarke, I think Senator Mason covered most of the area I wanted to cover on reviewing the methodology. Although the description is somewhat brief in appendix 2, it is a bit more clear that it was intended to be a stratified random sample with the appropriate weightings to make sure that you weighted the data to affect the nature of that stratification.

Dr Clarke—Indeed.

Senator JACINTA COLLINS—Were you just to rely on the raw data, it would end up being quite misleading, would it not? Picking up Senator Mason's point from earlier, if you were looking at the raw data, you would not be taking into account that only 40 per cent was the public sector schools.

Dr Clarke—That was a risk we were concerned about.

Senator JACINTA COLLINS—So you had already identified the very risk that Senator Mason was raising without going through the methodology that you have described in the appendix.

Dr Clarke—Yes.

Senator RYAN—I just want to explore some of the issues that Senator Mason raised. Excuse me because I have not had the benefit of the references inquiry, which you appeared before last week, and I only just received the letter that Senator Mason tabled. You mentioned and your letter outlines the limitations on the scope of your power to conduct audits. I was wondering if you could refer me to the section of the act that you are specifically concerned about? Is this something that you took legal advice on in relation to this specific issue, or is it a previously standing issue?

Mr McPhee—It is a previously standing issue. We took some legal advice in the context of forming our submission to the Joint Standing Committee of Public Accounts and Audit on their review of the Auditor-General Act. So we took some generic advice and obviously had regard to our in-house experience, not legal advice. Also, it is very clear when you look at the sections of our act that I may undertake a performance audit of a 'Commonwealth entity'. It is very clear. I am happy to provide a copy of the relevant part of our submission to the JCPAA.

Senator RYAN—I can chase that up.

Mr McPhee—But, fundamentally, in some of the state jurisdictions the auditors can follow the money, which is the expression. If the Commonwealth provides funds to another party, the auditors can consider the performance of the other party to the extent that it relates to the funding provided. So, as I say in my letter, this is a contemporary issue. Senator Mason was touching on it this morning. We certainly raised it as an issue. I have to say that it has not up until recently been a matter unduly concerning me, but the way the Commonwealth-state relations are going with the expectation that there is a partnership in place, with one party providing the funding and the other responsible for delivering outputs or outcomes, it does become a more topical matter for consideration.

Senator RYAN—Following the Senate passing this resolution, the President of the Senate wrote to you. I want to explore how you arrived at the scope of the audit that you chose to undertake following receipt of this resolution of the Senate?

Mr McPhee—I will handle the position in the general and I will ask Dr Clarke to give me a hand with the details. Broadly, we seek to respond to many of the requests we receive, particularly from parliamentary committees and the Senate. We would have done the same thing in this context. I am not sure we varied it too much. I will ask Dr Clarke to go through the details.

Dr Clarke—Just by way of background: we received a letter from the President on 7 July 2009 outlining the motion that was passed in the Senate and the Auditor-General responded on 24 July. In that response on 24 July 2009 the Auditor-General set out the objective and scope of the audit that was conducted. In the intervening period we undertook some preliminary research with the department to understand the way that BER P21 had been established, what kind of information would be available to us, who was involved and what the instruments were that were used to deliver this program in the sense of the national partnership agreement, the guidelines that had been established and the funding arrangements that had been established between the various parties so we could get an understanding of the scope of the activity and who was responsible for what. That enabled us to identify what we could actually do within our mandate. So when the Auditor-General responded on 24 July he set out the objective and those three focus areas.

Senator RYAN—Given that the term ‘value for money’ is mentioned numerous times in the Senate resolution, was that put to the department in your initial discussions? Clearly, the department here had an indirect influence—obviously it is your decision; I am not implying otherwise—over the development of the terms of the scope of your audit. Did you put to the department the concept that you would be investigating value for money?

Dr Clarke—No, we did not. As I mentioned to Senator Mason before the lunchbreak, the phrase ‘value for money’ did not appear in the guidelines for the Building the Education Revolution P21 program until August.

Senator RYAN—No, but it appears in the Senate resolution which triggered you to undertake this. I will point you to a number of reports that the ANAO has undertaken over a number of years and you can see it has appeared in a number of those. In *Third tranche sale of Telstra shares* one of the lines included the words ‘including maximising overall value for money’. *Non-APS workers* looked into ‘management practices undertaken by APS agencies to achieve value for money’. In *Management of learning and development in the Australian Public Service* the objective of the audit was ‘to examine and report on the key management factors that assist in ensuring value for money in learning and development’. In your report *Engagement of consultants* the objective of the audit was ‘to provide assurance to parliament that Commonwealth agencies comply with relevant procurement policies and procedures that have been developed to ensure value for money in government procurement’. Some of those audits involved a substantially lesser amount of money, so why was it that upon receiving this particular resolution of the Senate into a program that had attracted a significant degree of public debate you chose not even to consider, in the first instance, investigating value for money?

Mr McPhee—I will handle that. In the early days performance audits were referred to as ‘value for money audits’. It may be to do with the way the office approaches matters, but these days the term is ‘performance’—that is, we look at the effectiveness of the performance of an agency et cetera—has tended to overtake references to value for money. It does not mean to say that when we see wasteful expenditure or we see better ways of doing things we do not highlight them, it is just that we tend not to use as much the words ‘value for money’.

Senator RYAN—No, but in the BER report, on page 161 and throughout the report, there is constant use of the term ‘constrained by compressed time lines’ as if to avoid discussion of the concept of value for money.

Senator CAMERON—There’s a global financial crisis!

Senator RYAN—I will get to that in a second, Senator Cameron. The term ‘performance audit’ may have its place. However, I put to you that for a \$14 or \$16 billion program—when the Senate resolution has a great deal of detail and 15 separate items, all of which are referring to value for the money appropriated by this parliament—you should have considered value for money, at least in the first instance before you ran into these other issues, or you should at least have brought it to the department.

Mr McPhee—It is not as though we did not consider the value for money aspects of the department’s administration. We did consider the performance of the department and within that word ‘performance’ are comprehended by us value for money considerations. What we did not do was look at the issue that you are most concerned with: value for money being achieved at the individual project level.

The **Senator RYAN**—With all due respect, we can divine a difference of where value for money is achieved but to the Australian taxpayer and to the parliament that appropriates the money I think value for money means: ‘Did we get a good deal? Was the money spent effectively?’ I understand that one of the issues you investigated was: ‘Did this meet the objectives set by the government?’, which was: ‘Did it shovel the money out the door quickly enough?’

Mr McPhee—No.

Senator Ludwig—But aren’t there two problems with your question? One is you have defined value for money in two different ways: one is ‘effective’ and the other is ‘Did we get a good deal?’, to use your words.

Senator RYAN—I used the vernacular.

Senator Ludwig—I know. I understand that. You have actually now created a further problem, I think. What is value for money? Is it a good deal, is it effectiveness or is it both? I think to be fair to Mr McPhee when you use the term ‘value for money’ you should either use it in a neutral sense or subscribe what view you think it means.

Senator RYAN—I am suggesting that one of those was not considered.

Mr McPhee—The other dimension that may be helpful is that the government decided that funding provided was to be based on school size. I do not have any details in my mind but say, for example, a school of so many pupils was entitled to a million dollars. That is a policy decision of the government, and the department’s responsibility was firstly to be assured

about the number of pupils in the school and then the million dollars went to the school. There was no assessment of whether a million dollars or \$1.2 million was the right figure—that is not the value for money context. So from an administrative point of view what we looked at was whether the department was adhering to government policy in making the right amount of funding available to the schools education authorities consistent with the government's decision.

Senator RYAN—That is partly my point, Mr McPhee. You have assessed the government on how quickly it wrote the cheque. Surely, the resolution of the Senate clearly wanted to look at how that million dollars was spent—whether value for money was achieved. You have conceded to Senator Mason before that the department did not have sufficient mechanisms in place to ensure this was happening, but through this report you could have made a big song and dance about that, but you did not.

Mr Cahill—A key focus of chapter 6 is very much about that. We saw the Senate motion, and in looking at that we were looking at the implementation, because it was the early stages of the program. In doing our considerations, one of the key areas we wanted to look at was how the Commonwealth department was assuring itself that value for the money was being achieved and how the economic stimulus objectives were being implemented. Chapter 6 was very much focused on how the Commonwealth knew that value for money was being achieved by the 22 respective education authorities. That was where we positioned the audit—on what we could practically do, given it was in the early stages of the implementation program.

Senator RYAN—I am not sure whether I interrupted Mr McPhee earlier.

Mr McPhee—No.

Senator RYAN—I go back to the point I made earlier. This is a significant audit report into a significant program. I put it to you that surely, if the ANAO was of the view that the department did not have sufficient safeguards or systems in place to ensure that the million dollars, once the department parked it out the door, was spent effectively at the school—reflecting the 15 items raised by the Senate, where those issues are raised in detail—that the ANAO has not highlighted the lack of that to a significant degree in this report. You have mentioned value for money in other reports—some of which are recent; some of which are older—but in this there seems to have been a lack of focus on this pretty substantial point, that the government did not have in the department the mechanisms to check whether the \$15 billion or \$16 billion was being effectively spent.

Dr Clarke—As Mr Cahill has pointed out, the bulk of chapter 6 is devoted to that issue.

Senator RYAN—I turn to another issue, relating to the change in the size of the budget for this particular program. Your report—in paragraph 37 on page 23—specifically outlines that SPBC, the Strategic Priorities and Budget Committee of Cabinet:

... provided advice indicating that they were aware from the time of their original decision of the likelihood that an estimates variation may be required to provide more funding.

In short, does that mean that, when this appropriation bill was first presented to parliament with the lower number, the ministers knew that the program would cost more?

Mr McPhee—I am not sure what the ministers knew at that time, but we were asking, as soon it became aware that the initial funding would be insufficient, whether the department had taken any steps to inform government about that. The responsible minister informed us that the SPBC was well aware of that possibility, so ministers did not need to be informed that further funding would be required.

Senator RYAN—Let's go to the SPBC ministers then. This is in paragraph 37.

However, in the case of BER P21, as indicated above, SPBC ministers have provided advice indicating that they were aware from the time of their original decision of the likelihood that an estimates variation may be required to provide more funding.

Does that say, in plain speak, that those ministers mentioned—the SPBC ministers—were aware that, when these stimulus bills were first presented to parliament, they would need to come back for more money? Is that, in plain English, what that means?

Mr McPhee—I think, to be fair to what the ministers said, they said they were aware of the likelihood that an estimates variation may be required, not that an estimates variation would be required.

Senator RYAN—So the ministers who presented this bill to the House of Representatives and the Senate were aware of the likelihood that the very bill they were presenting was not accurate in the amount of money that would be spent on this program?

Senator Ludwig—I do not think that is a fair representation of the evidence. It might be a statement by you, but I am not sure whether the Auditor-General can provide you with that answer as to what was in the mind of the ministers when they presented the bill.

Senator RYAN—No, I am actually asking for an explanation of what is here in paragraph 37. What did the SPBC ministers know?

Senator Ludwig—I am happy for the Auditor-General to attempt to explain that.

Mr McPhee—This is a very close articulation of what we were informed, Senator, so I can add nothing further. This is our advice and I cannot go any further as to what was in the minds of ministers at the time.

Senator RYAN—What did you mean when you wrote that sentence? They are your words. What I am after is this. What does this mean in plain English?

Mr McPhee—In plain English it means that ministers were aware of a likelihood that the initial budget allocation would need to be supplemented. That is what it means.

Senator RYAN—Thank you. Given the size of the program it strikes me again as fairly extraordinary that ministers present an appropriation to parliament knowing that there will be more, that it is not an accurate appropriation for the program, which apparently has a short time frame and is incredibly urgent.

Senator Ludwig—No. That is your interpretation of the paragraph. That is not what the paragraph says and that is not what the Auditor-General has said. I know you feel at liberty to reinterpret it, but that is not what the statement reads and that is not what the Auditor-General has said.

Senator RYAN—Paragraph 37 makes it pretty clear, Minister.

Senator Ludwig—I am not saying that what is in the auditor's report is not clear. I am saying your paraphrasing is incorrect.

Senator RYAN—Mr McPhee, in your answers to Senator Cameron and others you alluded to the effectiveness of the stimulus. Did you take into account or consider in the performance audit the effectiveness of the stimulus in determining the success or otherwise of this program?

Mr McPhee—We looked at the evidence to see whether there had been a stimulatory effect.

Senator RYAN—Did you conclude that the program met the criteria set by the government to have a stimulatory effect?

Mr McPhee—We articulated both the objectives and we referred to Treasury advice—from memory, and my colleagues will point you to the reference—about the stimulatory effects and the job effect.

Dr Clarke—At paragraph 13 of the report the report does conclude that there are some positive early indicators that the program is making progress towards achieving its intended outcomes. Then it goes on to discuss lead economic indicators. It must be borne in mind though that this was early stages, so we were still talking indicators.

Senator RYAN—Did you take advice from anyone other than the Commonwealth Treasury in respect of this?

Dr Clarke—Sorry?

Senator RYAN—In respect of the early conclusion with respect to the stimulatory effects or otherwise of the program?

Dr Rowlands—We did look at a number of indicators, which are reproduced in chapter 7. There you will see non-residential building approvals, one of the indicators we refer to, and non-residential building activity, in figure 7.6 on page 160. Those are the sorts of other things that we were looking at.

Senator RYAN—So you looked at indicators independently but you took economic advice from Treasury?

Dr Clarke—No.

Senator RYAN—So you just looked at both indicators?

Dr Clarke—Yes.

Senator RYAN—So there were no discussions with Treasury about the conclusions you were reaching with respect to the stimulus?

Dr Clarke—There had been some reporting by the Coordinator-General on the general effect of the overall stimulus package. But at the stage that the audit was being prepared there was very little information available on the stimulatory impact of the program. So what we put in the report is what we could find.

Mr Cahill—Senator, if it helps you, throughout the process what we did was this. We spoke to Commonwealth Treasury officials a couple of times to understand the policy settings

and the issues at hand. We then also spoke to the construction industry and sought ABS advice. If you have a look at pages 159 and 160 you can see the source of that is both ABS and Construction Forecasting Council analysis. But we were also conscious that we are not economic experts, so as part of our draft report phase we actually then provided this analysis to the Commonwealth Treasury, who gave us commentary and advice back to say that was broadly in accordance with what their thoughts were. They gave us some advice in terms of what they thought was the economic impact of the stimulus. So Treasury were consulted in the draft report stage as well.

Senator RYAN—Last February I sat in this room at this committee and we had Treasury and Finance presenting the case for the stimulus. You are telling me that, in determining the effect of the stimulus, you went back to the people that put the case for it and you did not seek any outside advice other than to look at a few indicators. There is plenty of commentary to suggest otherwise about the stimulus.

Mr Cahill—As I indicated, we took independent analysis from ABS and also the Construction Forecasting Council. We got our own indicators from outside the Commonwealth Treasury but obviously we sought their input in forming our opinion. So we did not solely rely on the Commonwealth Treasury.

Senator RYAN—But you said just then that they had a role in the draft to finalisation stage of the report around the economic commentary.

Mr Cahill—Yes.

Senator RYAN—The point I am putting to you, Mr McPhee, is that, given it was Treasury that mounted the case for the stimulus in this room at this committee, wouldn't it have been appropriate to consider some external commentators or seek some external advice that might or might not compete with that? You are going back to the source of the stimulus. Those who developed this program argued that it would provide an economic stimulus and then you are going back to the same people to ask them whether or not it worked.

Mr McPhee—We did have several sources of information and all roads were pointing to Rome. If there were a difference of perspective, then we may have sought some further advice but we were getting consistent messages from all of the indicators that we were looking at. So in this case I saw no need to go any further.

Senator RYAN—It does not seem to me, from the examples we have just discussed, that that is an incredibly broad range of advice. Yes, there are ABS statistics.

Mr McPhee—The only thing I would say is this. We were endeavouring to complete this audit in a timely fashion. In every audit that we do we have to make judgments about the extent of coverage, where the boundaries are, how much expertise to go to. We do not have an unlimited budget so we are balancing a range of pressures to produce a report of this kind. I was very comfortable with the level of support we received from the various people providing the economic data.

Senator RYAN—But doesn't it at all concern you that the very people who were putting the case for the stimulus to achieve a particular outcome were the ones whom you took the

draft commentary back to and they agreed—I cannot remember the exact words you used, Mr Cahill—

Senator Ludwig—You have asked that question about three times now and you have got the same response. I am not sure if there is a different answer likely to come forward.

Senator RYAN—So if we could go to the draft report then, Mr McPhee. You consulted with Treasury. Which other departments and/or ministers' offices or agencies received copies of the draft report?

Mr McPhee—Clearly, we provided the Department of Education, Employment and Workplace Relations with a copy of the report. We provided it to the Deputy Prime Minister. The secretary of PM&C, the former Coordinator-General, Mr Mrdak, the former BER national coordinator, Dr Nicoll, and the secretary of Treasury were given full copies of the draft report and the current and former secretaries of Finance were provided with limited extracts.

Senator RYAN—When were those provided?

Mr McPhee—They were provided on 22 March 2010.

Senator RYAN—Treasury provided some feedback before the finalisation of the report?

Mr McPhee—Correct.

Senator RYAN—Did any of these other agencies or people provide feedback that was incorporated or otherwise led to changes between draft and finalisation?

Mr McPhee—Most provided feedback. The purpose of the circulation of the draft report is to have the benefit of key constituencies' perspectives to allow me to finalise the report, so most did.

Senator RYAN—You can probably guess where I am heading, Mr McPhee. I would like to explore the nature of the feedback that was incorporated into the finalisation of the report. Starting with the Department of Education, Employment and Workplace Relations, what feedback was provided?

Mr McPhee—Considerable. I mean—

Senator RYAN—I am guessing it was considerable.

Mr McPhee—Yes, as you would expect, across the full report we got quite a lot of comments. I attended at least one meeting with the department, if not more—maybe two meetings.

Senator RYAN—Were these comments made in writing?

Mr McPhee—Some were, some were not and that is the same for others as well. I think it is important I outline, firstly, my perspective on these things. I am a great believer in talking to key constituencies about draft reports, so I have the benefit of their views. I do not have to agree with their views, but at least I have the benefit of them in finalising the report. That is the way the act is written and I think it is appropriate to do so. The fact that an agency has a considerable number of comments obviously has regard to the sensitivity of the topic in the first place. Secondly, we make sure that from their perspective the report is accurately

reflecting their understanding of the situation. So it is an important part of our due process, I guess, is my bottom line.

Senator CAMERON—I think I know where Senator Ryan is going and it is about your independence. I would like to put clearly to you that in the preparation of this report you acted independently. Is that the position?

Mr McPhee—Of course it is and one of the great things about our system—and I have to say this has been the case over a long period of time—is that, in my experience, no-one has ever sought to unduly influence the way I finalise reports. In this case I am all ears in terms of comments but, at the end of the day, it is my report and I take full responsibility for it.

Senator CAMERON—Thanks.

Senator RYAN—I would like to clarify something, given what was said. I am in no way implying that the Auditor-General is not independent. The act says so.

Senator Cameron interjecting—

Senator RYAN—Senator Cameron, some of us like to ask questions and listen to the answers. Mr McPhee, could you take on notice to provide to the committee any written advice from those agencies, departments and individuals to the Auditor-General with respect to the draft of the report. I know what I have here and I have not asked you for your working draft, but I am interested in what some of these people's suggestions were, helpful or otherwise.

Mr McPhee—It is not a practice I generally entertain because at the end of the day I ask agencies for their comments. They are entitled to make whatever comments they feel appropriate and I decide how the report will be modified. These are very much internal working documents for the Audit Office and for me in particular. I am not sure it is a helpful process, with respect. I would be happy to give you an overview of the sorts of comments we received if that would be helpful. I am just a bit reluctant to go down a path, because I have never done it before, of providing you with specific commentary by agencies and by other respondents on a draft report when obviously the comments are designed to help me finalise the report.

Senator RYAN—I appreciate the sensitivity of it, Mr McPhee. I put to you that you are an officer of the parliament. I appreciate the need for you to have dialogue with agencies, to make your reports better documents. However, as an officer of the parliament who does not report to a minister in the sense that an agency or a department does, I think that there is occasionally a public interest in knowing what those departments, who are also accountable to parliament—

Senator CAMERON—It is a political interest you have; it is not a public interest.

CHAIR—Senator Cameron, is not helpful if you interject.

Senator RYAN—Waldorf is not the same without Statler up in the box with him!

CHAIR—Do you have a question, Senator Ryan?

Senator RYAN—Yes, I do.

CHAIR—Just ignore his interjections.

Senator RYAN—But he does not go away if I ignore him. Mr McPhee, there is a particular public interest in this. There has then a lot of discussion about this today, more than in my memory of a particular report before estimates. In my view, there is an interest in what those departments suggested to you in coming up with this final document. As an officer of the parliament, it is not like a cabinet document.

Mr McPhee—There is also a public interest in departments feeling free to provide me with what we call audit-in-confidence information so that I can form my own view. I want them to be frank and I want them to be comprehensive. I do not want them to be concerned that at some time after the report is tabled I would then make that information available more widely. That is my public interest concern as well, so it is a balance. I point out that departments have the opportunity to comment on the report and those comments are provided. The overall final comments are included in the appendix in my report. So we do provide that, which I think is a happy balance. As I said to you earlier, I am more than happy to highlight the general areas that agencies raised with us but you can see my concern. I do not want to close off the tap, the flow of information I receive which is so important for me to finalise these reports in the general sense. That is my concern.

Senator RYAN—Are the comments you have mentioned, which are an appendix, documents which were submitted to you for publication?

Mr McPhee—They understood that they would be published, yes.

Senator RYAN—So they might be of a slightly different character from documents submitted to you which were not for publication—they may be.

Mr McPhee—I would expect they would be. They would be more refined because people understand that they are to be published. It is not unusual for us to get a page by page or paragraph by paragraph list of comments: ‘We suggest this is a better way to express that,’ ‘The data has changed and this is the most current information’—a whole range of suggestions of that kind, and in some cases clearly people take a different view. As you can see, the department was not exactly on side with everything we were saying in this report and that is apparent even from this public document. The process works quite effectively, Senator. Our processes are designed to ensure that the report is balanced at the end of the day and that we sufficiently weight information that has been provided to us.

Senator RYAN—Mr McPhee, I will consider whether I press this issue. I am not aware of any particular exemption for requests of this nature for the Auditor-General—I am happy to be corrected on that point. It is not a cabinet document; it is not something that I understand falls within an exempt category for a question or documentation from—

Senator JACINTA COLLINS—Point of order, Chair. Mr McPhee has essentially raised the public institution immunity.

Senator RYAN—Well, if he has done that—

Senator Ludwig—Can I be clear that that is what the Auditor-General has raised. I thought you had grasped that but clearly—

Senator RYAN—No, I was on the understanding that you—

CHAIR—Senators, could we allow the minister to respond. Had you finished, Minister?

Senator Ludwig—No. What has occurred is that the Auditor-General has indicated that those documents are private—‘audit-in-confidence’ is perhaps the phrase that the Auditor used—and they are used as working documents. The public documents are then provided in appendices in the final report. The Auditor-General has indicated that to ensure the audit process is completed in an appropriate way, for the full confidence of all the parties—they certainly did not have a pre-knowledge that these documents might be released; they certainly were under the expectation that they would be continued to be kept audit-in-confidence—and to ensure that the audit process itself is central to ensure to a free flow of information between the department and the Auditor-General—for all of those reasons—he does not wish to make them public or available to this committee. Those are the reasons that have been articulated by the Auditor-General. They seem sensible to me, quite frankly. I would not, if I were in the other chair, seek the documents, for all the reasons that the Auditor-General has outlined. Be that as it may, you are entitled to take your own counsel. But I think in this instance the public interest immunity has been raised.

Senator RYAN—I understand that claim has to be raised by the minister, so that is why I was not taking it.

Senator Ludwig—It is an interesting position because of course the Auditor-General reports to the parliament and is not a departmental officer in that sense. So I would normally raise it in the case of a departmental officer.

Senator RYAN—I appreciate that. I was just trying to correct some interjections from someone on the left.

CHAIR—Senator Ryan, if you are not satisfied with that response you can raise it in the reports from these estimates.

Senator RYAN—You raise some good points, Mr McPhee, and I will take further counsel on that.

Senator Ludwig—The additional matter, of course, you may want to take away is that the FOI Act does not apply to the ANAO, for all the obvious reasons that I have articulated.

Senator RYAN—I appreciate that.

Senator KROGER—I just wanted to touch briefly on your report on the Australian government’s overseas properties portfolio. I understand you have conducted a review of that. Can you just give a very quick precis of the outcome of that review. I understand it essentially determined that there were a lot of maintenance deficiencies and management inadequacies in dealing with the significant number of property portfolios we have overseas.

Dr Clarke—The objective of the audit was to assess the effectiveness of the management of the overseas owned estate. You will appreciate that the Australian government both owns and leases property overseas. We looked in particular at the arrangements to plan and oversight the overall management of the estate. We also looked at the management of the properties on a day-to-day basis by the Overseas Property Office, OPO, which is a section within the Department of Foreign Affairs and Trade which looks after the owned estate. We looked at maintenance and repairs for the estate, and we also looked at the consultation between the various stakeholders. You would appreciate that at any overseas property you will

have a number of stakeholders. You have the Department of Foreign Affairs and Trade, but you will have a number of other what are called detached agencies—the immigration department, Austrade, AusAID and the like—all of whom would have an interest in the condition of the property in which they work, and live in many cases. The overall conclusion for the audit was that it is a challenging exercise. They are operating in over 60 countries and have over 400 properties. It is a huge portfolio; it is valued at over \$1.7 billion.

Senator KROGER—Sorry, was that \$1.7 billion?

Dr Clarke—\$1.7 billion is the latest valuation that I have. It is also a very diverse portfolio. A number of these properties would have heritage requirements—for example, Australia House in London or the embassy in Washington, which were two that we visited. Some of them are in very challenging environments; some of them are not. We concluded a number of things. We concluded that OPO have the basic elements of an effective management arrangement for the overseas property function. They have a strategic planning process, they monitor the condition of properties and undertake repairs and maintenance, and they review the property portfolio from time to time.

You are right, however, that we did identify a number of weaknesses that were reducing the effectiveness of OPO's management. There are particular weaknesses that are of concern to us because OPO are about to embark on a number of major new investments for owned property, particularly in Jakarta, Bangkok and potentially Kabul—although no decision has been made on that, I understand. It is important that they learn lessons from reviews such as ours in going forward with these major new investments, which will constitute many hundreds of millions of dollars.

We made four recommendations. We identified that they could better manage tenancy arrangements by improving the timeliness of lease renewals. They have what are notional leases with their various attached agencies. In some cases we were identifying that they were not being renegotiated in a timely fashion. They needed to better articulate the way they set rent, because each of the agencies has to pay rent.

Senator KROGER—Who is responsible for negotiating those leases?

Dr Clarke—They are negotiated by OPO with the attached agencies. It is a quasi-commercial model. We identified that maintenance of the estate could be significantly strengthened, particularly by improving their property condition rating system, which was fairly blunt and not very sensitive to the range of problems that might occur in the maintenance of a property. We identified that they could strengthen their compliance auditing function, in particular things like OH&S auditing. We found that they could do more to check that identified deficiencies were rectified in a timely fashion. I think you will find that, in some of the examples we used from the Washington and London posts, deficiencies in some aspects of fire safety had been identified but took a number of years to be rectified. There are good reasons why that might be the case, particularly in the case of some of these buildings that are heritage listed, but at the same time we felt that more could be done to be more responsive to those OH&S requirements.

Overall, one of the things that we do identify—and I note in the PBS that this has been picked up in the most recent budget—is that it is important that the quasi-commercial

business model that the OPO has been operating under for a number of years be looked at. We identified that it was probably starting to show its age a bit, that there were unresolved issues relating to the future of the supplementary budget funding that tenant agencies get for the space that they occupy. There are issues to do with the cost of shared space within chanceries. You would appreciate that a chancery building, like an embassy, will have large ceremonial spaces. Who pays for that? And what proportion? How rents are set for new and existing embassies were also issues that needed to be addressed. All of those have an impact on the special account that OPO operates under.

One of the things I noted in the latest portfolio budget statements for the Department of Foreign Affairs and Trade is that it has been mentioned that a review has been slated for the overseas property management function, which is consistent with a recommendation we made in the report.

Senator KROGER—In summation, from your comments there I can only presume that a very simplistic analysis would be that it is conducted on a fairly ad hoc basis depending on each property and there is perhaps not a consistent approach taken to the management of all properties. Is that right?

Dr Clarke—We do not use the phrase ‘ad hoc’.

Senator KROGER—No, that was my term. I was putting it in a very simplistic way.

Dr Clarke—I think I can summarise it by saying that there is probably an opportunity for them to be more strategic in their management of the overseas property function.

Senator KROGER—Are budgetary considerations a significant part of that—not investing enough in making sure that they are maintained to a safe and appropriate standard?

Dr Clarke—I would have to consult this document in more detail. My understanding is that each agency pays for its own space within the embassies, so all of them would constantly be making budget decisions about whether they want to continue occupying the space or require more space. If they required more space, they would need to negotiate with the landlord, which is OPO, for additional space if that were available. That poses a number of challenges, because quite often these embassies are of a certain size and some of them have grown to a point where they are now running out of space while others have surplus space. As we have identified in the report, one floor of the Washington embassy has essentially never been occupied. But these are special buildings, and you cannot just sublease them to just any person or any agency.

Senator KROGER—Obviously, the review has been tabled. Is there any time frame for consideration of an agency—whether DFAT or another agency—coming back and looking at the review?

Dr Clarke—Do you mean the audit report or do you mean the review?

Senator KROGER—Yes, the audit report and the review.

Dr Clarke—With every audit report, each agency makes reports to their internal audit committee on progress in implementing recommendations. We sit on every agency audit committee and observe those actions so that we have a good idea as to what they are proposing to do in response to each recommendation and by when. We can also monitor

implementation progress. Occasionally we undertake a follow-up audit to ascertain the extent to which recommendations have been implemented and the extent to which the implementation has rectified the issues that led to the recommendation in the first place.

Senator KROGER—Are you aware of any action that is being taken to consider the analysis that you have already undertaken?

Dr Clarke—Not as yet. I have not yet gone to the next DFAT audit committee.

CHAIR—Thank you, Mr McPhee and your officers, for appearing before us. We look forward to seeing you next time. I now call the Department of the Prime Minister and Cabinet.

[2.46 pm]

CHAIR—Good afternoon. I take this opportunity to yet again remind officers coming before estimates that, perhaps because of our maturity, we are finding it difficult to read the name plates of officers. Could we encourage you to make them larger? Welcome, Ms Beauchamp and officers of the Department of the Prime Minister and Cabinet. Officers and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance, the secretary has copies of the rules. I particularly draw the attention of witnesses to orders of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised. The committee has set Friday, 9 July 2010 as the date by which answers to questions on notice must be returned. Ms Beauchamp and Minister Ludwig, would either of you like to make an opening statement?

Senator Ludwig—No, thank you.

CHAIR—I remind officers that we will be going at 3 pm to the COAG Reform Council and then reverting back to outcome 1 in general questions and then continuing. We will also be allowing other questions from senators coming in when we go through program 1.1.

Ms Beauchamp—Chair, you mentioned that you would be going at 3 pm to the COAG Reform Council. I understood that the COAG Reform Council was not being called. However, we do have a COAG Unit within the department and I assume that is what you are referring to.

CHAIR—Yes. Sorry. That was just the wrong wording.

Senator RONALDSON—Ms Beauchamp, the Victorian Bushfire Reconstruction and Recovery Authority was set up jointly by the Commonwealth and the state of Victoria. Is that correct?

Ms Beauchamp—My understanding is that it was set up by the Victorian government.

Senator RONALDSON—What is your role in the department, again?

Ms Beauchamp—Deputy Secretary, Governance. I have responsibility for Cabinet Division, Government Division, the Ministerial Support Unit and the Office of the Coordinator-General.

Dr Grimes—PM&C's involvement in the Victoria Bushfire Reconstruction and Recovery Authority has been managed through the domestic policy group. I have not personally been involved in that work to any great extent but we may have officers here who might be able to

help you with your questions, or we can see if we can find officers who would be able to answer the questions that you are seeking to explore.

Senator RONALDSON—I am just a little surprised that PM&C, which has been intimately involved in this matter—and the Prime Minister has been intimately involved in this matter—are not aware that it was jointly set up by both organisations. I will give you some paperwork, if you like, which indicates that—I will table that. I have got to say that this is quite remarkable.

The decision to establish the VBRRRA was made jointly by the Victorian and Commonwealth governments on 10 February 2009. Indeed, on my understanding Minister Macklin is the Commonwealth's representative on that. I will probably be surprised if you do know, Ms Beauchamp, or maybe Dr Grimes may know—

Dr Grimes—We have got Ms Cross here, who is the division—

CHAIR—I am sorry, Senator Ronaldson, I have to interrupt and have a private meeting to discuss the media presence, so we will just suspend for a couple of minutes.

Proceedings suspended from 2.51 pm to 2.52 pm

Senator RONALDSON—Is there any dispute that the decision to establish the Victorian Bushfire Reconstruction and Recovery Authority was made jointly by the two governments?

Dr Grimes—My understanding is that the authority has been established by the Victorian government, but the initial announcement was an announcement that was made by both governments. That is the advice that I have been given.

Senator RONALDSON—That is right—the decision to establish it was made jointly by the two governments.

Dr Grimes—I think Ms Beauchamp indicated the arrangements that had been—

Senator RONALDSON—So was the decision to establish made jointly or not? This public document that I have got from the Victorian Bushfire Reconstruction and Recovery Authority—and I gather it is part of a submission to the Victorian Bushfires Royal Commission—are they making it up?

Dr Grimes—I think we may be talking at cross purposes here. Ms Beauchamp was referring to the fact that the administrative arrangements and the authority itself have been established as an administrative office in the Department of Premier and Cabinet in Victoria. No-one is disputing the joint nature of the decision to establish an office, but it is managed within Victoria.

Senator RONALDSON—Yes. Can I take you to a speech from Mr Rudd on 11 February 2009:

I announce to the House today that the Victorian government in partnership with the Commonwealth government will establish the Victorian Bushfire Reconstruction and Recovery Authority to coordinate bushfire recovery activity across Victoria. The authority will be responsible for coordinating the effort of all local, state and Commonwealth government agencies ...

et cetera. Ms Cross are you across the details of the relationship between the Commonwealth and the state in relation to this matter?

Ms Cross—We have had a senior officer working closely with the Victorian government from the bushfire task force and supporting those efforts.

Senator RONALDSON—I think Minister Macklin is the Commonwealth representative on this ministerial group, isn't she?

Ms Cross—I believe she is one of the Commonwealth representatives—

Senator RONALDSON—Who else is there?

Ms Cross—I would need to get some further information to answer your questions in detail. The official who has been involved is not here at the moment.

Senator RONALDSON—How many times has the Prime Minister been down to Victoria to have a look at the reconstruction or the bushfire areas?

Dr Grimes—We would have to take a question of detail like that on notice.

Senator RONALDSON—How much did the Commonwealth contribute to the reconstruction authority?

Ms Cross—I think we would need to look at the nature of the Commonwealth contribution because the Commonwealth contributes under a range of mechanisms through its disaster recovery programs.

Senator RONALDSON—Didn't the Prime Minister make announcements about the money the Commonwealth government was putting in as part of this joint venture?

Ms Cross—He did announce a two-year package, but there is a range of other forms of assistance that the Commonwealth—

Senator RONALDSON—How much was the two-year package?

Ms Cross—I think that so far the government has committed around \$455 million. That is for bushfire relief, recovery and rebuilding efforts. There is a range of different forms of assistance included in that.

Senator RONALDSON—So a significant partner in this relationship. Doesn't \$455 million make you a significant partner?

Ms Cross—Yes.

Senator RONALDSON—When these discussions were taking place between the PMO and the Victorian government in relation to the chair, I assume that when Ms Nixon was put up as a candidate to head this commission that matter was discussed with the Commonwealth.

Dr Grimes—I do not think any of us here have personal knowledge of the discussions that occurred at that time. We would have to take that question on notice. We do not have officers here who were involved in decision making at that time. None of us at the table here was in PM&C at the time in question.

Senator RONALDSON—Please get that information and come back to me. Are you aware, Dr Grimes, that there is an apparently leaked report which indicates that your draft submission by Jack Rush QC in relation to his view and what he will be submitting to the royal commission in relation to the behaviour of Ms Nixon on the day of Black Saturday?

Dr Grimes—No, I do not have any knowledge of that.

Senator RONALDSON—I will read from the *Herald Sun*, if you like.

Senator Cameron interjecting—

Senator RONALDSON—I take it that those on my left believe it is appropriate that the Police Commissioner went to dinner—

Senator Cameron interjecting—

CHAIR—Order! Senator Ronaldson, you have the call. Do you have a question? Senator Cameron, I ask you to cease interjecting. It is very unhelpful for Hansard in recording these proceedings.

Senator RONALDSON—The *Herald Sun* is reporting—

Senator CAMERON—It's just the *Herald Sun*.

Senator RONALDSON—I'm sure they'll be pleased to hear that, Senator Cameron.

Senator Ludwig—Can you table that so we can get a copy of the article.

Senator RONALDSON—Yes, I have it all here. You can have the lot.

Senator Ludwig—I think you were about to table it before you were interrupted.

Senator RONALDSON—I am nothing if not obedient.

CHAIR—The document will be tabled so all members of the committee can have a copy of those articles.

Senator RONALDSON—You ask and I deliver, Minister.

Senator Ludwig—The other issue I was going to raise—I was going to listen to the questions first—is that if the questions go to the administration of the authority I am not certain that they are appropriate to be directed here. We are happy to take any broad questions on notice and provide what information we have.

Senator RONALDSON—Your Prime Minister has taken personal ownership of this reconstruction.

Senator Ludwig—That is why I added that if there are any questions we can help you with—

Senator RONALDSON—I am somewhat staggered that there is no-one from PM&C here today who is able to answer what I thought were fairly basic questions.

CHAIR—Senator Ronaldson, I draw your attention to the agreement that we would go at three o'clock to Senator Payne to allow her to ask questions.

Senator RONALDSON—All right.

CHAIR—I point out that this was a request from the opposition, so Senator Payne has the call.

Senator RONALDSON—No, that is absolutely right.

Senator PAYNE—I am a constant trial to Senator Ronaldson, Madam Chair, so I can understand his extended irritation. Thank you very much for the opportunity to go to some of

these questions. In relation to COAG, Dr Grimes, I wanted to start with the funding allocations in the 2010-11 budget, in particular the \$12 million in new spending, which, although a significant figure, does not appear to be tied to a specific program. Would you advise the committee what that \$12 million is for and how it will be spent in this budget year.

Dr Grimes—The \$12 million will not be spent all in one budget year. As Budget Paper No. 2 points out at page 286, the funding is \$4 million per annum over the following three years. So it is not \$12 million in one year but \$4 million over the next three years. That money will be used to support work on reform advice within the department. There will be specific areas where the funding will be primarily focused: G20 work, health reform work and also work on implementation of the APS reforms—so a broad range of reform work within the department will be covered in expending that funding.

Senator PAYNE—Will any of it go to additional staffing or communications or for future COAG meetings?

Dr Grimes—No, this funding has not been earmarked for communications or matters of that nature. It will maintain current staffing levels within the department—it will not expand them, but it will give the department the capacity to provide advice in those reform areas and support the government within its current staffing level. Otherwise the department would be reducing its staffing level, which the department could do but would not have the capacity to support the government's reform agenda as effectively.

Senator PAYNE—Is it only for those new priorities or will it also be used in work in the implementation of existing COAG commitments?

Dr Grimes—It will be used to support the work of the department across the board, but, as I indicated, the areas where it will be primarily spent are those major key reform areas. Within the budget papers there is funding of \$1.5 million next year that is specifically allocated for the department's work around COAG. This is continuing funding that had been allocated in previous years to enable the department to meet the higher tempo of work that is occurring through COAG at the moment. As you appreciate, there are a very large number of activities being managed through the COAG agenda.

Senator PAYNE—I do appreciate. Regarding the programs where there are significant reported challenges, shall we say, such as the National Partnership Agreement on Remote Indigenous Housing or the delay in the competition and deregulation priorities, will any of the \$12 million be expended in those areas?

Dr Grimes—We had not intended to allocate the \$12 million in those areas. The \$1.5 million is being used to fund work that the department is doing on the COAG agenda across the board. While we have not tied each dollar specifically to a very precise activity, I would imagine that some of that \$1.5 million will support our general work in the area of COAG.

Senator PAYNE—In terms of other funding that is provided to 'support the COAG reform agenda'—I think that is the terminology—I think there is an additional \$5 million which is on top of the original \$4.3 million that was promised in the 2008-09 budget. Is there an additional commitment to DEEWR as well?

Dr Grimes—That is correct. This is actually outlined on page 285 of Budget Paper No. 2. I referred previously to \$1.5 million. The \$1.5 million was the allocation specifically to the Department of the Prime Minister and Cabinet. There is funding provided to other agencies also for implementation of COAG reforms. The Department of the Treasury will receive \$1.5 million—and I should stress this is a continuation of funding from previous years—the Department of Finance and Deregulation will receive \$1 million and then the Department of Education, Employment and Workplace Relations will receive \$1 million, so that brings it to the grand total of \$5 million that you were referring to.

Senator PAYNE—And what about the additional new money for the COAG Reform Council review of the capital city strategic planning systems? What bucket does that sit in?

Dr Grimes—That is funding that is allocated directly to the COAG Reform Council, so it is not in that \$5 million; it is a separate allocation. You will recall that at the December COAG meeting, COAG gave the CRC some important functions to do around capital city strategic planning processes. As a result, the CRC is going to have to engage additional specialist expertise. There will be contributions made by the Commonwealth and the states and territories to that work of the CRC. The money that you are referring to—

Senator PAYNE—Because that is a fifty-fifty arrangement.

Dr Grimes—it is a fifty-fifty arrangement—is the Commonwealth's contribution.

Senator PAYNE—In terms of the funding to continue the administrative and support arrangements to COAG meetings in 2010-11, and additional funding to support the Office of the Commonwealth Coordinator-General through to 2011-12, both in the PM&C budget statements on page 27, is that within the \$12 million?

Dr Grimes—No, these are separate amounts.

Senator PAYNE—So to bring a total together, Dr Grimes, in terms of the funding in this budget for COAG, what does your department say that that comes to across all of those programs?

Dr Grimes—Most of those programs would not relate to COAG.

Senator PAYNE—If you included, for example, the funding to continue the administrative and support arrangements for COAG meetings, if you included those sorts of things—and the CRC money because that obviously relates directly to COAG.

Dr Grimes—Look, to be able to give you the full amount that is spent relating to COAG would be quite a difficult exercise because we would have to disentangle our internal budgets. We do not maintain our budget—

Senator PAYNE—I can only imagine what disentangling COAG would be like!

Dr Grimes—Indeed. As you could imagine, all of our branches, certainly in my group and many of the branches in the other groups of the department, do have involvement in COAG-related policy matters and so embedded in their budgets is funding to support COAG processes. In fact, I do not even think it would be feasible for us to be able to extract financial information at that level of detail. However, we do provide a budget to our COAG unit, and we would certainly be able to provide you with information on the funding allocation for our

COAG unit. That includes base funding. The amounts you are referring to here are additional funding that has been allocated in this budget. Of those amounts, those that are specifically earmarked against COAG-related matters would include the \$1.5 million in 2010-11, the funding for the CRC, which of course is allocated over three years, and then some portion of the \$12 million is supporting our work on health reform, which is being undertaken under the auspices of COAG.

Senator PAYNE—And you will provide me with as much information as you can in terms of the totality of that?

Dr Grimes—If you like, we could take on notice the funding allocation for the CRC, which is an identified unit, and also the COAG unit in our department.

Senator PAYNE—All right, that would be helpful. You mentioned in the priorities for the \$12 million the much-vaunted health reforms. As I understand it, in budget paper No. 2, on page 210, it refers to a cessation of funding for the previous budget measure ‘COAG health services—aligning services in rural and remote areas’. What will replace that program? Will it be COAG related?

Dr Grimes—Senator, I will invite Mr Rimmer to speak on these matters. He has greater expertise in health matters than I do.

Mr Rimmer—I am afraid that is one we will have to take on notice or provide further advice on later in this afternoon’s hearings.

Senator PAYNE—Okay. I did not think it was a particularly complicated question. We had a program that was called ‘aligning services in rural and remote areas’ and now we do not, and it is not possible to tell me what will replace that program, if anything? And how it will occur under the new National Health and Hospitals Network proposal?

Mr Rimmer—I would be happy to try to get some further information on that in the next half an hour or so and come back to you.

Dr Grimes—It may be something that is better taken up in health and ageing estimates. Just looking at it more closely, I can—

Senator PAYNE—Dr Grimes, you might say that, but you have told me it is part of the \$12 million in this new allocation to make the Prime Minister’s department bigger and better, that it relates specifically to the proposed health reforms and, therefore, I do not think it is unreasonable or overly demanding to ask questions that specifically relate to those health reforms. We are all burdened with the advertising on them; I would have thought that I could at least ask questions about them of the Prime Minister’s department.

Senator Cameron interjecting—

Dr Grimes—I do not disagree with that point at all, Senator. The heading has ‘COAG’ in it, I recognise that, but it refers to the cessation of a measure. That would have been the original title of that measure in the 2006-07 budget. So you are quite right, you are talking about a measure that was announced a number of years ago rather than a measure that had been announced more recently. But as Mr Rimmer indicated, we will see if we can provide some further information for you this afternoon.

Senator PAYNE—I understand that, Dr Grimes, but I think it also says, if I am not mistaken, that the program:

... will now be delivered through the establishment of Local Hospital Networks ... under the *National Health and Hospitals Network* reforms—

which is why I thought that I could perhaps talk to you about it here.

Dr Grimes—We will see if we can provide some further information for you.

Senator PAYNE—All right. Dr Grimes, can you tell me if there has been a date scheduled for the next COAG meeting?

Dr Grimes—No, there has not been a date scheduled for the next COAG meeting.

Senator PAYNE—Will there be a COAG meeting before the end of this financial year?

Dr Grimes—That would be a matter for COAG to determine.

Senator PAYNE—Is the department doing any work on a COAG meeting to be held before the end of this financial year?

Dr Grimes—As I indicated before, the COAG agenda is an ongoing agenda, so we are always continuing to progress work with the states and territories. But there is not a specific date set aside for COAG at this stage.

Senator PAYNE—Are you able to give the committee an estimate of when that might be contemplated, particularly given the number of items that were not dealt with and which are hanging over, as it were, from the last meeting.

Dr Grimes—No, I am afraid I will not be able to provide you with any further help on that. I am simply not in a position to do so.

Senator PAYNE—What was the cost of the last extended COAG meeting?

Dr Grimes—We do not have final costs for that meeting. I assume you are referring to costs incurred by the Commonwealth in hosting the meeting?

Senator PAYNE—For starters, yes.

Dr Grimes—I will see if I have some information here that might be able to help you, but those costs have not been finalised at this stage. They are of the order of about \$45,000, from memory, but they are still subject to checking receipts and so forth. So those costs have not been finalised at this stage.

Senator PAYNE—I understand from answers you provided to questions I placed on notice after the last estimates and answers to questions that I asked at the time in relation to the costs of other COAG meetings that the COAG meeting in Darwin in 2009 cost in excess of \$100,000.

Dr Grimes—The figure that I have is \$100,810.

Senator PAYNE—How does that compare to other COAG meetings, particularly those which are held in Canberra in the Commonwealth parliament?

Dr Grimes—It would be higher than the cost that would be incurred in Canberra. I think we have provided you with information on this previously. In Canberra, the cost of the

meeting would probably be a lower figure. As you would appreciate, the last meeting was an unusual meeting in that it extended over two days—three, if you include the fact that the premiers were here on the Sunday evening—so it was probably not a typical Canberra meeting. The figures, which I think we have provided to you previously, indicate that the costs for meetings in Canberra are of the order of somewhere between \$20,000-odd and \$30,000-odd, depending on the meeting involved.

Senator PAYNE—If a meeting held in Darwin costs in excess of \$100,000, what is the justification for holding a meeting that costs three times the normal cost for a meeting in Canberra, where everything is perfectly equipped to hold a meeting?

Dr Grimes—COAG has expressed a desire to hold some of its meetings in other parts of the country, not just in Canberra. You may recall that that meeting had a particular focus on Indigenous policy matters.

Senator PAYNE—I do. It was a Closing the Gap meeting, I think, wasn't it?

Dr Grimes—That is correct. Darwin was considered to be an ideal location for a COAG meeting that focused on Indigenous policy matters. Yes, there are additional costs involved in travelling to Darwin.

Senator PAYNE—Specifically on that Darwin meeting, if that was genuinely the Closing the Gap COAG meeting—and it was by any standards, and certainly by the standards of previous meetings, an expensive meeting—your answer to my question notes that departmental advisers attended from PM&C, from Treasury, from Department of Infrastructure, Transport, Regional Development and Local Government and the Productivity Commission. How can you have a meeting on Closing the Gap in Indigenous affairs without FaHCSIA?

Dr Grimes—I would have to take that on notice.

Senator PAYNE—What do you think, Dr Grimes? Is it possible to legitimately hold the meeting on Closing the Gap without FaHCSIA in attendance?

Dr Grimes—I think this probably reflects the areas where COAG was seeking specific briefing, but I would have to take that on notice. I would point out that it is not typically the case in COAG meetings that you have attendance from other departments and agencies. There can be exceptions.

Senator PAYNE—Clearly there were here. There was attendance from the Department of Infrastructure, Transport, Regional Development and Local Government, Treasury and so on. But it did strike me as very odd that you would claim a meeting was the Closing the Gap meeting on some of the most crucial Indigenous affairs matters in our nation and not have the Department of Families, Housing, Community Services and Indigenous Affairs there.

Dr Grimes—Senator, as you would imagine, there have to be limits on the number of people who can attend these meetings.

Senator PAYNE—So you would not want the Indigenous affairs department there? No, you are right!

Dr Grimes—Otherwise you would have a room that was—

Senator PAYNE—It is much better to have local government there. You are right! Of course. Silly me! I asked you about the costs of other meetings and the Darwin meeting, looking at the specific breakdown of costs which you provided me with previously. I assume the costs for a number of those items would be significantly reduced were the meetings to be held in Canberra.

Dr Grimes—Yes. Some of those costs would be lower in Canberra.

Senator PAYNE—It is a pretty good deal for the states and territories. Am I correct in reading in the answer to my question on notice No. PM48a-e, where you say that the Commonwealth meets the costs of staging COAG meetings both in Canberra and at interstate venues, that the host jurisdiction just has responsibility for the leaders and senior officials dinners? It is a pretty good deal for the states and territories.

Dr Grimes—That has been the arrangement for some of those recent meetings.

Senator PAYNE—It is very good for them. It is not really a fifty-fifty split. They are not going dutch, are they?

Dr Grimes—In this case it was considered appropriate that we as the chairs of COAG would assist in those costs.

Senator PAYNE—Can I ask about the most recent COAG meeting, which was held over two days and you included the Sunday night in that. I assume you will have to take some of this on notice. Can you advise the committee in relation to that meeting what hours senior officials worked during the period of the COAG meeting?

Dr Grimes—I would not have that information here with me but officials would have worked extended hours during that period. Mr Rimmer may be able to provide any further information on that.

Mr Rimmer—I think we would want to take the exact hours on notice but, as Dr Grimes has said, clearly it was an intense period and people worked hard.

Senator PAYNE—I have no doubt about that at all. That is not the purpose of my question. The purpose is to understand the level of demand placed on senior officials. Can you tell us, then, how many Commonwealth staff, Commonwealth advisers, were involved in attending those meetings?

Dr Grimes—I would not be able to tell you at the moment. I will have to take that on notice.

Senator PAYNE—When you take that on notice, can you advise whether there were any complaints received relating to the work required of staff or officials regarding the length of the meeting, the hours they had to work, the duration, the staffing levels or any changed requirements in relation to service over that time?

Dr Grimes—We are not aware of any complaints from staff over that period.

Senator PAYNE—But you will take that on notice.

Dr Grimes—We can take it on notice and provide any further information if there is any, but Mr Rimmer and myself are not aware of complaints by staff.

Senator PAYNE—Was there any process in place to update staff about the status of the negotiations and how long they would continue?

Mr Rimmer—Only the normal processes of communication within a team. There was no formal process of the kind that you refer to.

Senator PAYNE—Dr Grimes, when did you say you thought you would be able to confirm the cost of that meeting?

Dr Grimes—I might just check for a moment with the relevant officer to give you an indication. Apparently we are waiting on some outstanding invoices. We are not in a position to give you a precise time but what I could indicate is that we will go back and attempt to finalise that as soon as possible. But it may be a matter of some days before we could do that.

Senator PAYNE—Can you advise the committee what is the status of the negotiations between Western Australia and the Commonwealth on its position on the national health and hospitals framework?

Mr Rimmer—There have been a range of ongoing discussions with the West Australian government since the COAG meeting and our expectation is that they will continue until there is a negotiated settlement.

Senator PAYNE—They will continue until there is a negotiated settlement. In the event that there is no negotiated settlement?

Mr Rimmer—You are asking me to speculate now about what decisions the government might take in future. Our expectation is that we can resolve the matters that are underway with WA.

Senator RYAN—I have a follow-up question. Do the negotiations include the consideration of different terms for Western Australia from those of all other states? Effectively, is the Commonwealth negotiating position providing for a different system in Western Australia or is it simply trying to negotiate the same model?

Mr Rimmer—The government's position is that the agreement that was reached with the other states and territories is a good reform for Western Australia and it is pursuing negotiations on that basis.

Senator RYAN—So the negotiations do not involve the Commonwealth moving from its position as agreed with the five other states?

Mr Rimmer—Not at this stage.

Senator RYAN—So terming them negotiations—'discussions' could be a word but negotiations tend to involve give and take from both parties, don't they?

Mr Rimmer—I was simply using a generic word to refer to ongoing discussions and consultations. In the process of that we are hoping to explain some aspects of the deal more effectively to our colleagues in Western Australia at a bureaucratic level. But you are quite right: 'negotiations' is perhaps a poor choice of word to have used.

Senator PAYNE—Will we revert to 'discussions' then?

Mr Rimmer—If you wish.

Senator PAYNE—Is PM&C managing the negotiations/discussions?

Mr Rimmer—There are a range of discussions happening between different parts of government. The health minister is obviously very directly involved. PM&C, the health department and Treasury are involved.

Senator PAYNE—And you are indicating to the committee that there is not really a contingency plan for if plan A does not work?

Mr Rimmer—The government has not made decisions about the matters that you are referring to.

Senator PAYNE—Is it envisaged that another COAG meeting may be required to continue the discussions?

Dr Grimes—That is a purely speculative question.

Senator PAYNE—It is just a question; it is not speculative or otherwise.

Dr Grimes—As you would appreciate, we are not in a position to respond to a question along those lines.

Senator PAYNE—Other than finding my way into the chamber of the House of Representatives and asking the Prime Minister himself, I am rather restricted to asking through this process, unless the minister would like to assist me about whether there is another plan for a COAG meeting to continue the discussions which seem to not have a contingency plan.

Senator Ludwig—I can take that on notice and see what response we can get for you.

Senator PAYNE—Thank you, I can just imagine. I will ask a couple of questions, Dr Grimes, in relation to matters which were flagged as being pivotal for COAG in 2010—and early 2010 at that—but did not quite seem to make it onto the COAG agenda at this last meeting. What is the status of some of those issues? For example, I recall that after the exercise in Copenhagen it was said almost breathlessly at the very first meeting of COAG held this year that matters of climate change would be considered. What is the status of those sorts of matters?

Dr Grimes—As you would imagine, there are ongoing discussions between government officials on matters relating to climate change and they are discussions that we continue to participate in. There is a COAG working group looking specifically at adaptation measures and we are involved in that group.

Senator PAYNE—So will it or won't it be discussed at COAG itself? I understood, and perhaps I made an error in taking the Prime Minister at his word, that it was indicated that these matters would be dealt with at the first meeting of COAG in early 2010. The 7 December 2009 communique said that climate change was a matter of importance that will be discussed after Copenhagen at the COAG meeting early in 2010.

Dr Grimes—These are matters that are of ongoing discussion between governments. I imagine that that will continue to be the case. It is a very important area of national policy. There will be considerable ongoing work but I am not in a position to be talking about specific agendas for meetings later this year, as you would appreciate.

Senator PAYNE—What about the National Partnership Agreement on Remote Indigenous Housing, which was flagged as being renegotiated as a matter of priority?

Dr Grimes—That is a matter that has been advanced in recent months, and all states and territories have now indicated that they agree to a renegotiated agreement. That is currently in the process of being finalised. So that has been advanced in recent months.

Senator PAYNE—So the states and territories agree to a renegotiated agreement but—excuse my bureaucratic language—does that mean there is an agreed renegotiated agreement or one on the way?

Dr Grimes—Yes, there is an agreed renegotiated agreement.

Senator PAYNE—Is that agreement, through the COAG processes, a public document?

Dr Grimes—It has not been made public yet. We do not have a specific date for that, but it should be very shortly. It is simply a matter of tidying up the paperwork, but we have now had indications from all states and territories that they agree with the re-negotiated agreement.

Senator PAYNE—I assume the re-negotiated agreement means that there is now the capacity for some progress on remote Indigenous housing because of it.

Dr Grimes—Indeed, progress is continuing in that area, yes.

Senator PAYNE—As I understand it, there were a certain number of houses to be built by 30 June, which seems not that too far off. I have in my head 320 but I may be wrong about that. I want to check that, unless you can tell me, Dr Grimes, whether I am wrong or right. I do have it here. There are 320 due for completion at 30 June, which, as I understand it, is a COAG milestone. Where are we up to on those?

Dr Grimes—That is correct, 320 was the figure.

Senator PAYNE—And how many do we have built?

Dr Grimes—It is probably better for that to go to FaHCSIA. We are not sure whether we have the most up-to-date figures on that. Because FaHCSIA manage the program, they will certainly be in a position to give the latest figures on where progress is at.

Senator PAYNE—The latest figures I heard had a 33 completed. Would that be a reasonable assessment?

Ms Cross—I understand that there will be a large number completed in the last few months of this year but it changes daily, so we really would have to check with FaHCSIA.

Senator PAYNE—What do you mean ‘it changes daily’?

Ms Cross—There are more completed each day.

Senator PAYNE—Right, but you cannot tell me how many of the 320 today.

Ms Cross—I have seen recently a figure of 33, but that may well have been updated by now. I am also aware that there are large numbers due to be completed in May and June, so it would be best to check with FaHCSIA.

Senator PAYNE—They are going to be working quite speedily if they are completing large numbers in May, given we are at the 25th.

Ms Cross—The definition of completion is fully completed and tenanted. There are a number where they are in the process of moving people in or finalising tenancies.

Senator PAYNE—Thanks, Ms Cross. Dr Grimes, as I understand, other issues which were flagged as being considered at the earliest COAG meeting in 2010 included the National Action Plan to Reduce Violence Against Women. Was that discussed in April?

Dr Grimes—It was not a matter covered in the COAG communique but discussions are continuing between officials on progressing that matter.

Senator PAYNE—It is not entirely clear to me from that answer whether that means that was discussed at that meeting.

Dr Grimes—I feel somewhat constrained about talking about discussions within COAG meetings. As you would appreciate, those meetings are held in confidence.

Senator PAYNE—I know; they are a big secret—I get that.

Dr Grimes—There are longstanding conventions around those meetings.

Senator PAYNE—The difficulty we have is that much is made of the vehicle of COAG. Much is made of cooperative federalism, much is made of great plans for reform and progress, but then when we want to ask questions about specific items which are flagged as being on the COAG agenda and for discussion at COAG, we end up meeting a brick wall which says, ‘We can’t really tell you about that because it happens within the enclosed environs of COAG.’ So I suspect either the Australian public have a right to have some transparency in this process or you may as well just tell them that COAG is in fact surrounded by a very large brick wall and they have no right to know.

Senator Ludwig—I think you avoid the obvious—that there is a communique released from COAG.

Senator PAYNE—Have you ever tried to read a COAG communique, Minister?

Senator Ludwig—Yes, I have had to in opposition and I am sure you have had to now as well. There is the communique and in addition to that there has been, and continues to be, a longstanding tradition about confidence within the confines of the COAG room for the obvious reasons that this government and previous governments have supported. It would be a surprise to me if you have abandoned that principle. The third element I was going to mention was that the outcomes that come from COAG of course are open for scrutiny by estimates and committees of the Senate. I know that you undertake that work.

Senator PAYNE—So is it unreasonable for me, Minister, to ask whether the National Plan to Reduce Violence against Women was discussed at COAG because that is effectively the position you are putting me in?

Senator Ludwig—What I have indicated is that if there was a communique from the meeting that indicated it was discussed then you can take your lead from that. Alternatively, if there are other matters that were discussed it could be, for argument’s sake, a matter that is continuing on the agenda and will continue to be discussed. Those matters are—as they always have been—in confidence, by this government and previous governments. They have

all respected that. I am not certain that you are putting the position from opposition that you would abandon the principle.

Senator PAYNE—Well, given that the government makes much of flagging issues as being managed through the COAG process and saying that they will be dealt with in that area, and Dr Grimes is, apparently, perfectly willing and able to assist me with answers on something like the National Partnership Agreement on Remote Indigenous Housing, I am at an absolute loss to understand how a stakeholder—not the crummy opposition that you prefer to treat with contempt; I get all of that, I understand the political process, Minister, better than most—is supposed to know what the status actually is of the issues they are dealing with? How is the stakeholder supposed to know what the status of the issues in which they are engaged, professionally or in a community sense, actually is? It is a very simple question.

Senator Ludwig—As I have indicated, there are the outcomes from COAG. There are also ministers who make statements about outcomes. There are also programs as a consequence of COAG that are undertaken. All of that is open for scrutiny and clearly put into the public domain. Until decisions are finalised or reached this government and previous governments have always continued to ensure that the discussions within COAG are confidential. I am sure you respect that. The question you raise is a valid one and when those announcements are made then you will do, as oppositions always do, and put them under scrutiny and examine them. I would be surprised if you would not have a reference, if you have not already got a standing reference, into COAG matters. You can use the Senate processes to examine those.

Senator PAYNE—I think you would be aware of the status of the select committee on that matter that is before the Senate at the moment, Minister.

Senator Ludwig—Yes.

Senator PAYNE—I assume items such as binge drinking, freight transport and water fall into the same category—that is, they are somewhere within the opaque confines of the COAG process.

Dr Grimes—All of those are matters where work is continuing, including the area of transport reform. Indeed, post the COAG meeting there have been further meetings of transport ministers to advance those transport reforms.

Senator PAYNE—Can I ask you a question then about a new COAG animal, one which came to my attention recently and which I had not previously been aware of—what is a COAG workshop?

Dr Grimes—I am not sure that I know. Do you have a specific reference about a COAG workshop?

Senator PAYNE—I do. A couple of months ago the Treasurer told a COAG workshop that in relation to housing apparently COAG needed to ‘confront issues that are controversial’. I know that COAG—and this is in the communique—then went on in April to endorse a housing supply and affordability reform agenda and timeline. But I am keen to understand where a COAG workshop fits into the broad spectrum of COAG entities.

Dr Grimes—It has been given to a working group of officials. Mr English might be able to provide you with a bit more information on this.

Senator PAYNE—Mr English might be just the man to deal with COAG language.

Mr English—The workshop is described in shorthand as a COAG workshop. There is the COAG working group that was announced, I recall, in the December COAG communique to look at housing supply issues. That working group convened a workshop—

Senator PAYNE—Of course it did!

Mr English—of its group, plus some external stakeholders in the housing industry, from both the supply and the public housing side of the story and had a discussion about the issues facing the housing sector at the moment that were relevant to the working group. The COAG workshop, I suspect, is a contraction of some convenience rather than a new beast of any formality.

Senator PAYNE—I see. So it does not have formal status?

Mr English—The working group is certainly a working group convened as a result of the COAG decision. The workshop was an exercise as part of that. Whether you want to call that a formal or informal COAG activity, I guess, is a moot point.

Senator PAYNE—Does it take minutes and things like that? Are they supplied to PM&C or to the Prime Minister's office, or anything like that?

Mr English—The PM&C participated in the group. My recollection was that the contributions made by participants in the workshop were taken down and formed part of the ongoing materials being used by the working group. I do not believe that we have separately briefed ministers or otherwise in any great detail on that workshop. We have noted in passing that it happened and that it was part of our work to try and have a solid base to the recommendations from the working group. In that sense, you could say it is probably an informal contribution to the more formal work that comes back through the working group to COAG.

Senator PAYNE—At the risk of inviting a much more confusing situation, do other working groups also conduct COAG workshops?

Mr English—They may not call them COAG workshops, but I am—

Senator PAYNE—Do not tell me they call them something else!

Mr English—I suspect that they probably give them the more normal moniker of just a workshop to seek stakeholder input. Lots of COAG processes have stakeholder consultation processes.

Senator PAYNE—I understand that. I would like to ask one question about the COAG Reform Council report on the seamless national economy. That was one report that the CRC indicated was due by June 2010. What is the status of the other reports which the CRC is meant to produce by June 2010?

Dr Grimes—I am not sure we will be able to answer those questions. Mr Perry may have some information on how the CRC is travelling. To the best of my knowledge, they are travelling on time with each of their reports.

Senator PAYNE—On time, on schedule, on budget?

Dr Grimes—They have some benchmarking reports to come out on national agreements. There is a series of reports to be published shortly, in June 2010. Mr Perry can correct me if I have any of these details incorrect. There is the *National Healthcare Agreement: baseline performance report*; the *National Disability Agreement: baseline performance report*; the *National affordable Housing agreement: baseline performance report*; and the *National Indigenous reform agreement: baseline performance report*. I understand each of those are on track at the moment. Mr Perry indicates that is the case. Later, in August 2010, the CRC is proposing to report on the aggregate pace of activity across the COAG reform agenda—the National Partnership Agreement on the Elective Surgery Waiting List Reduction and its annual progress report—and then other reports are later in 2010, running into 2011. We could always provide further information to you from the CRC. I do not think that would be a problem at all.

Senator PAYNE—Thank you.

Mr Perry—The baseline reports that Dr Grimes referred to will be released on 4 June.

Senator PAYNE—Thank you very much. Finally, in the report on the seamless national economy, in transport policy and road reform, milestones as simple as ‘the development of future milestones’ were not met. What policy role does PM&C have in addressing those sorts of issues raised by the CRC? Do you work with the other departments? Do you work with the states and territories? Milestones not being met to develop milestones seems to me to be a pretty fruitless situation.

Dr Grimes—We certainly work with departments and other governments, as you indicate. As you are aware, COAG issued a report in response to the CRC’s report in December. That report necessarily must be a snapshot in time—at some earlier point in time, in 2009. COAG has provided an update on work continuing in the area of transport. As I indicated before, transport ministers have been very actively progressing reforms in the transport area, across a whole range of fronts, including in the context of their most recent Australian Transport Council meeting.

Senator PAYNE—Thank you, Dr Grimes.

CHAIR—Thank you. We will now suspend for a short break.

Proceedings suspended from 3.45 pm to 4.04 pm

CHAIR—We will recommence. Minister, you have some clarification which will help us in seeking further advice from the Clerk.

Senator Ludwig—I may have misunderstood earlier, but the Clerk was going to get some information in relation to the independent communications committee. Having discussed with you during the break what that response was, it seemed to be that the Clerk needs the additional information as to the way they are remunerated. The department of finance actually undertake the work; they are not here, but I understand that they are on a contractual basis paid by per diem—so they are not an APS employee or officer. That may assist the Clerk in providing that advice to the committee.

Senator RYAN—Senator Ludwig, is there a secretariat of this group within the department? Who serves this—

Senator Ludwig—In Finance.

Senator RYAN—So we can hear from those because they are APS officers?

Senator Ludwig—Certainly.

Senator RYAN—Thank you.

Senator RONALDSON—To clarify the minister's statement, did you say the secretariat is going to be attending but not—

Senator Ludwig—No, I had not indicated that as yet; I was waiting for the Clerk's advice. But the department of finance is the secretary, not PM&C.

Senator RONALDSON—Yes, I understand that.

[4.05 pm]

CHAIR—We are now moving to outcome 1.

Senator RONALDSON—Ms Beauchamp and Dr Grimes, are we any wiser in relation to the Victorian Bushfire Reconstruction and Recovery Authority and, indeed, the Commonwealth's involvement in it?

Dr Grimes—As I think I indicated before, we were talking at cross purposes. Indeed, the piece of paper that you tabled makes it quite clear that a decision to establish the authority was made by the government, but the formal arrangement for that authority is that it is an administrative office in the Department of Premier and Cabinet in Victoria and Victoria has ongoing responsibility for the authority.

Senator RONALDSON—I was merely trying to establish some link between the Commonwealth and the state in relation to this authority. Judging by the way Ms Beauchamp approached it you knew nothing about it and the Commonwealth was not involved. Clearly the Commonwealth is involved, because it was part of the decision to establish it. Anyway, let's move on. Do you have any answers for me—I presume someone has been beavering around for the last 20 minutes—in relation to the involvement of the PMO in the appointment of Ms Nixon?

Dr Grimes—No, I do not have any further information for you on that. The thing that you asked us to take on notice was the number of visits that the Prime Minister had undertaken to that area. I am afraid I do not have that information at the moment; it will take some time to check.

Senator RONALDSON—I did ask you that, but I also asked you beforehand about the involvement of the PMO in the appointment of Ms Nixon as the head of this authority. Do you not have an answer on that either?

Dr Grimes—I do not have any information on that.

Senator RONALDSON—Are you aware now of the draft submission by Mr Jack Rush QC?

Dr Grimes—You have raised it and tabled some news reports that go to the matter, but that is the only knowledge that I have.

Senator RONALDSON—The *Herald Sun* was attacked by Senator Cameron—though I am sure it will make appropriate commentary about that in due course. The report said:

Ms Nixon failed to tell the commission during her first appearance last month that she'd had her hair cut ...

Is that in the report?

Dr Grimes—You are reading from the report.

Senator RONALDSON—She had her hair cut. Was it in the report that she had had her hair cut?

Dr Grimes—You are simply quoting, Senator.

Senator RONALDSON—I am asking you: do you have the report and can you see that during her first appearance she said she had her hair cut?

Senator Ludwig—You have tabled the *Herald Sun* document.

Senator RONALDSON—I am just confirming with Dr Grimes that he has actually seen this.

Senator Ludwig—You have tabled the document.

Senator RONALDSON—She had:

... met her biographer, and gone out to dinner on Black Saturday.

You see there, Dr Grimes, do you not:

Ms Nixon's 'hands-off management' style is also attacked in a draft submission by Jack Rush, QC, and his team, which has been distributed to interested parties for comment.

In that documentation that I have provided to you, do you see there a statement by Ms Doyle, who I think was a barrister at the royal commission, to Ms Nixon? That is the document that is numbered from 1 to 31 on the left-hand side. Do you have that there?

Dr Grimes—Yes, I have got it.

Senator RONALDSON—Ms Doyle put to Ms Nixon:

I suggest to you that you deliberately omitted reference to the meal being at a pub both in your statement and in your oral evidence because you did not want to reveal you had gone out for a meal rather than stayed at home.

Minister, the Prime Minister has made commentary in relation to Ms Nixon and his views of her over the last month. I will provide you with these documents as well. On 7 April, according to this press report:

A spokesman for Mr Rudd said: "The Prime Minister has full confidence in Christine Nixon ...

That report was by Megan Levy from the *Age*. Then, at a doorstep on 8 April, it had gone from—

Senator Jacinta Collins interjecting—

Senator Cameron interjecting—

Senator RONALDSON—I presume those on my left are not defending the behaviour of Ms Nixon on this night. Good. I just wanted to clarify that.

CHAIR—Senator Ronaldson, can I remind you to put questions, not make commentary.

Senator RONALDSON—So we have gone from ‘full confidence’ on—

Senator KROGER—Senator Kroger raised an issue earlier today in relation to Senator Cameron giving commentary. I remind all senators that the process is about putting questions, not running commentary.

Senator RONALDSON—I agree. He has been at it all day. I will just go back to you, Dr Grimes. I have actually got some more information about the Premier and cabinet and their view on this reconstruction authority. So we have gone from ‘full confidence’ on 7 April, then it is downgraded a bit to ‘complete confidence’ and then, at a press conference on 17 April, she is downgraded to ‘having the government’s support’—no longer the full confidence nor the lesser ‘complete confidence’ but now down to just ‘having the government’s support’. Does the Prime Minister still stand by and support Ms Nixon in light of the remarkable evidence given at the royal commission and indeed the view of an independent submission that has been put in by Jack Rush QC which effectively indicates that Ms Nixon has deliberately misled the royal commission? Does she still maintain the Prime Minister’s full confidence?

Senator Ludwig—If that is directed at the table, can I say I have got no doubt that the Prime Minister stands by any comments he has made. In relation to the comments that you are now reading from press clippings, I will certainly take that on notice and I will check with the Prime Minister as to his response in relation to that matter. I do not know whether the Prime Minister has read those documents or not.

Senator RONALDSON—Given that it was his press conference, he certainly spoke them. But I am not too sure whether he has read them. Minister, I am asking you: does Ms Nixon still have the full confidence of the Prime Minister, as indicated on 7 April?

Senator Ludwig—I actually answered that. I indicated that the Prime Minister stands by the remarks that he has made already. What I do not know is whether the Prime Minister has read any of those documents that you have now got, which are now in the public domain. I indicated that I am happy to take those on notice and see what the Prime Minister wants to add in relation to that.

Senator RONALDSON—This is very important. You are suggesting that the Prime Minister has not changed his view in relation to Ms Nixon.

Senator Ludwig—I actually have not said that. I am unaware. What I have indicated is that I am happy to take it on notice and check with the Prime Minister whether he has seen those comments that have been published—in the *Herald Sun*, I think.

Senator RONALDSON—Will you take it on notice, please, and get back to the committee as to whether Ms Nixon, in light of these remarkable allegations, still has the Prime Minister’s full confidence? Would you please get back to the committee in relation to this matter? Quite frankly, I think people deserve to know what the Prime Minister’s view is about Ms Nixon, in light of recent events.

Senator Ludwig—Certainly, but I have no doubt that the issue might be put to the Prime Minister at any time by the media themselves. I am sure he will feel quite capable of providing a response in relation to that, but I will check as well.

Senator RONALDSON—I think it is interesting that you are not prepared to say that she still has his full confidence. But, anyway, others will make a judgment on this—

Senator Ludwig—That is not what I said. You are now verballing me. You seem to enjoy that process, but that is not the evidence I have given.

Senator RONALDSON—Dr Grimes, I have a document from the Victorian Premier's website. So there is no doubt about the relationship between the Premier and the Prime Minister in relation to the authority, I will table this. There is some additional writing on the right-hand side but I do not think that detracts from or adds to the press release. I quote:

The Premier John Brumby and Prime Minister Kevin Rudd today announced the establishment of the Victorian Bushfire Reconstruction and Recovery Authority to be headed by Victoria Police Chief Commissioner, Christine Nixon.

The Victorian Government, in partnership with the Commonwealth Government, will establish the Authority to coordinate bushfire recovery activity across Victoria.

I will table that.

CHAIR—Senator Ronaldson, I will seek the desires of the committee as to whether the committee wishes the document to be tabled. As there is no objection, the document should be tabled. Could we all have a copy of that before we proceed, Senator Ronaldson?

Senator RONALDSON—I do not have any further questions in relation to that but, if people want to wait, that is fine. If the suggestion is that I have misquoted, people are entitled to—

CHAIR—Senator Ronaldson, I did not say that; it is just a matter of being to see the document that is being tabled.

Senator RONALDSON—Sure.

Dr Grimes—Chair, while we are waiting, we may be able to assist the committee with a question that was asked of us earlier. I do not know whether that would help the committee at all at the moment.

CHAIR—If you have something to report back, we would appreciate that.

Dr Grimes—We can now provide further information on a question which we took on notice from Senator Payne. But we did indicate to Senator Payne that we would try to come back quickly with a response. Mr Rimmer can provide a short response to that question.

CHAIR—Thank you, Mr Rimmer.

Mr Rimmer—Senator Payne asked about a savings measure shown on page 210 of the Budget Paper No. 2 relating to COAG health services and aligning services. In 2006 COAG agreed to the development of a strategy to enable the better coordination of targeted rural health programs for communities of fewer than 7,000 people. The 2006-07 budget provided funding of \$2.1 million per annum in departmental funding for the Department of Health and Ageing to work with state health departments to progress the development of the strategy.

This measure is now being overtaken by specific programs under the National Health and Hospitals Network, which will improve the coordination of primary health care and acute healthcare services at the community level, including in regional areas of the country, through the establishment of local hospital networks and Medicare Locals from the 1 July 2011 and a number of other specific initiatives targeting rural and regional health care.

CHAIR—Thank you, Mr Rimmer. Senator Ronaldson, you have the call.

Senator RONALDSON—I would like to provide the minister with articles from the *Melbourne Age* dated 3 February and 4 February—

CHAIR—Are you proposing to table those?

Senator RONALDSON—I have them here if the minister wants to see them.

CHAIR—Would the committee wish to have those tabled? It is so agreed. Can we have copies of those, too, please? Senator Ronaldson do you have a question relating to those?

Senator RONALDSON—Yes, I do. Minister, do you recall that on 3 February this year the *Age* ran an article under the heading ‘Fitzgibbon’s \$150,000 from developer’—former defence minister cultivated over years. It was a special investigation by Richard Baker, Philip Dorling and Nick McKenzie. That article reported:

PRIVATE records of a Chinese-Australian businesswoman close to former defence minister Joel Fitzgibbon indicate he received substantial payments as part of a campaign to cultivate him as an agent of political and business influence.

The confidential papers of businesswoman Helen Liu contradict claims last year by Mr Fitzgibbon—and his father, former Labor MP Eric Fitzgibbon—that they had no financial or business relationship with Ms Liu.

Another article, which also ran on 3 February, in the *Age*, under the heading ‘Gillard’s office told of more dealings’, begins:

THE office of Deputy Prime Minister Julia Gillard was told early last year that an associate of Helen Liu had fresh information detailing the Chinese businesswoman’s relationship with Joel Fitzgibbon.

Minister, are you also aware that the Deputy Prime Minister in a personal explanation on 3 February at 12.20 pm said:

There are claims in the Fairfax papers today that I was made aware of more extensive dealings between the member for Hunter and Ms Helen Liu. This is incorrect. In late March last year, my former chief of staff was contacted by a solicitor at Slater and Gordon. No specific allegations were raised. A subsequent email was sent, containing a photograph of Mr Fitzgibbon on a plane with an unnamed Chinese gentleman. No words or allegations were contained in the email. The government made appropriate checks and, given the lack of specific allegations and no supporting documentation, determined that no further action was required.

Minister, in relation to Ms Gillard’s claim in her personal statement that ‘the government made appropriate checks and determined no further action was required,’ could you please detail the nature, the focus and the scope of those checks?

Senator Ludwig—I am happy to. I will take that on notice and I will get to back to that committee.

Senator RONALDSON—Will the Prime Minister instruct Ms Gillard to provide the committee with a complete record of all communications, both formal and informal, via email, telephone or in person by anyone from her ministerial office or in DEEWR and Slater and Gordon relating to allegations involving the Liu-Fitzgibbon relationship, including times, dates, names of participants and minutes of those communications?

Senator Ludwig—I am happy to take it on notice. To ensure that the record is complete and accurate, if there are matters that you want me to raise or you want us to have a look at, as I have indicated, clearly I will have to take it on notice and provide a response.

Senator RONALDSON—Minister, is it true, as reported by both the *Age* and the *Sydney Morning Herald* that the Deputy Prime Minister has already rejected an FOI request regarding communications on this topic between her office and Slater and Gordon?

Senator Ludwig—I would have to confirm that, but again I am happy to take it on notice to see. That would be a matter about which I will try to find further information and get back to you.

Senator RONALDSON—Are you personally aware of whether that has been refused? There have been two refusals for—

Senator Ludwig—FOI requests do not come to me.

Senator RONALDSON—I am asking you whether you have personal knowledge of it.

Senator Ludwig—I will go back and check my record to see. There is a range of FOI requests that have come across my desk—in my previous role as human services minister and as Cabinet Secretary and Special Minister of State. I do not want to provide any inaccurate information to the committee. I am happy to go away and have a look at my records.

Senator RONALDSON—Is it also true, as reported by the *Age*, that the rationale for DEEWR's rejection of this FOI request was that:

... records of correspondence between Ms Gillard's office and the law firm did not constitute an "official document of a minister" and were consequently not covered by the FOI Act.

Senator Ludwig—That may be a question that you might have to direct to either Slater and Gordon and/or the Deputy Prime Minister. If you are asking me, I will inquire in terms of PM&C and see if we have any information or, in my role, see if I can provide you with anything.

Senator RONALDSON—Minister, are you aware that section 6.1 of the Prime Minister's apparent ministerial code of conduct states:

Ministers are expected to conduct all official business on the basis that they may be expected to demonstrate publicly that their actions and decisions in conducting public business were taken with the sole objective of advancing the public interest.

Is it also true that section 1.3(iii) of the ministerial code states:

Ministers must ... ensure that their conduct, representations and decisions as Ministers, and the conduct, representations and decisions of those who act as their delegates or on their behalf – are open to public scrutiny and explanation.

Senator Ludwig—I am familiar with the section, yes.

Senator RONALDSON—Can I then put to you that, in light of the refusal of the Deputy Prime Minister to accept and act on these freedom of information applications by the *Age* asking for any correspondence relating to the dealings between Ms Gillard's office and Slater and Gordon on the Fitzgibbon issue to be released, that is a glaring violation of the Prime Minister's own ministerial code of conduct?

Senator Ludwig—You are making the assertion. I indicated earlier that I would have a look at the issue around the FOI request. I am not going to prejudge any of that. Then you have gone on to make another assertion. I will have a look at that in the light of the information and provide a response to the committee in due course.

Senator RONALDSON—How can a refusal—

Senator Ludwig—That is your assertion.

Senator RONALDSON—How can a refusal of an FOI application, quite frankly, on an argument that is built on straw—that the correspondence between Ms Gillard's office and the law firm did not constitute an official document of a minister, which I think is a remarkable defence of an FOI application—in any way meet sections 6.1 and 1.3 of the code, which clearly demand that conduct, representations and decisions as ministers and conduct, representations and decisions of those who act on their behalf are open to public scrutiny and explanation? Minister, I put to you that this clearly was an issue that attracted enormous attention. There was a minister of the Crown against whom there were very significant allegations made. The Deputy Prime Minister herself was contacted by Slater and Gordon, her former law firm in relation to this matter, and this government is breaching its own much ballyhooed code of conduct by refusing to accept a freedom of information application to obtain any correspondence between Slater and Gordon and the minister's office or DEEWR. It is a remarkable breach of your own conduct.

Senator Ludwig—That is your assertion. You have made a number of assertions throughout your questions. What I have indicated is, clearly, I will have a look at the assertions you have made and come back to the committee with what information I can provide in relation to it.

Senator RONALDSON—Minister, are you familiar with the description of the documents that the *Age* was able to obtain elsewhere, which included payments that are quoted at about A\$150,000 at the exchange rate of the day, made allegedly by Ms Liu to Mr Fitzgibbon in 1997 under the heading 'Money paid including expenses and gifts', the establishment of a joint business venture with the Fitzgibbon family worth \$3 million and a letter to a senior Bank of China executive boasting that Joel Fitzgibbon would become a cabinet minister when Labor next won government and saying, 'The money we pay him is worth while'? Surely it is in Australia's interests to find out whether a man who served as Australia's defence minister was cultivated for years by agents of the Chinese government. Is it not in the interests of Australia to find out whether Ms Liu was involved in the fraudulent misappropriation of \$6 million of real estate development, particularly given Ms Liu was such a substantial donor to the Australian Labor Party?

Senator Ludwig—Let's be clear about this. As Cabinet Secretary and as Special Minister of State I have got no formal authority to investigate members and senators—you know

that—other than, of course, if they are matters which go to breaches of entitlements, for example, which under the protocol is delegated to the department, and breaches of the *Standards of Ministerial Ethics*, which are ministerial related. Mr Fitzgibbon is not a minister and, further, the allegations that you have made, as I can ascertain them, do not concern the conduct of Mr Fitzgibbon as a minister but as an opposition backbencher. I understand that Mr Fitzgibbon had made a comprehensive statement to parliament. The assertions that you are making do not appear to be grounded in any evidence that Mr Fitzgibbon has done anything wrong. If I could take you to the statement that he made in parliament, Mr Fitzgibbon has made a very clear and unambiguous statement to the parliament denying any wrongdoing, and I will quote from that:

This morning Fairfax newspapers published outrageous, untrue and completely false allegations against me. I reject those allegations completely. They are completely untrue and they are false. I believe them to be defamatory. The matter is now in the hands of my lawyers for immediate action.

If you in your capacity as opposition spokesperson for special minister of state have in your possession any evidence to the contrary, given that he is not a minister now nor was at any time of the alleged allegations, events, the appropriate body to investigate would be the House of Representatives Privileges Committee, and you should avail yourself of that opportunity.

Senator RONALDSON—No, the issue is not in relation to Mr Fitzgibbon. The issue is in relation to the Deputy Prime Minister. In her personal explanation on 3 February, the Deputy Prime Minister said that the government made appropriate checks. Surely appropriate checks, as cited by the Deputy Prime Minister, must inevitably involve inquiries about communications by staff and others to ascertain the extent of this matter, including these matters that were related in the *Age* through their own investigations. Now your Deputy Prime Minister, your cabinet colleague, is refusing to accept FOI applications from the *Age* newspaper to ascertain the nature and extent of these discussions and to ascertain the nature and extent and veracity of the matters raised by the *Age* newspaper. Indeed, doesn't the Prime Minister's refusal to release those communications to public scrutiny mean that we have no way of verifying the truth about these assertions of ignorance on the Fitzgibbon-Liu matter? I put to you that surely it is in the interests of this country to know exactly what the Deputy Prime Minister knew and when she knew it, and the way to ascertain that is for her to stop stonewalling the House of Representatives—and I presume the Senate will be stonewalled, because I will not get an appropriate response to my inquiries—and to come clean on exactly what she did or did not know about this remarkable matter, which actually potentially put at risk our national interests.

Senator Ludwig—To the extent that there is a question in there I think I have answered it already. I have indicated that of the range of assertions you have made I will go away and inquire into what information I might be able to assist the committee with. As to the wide-ranging assertions which fall outside my ability as Special Minister of State, you might have to investigate them elsewhere or simply regard them—unless you have got evidence—as being quite extraordinary and wild accusations that you are entitled to make. Quite frankly, I am not sure I can assist you any further.

Senator RONALDSON—Minister, with the greatest respect, they were allegations raised in the *Age* newspaper. I was merely quoting those. The question I put to you—

Senator Ludwig—I thought you might have added a bit to them.

Senator RONALDSON—I do not think I did. If you have a look I think you will find that is actually a complete version of the position.

Senator Ludwig—To the extent that I was misled by you in the number of wild allegations that you made—

Senator RONALDSON—Are we to take it that the Deputy Prime Minister believes she is above ministerial codes of conduct?

Senator Ludwig—No one has made that assertion other than you. I have indicated that I will have a look at the transcripts and see what I can do to assist the committee.

Senator RONALDSON—Can't we assume if the minister is not prepared to enable access through an FOI application in relation to this matter with such significant ramifications that she views herself as being above it?

Senator Ludwig—It seems to be that all you are doing is making wild allegations now which are not supported by either the *Herald Sun* or the other newspaper—

Senator RONALDSON—It was the *Age*.

Senator Ludwig—Or the *Age*, I should say. It seems to be that you have gone off transcript. I have indicated that I will take it on notice. I will see what I can assist the committee with.

Senator RONALDSON—You see, now the Deputy Prime Minister is sort of—

Senator Ludwig—No, I do not have to see anything. If you have got a question you are entitled to ask a question.

Senator RONALDSON—The Deputy Prime Minister is sort of sending out a message to the community that she is squeaky clean and outside this sort of issue. I put it to you that she is clearly breaching this ministerial code and this notion that she is this sort of squeaky clean member of the cabinet quite frankly beggars belief.

Senator Ludwig—What I can say is that in relation to Ms Gillard in this matter, as I understand it, it has already been dealt with. The Deputy Prime Minister and the member for Hunter have each made statements to the parliament and I refer you to those. I can read that statement in. I assume you have already got it but just in case you do not have it before you—

Senator RONALDSON—No, I have got. I actually read it out before.

Senator Ludwig—Ms Gillard said in parliament:

There are claims in the Fairfax papers today that I was made aware of more extensive dealings between the member for Hunter and Ms Helen Liu. This is incorrect. In late March last year, my former chief of staff was contacted by a solicitor at Slater and Gordon. No specific allegations were raised. A subsequent email was sent, containing a photograph of Mr Fitzgibbon on a plane with an unnamed Chinese gentleman. No words or allegations were contained in the email. The government made appropriate checks and, given the lack of specific allegations and no supporting documentation, determined that no further action was required.

So there is no allegation under the ministerial standard of ethics to investigate. As far as I am concerned, until somebody provides me with information to the contrary—unless you have it

in your possession and are going to assist the committee by providing it—I think the matter is closed.

Senator RONALDSON—No, I put it to you that the issue is still very much open because of your government's failure to appropriately respond to an FOI request from the *Age* newspaper. While that remains so, this matter is very much still alive.

Senator Ludwig—Let me deal with the FOI request. It seems to be that there was an FOI request made to the office of the Deputy Prime Minister for certain documents relating to Mr Fitzgibbon and Ms Helen Liu. I think that is the evidence that you have given—

Senator RONALDSON—No, it was in relation to the discussions between Slater and Gordon.

CHAIR—Senator Ronaldson, the minister is responding to a question.

Senator Ludwig—in statements you have made so far and that the applicant was advised that there were no documents to which the FOI Act applied. I understand that the following further correspondence from the FOI applicant was that the original advice that there were no documents to which the FOI applied was confirmed. It is a matter, of course, for each minister or agency to which an FOI request is made to make an independent decision in accordance with the FOI Act.

Senator RONALDSON—But you are trying to rewrite history. You know full well what the FOI request was in relation to, and that was to release any correspondence relating to dealings between Ms Gillard's office and Slater & Gordon on the Fitzgibbon issue. Please do not try to misinterpret what this FOI application is about: it is quite clearly about that. We started off on that basis, and this was the issue: the Deputy Prime Minister refused these FOI applications. I quote from the newspaper again:

... relating to dealings between Ms Gillard's office and Slater & Gordon on the Fitzgibbon issue.

Senator Ludwig—As I have indicated, I think I have answered the question twice now.

Senator RONALDSON—It is a pity that the Deputy Prime Minister will not.

Senator ABETZ—If I may just quickly ask on this very matter, we agreed that Ms Gillard did communicate in some written form with Slater & Gordon—is that agreed?

Senator Ludwig—I have no personal knowledge of that. I have only got it from the statement she has made. I can read that statement again.

Senator ABETZ—No, re-reading statements in *Hansard* does not answer fresh questions. Are we agreed? Can anybody at the table advise us as to whether or not it can be agreed that Ms Gillard had written communication with Slater & Gordon on this matter? Can anybody assist us on this?

Senator Ludwig—I have answered the question.

Senator ABETZ—It is unknown—is that what you are telling us?

Senator Ludwig—I would check my records. I cannot recall it.

Senator ABETZ—Yes. Is there anybody at the table, or behind you, who might have some knowledge as to whether or not there was a written communication between Ms Gillard and Slater & Gordon on this matter? Surely it is not too difficult?

Ms Beauchamp—I think the line of questioning does not involve the affairs of the portfolio or the department, so we would not be in possession of that information.

Senator ABETZ—Can you then assist us—if you want to pursue the activities of the Deputy Prime Minister and you go to the Department of Education, Employment and Workplace Relations, you will be told that this matter does not relate to her specific ministerial portfolio. So, whereabouts—with Operation Sunlight in full operation, no doubt, under the Rudd government—would we be able to shine a bit of light on this in the government's program? Ms Beauchamp?

Ms Beauchamp—All I can reiterate is that it is certainly not in the affairs of this portfolio.

Senator ABETZ—And Minister? The Cabinet Secretary has got a good knowledge of all matters cabinet. Which portfolio would be the area, if it is not Prime Minister and Cabinet, to pursue this matter at Senate estimates?

Senator Ludwig—There is a range of accountability—

Senator JACINTA COLLINS—He is seeking your strategic advice, Minister.

Senator ABETZ—No.

Senator Ludwig—He seems to be. I am not sure I want to provide it.

CHAIR—The question has been put and the minister can respond.

Senator Ludwig—But this is estimates, where you can question us in relation to a range of budget matters. You seem to have now skived off into other matters. Of course—

Senator ABETZ—No, with the greatest respect—

Senator Ludwig—There is, as you would be aware—

CHAIR—Let the minister respond.

Senator ABETZ—If he wants to keep on, that is fine.

Senator Ludwig—As you would be aware from the earlier comments I made, I also took it on notice to see what I could assist the committee with because there was a range of allegations raised by Senator Ronaldson. But on the issue more broadly; you can raise it at DEEWR to see whether or not they have any information which they may be able to provide—and I am sure you will.

Senator ABETZ—Well, did she—

Senator Ludwig—I cannot—

Senator ABETZ—Is it being asserted that she wrote to Slater & Gordon in her capacity as Minister for Education, Employment and Workplace Relations?

Senator Ludwig—I am making no assertion.

Senator ABETZ—All right. Can you please take these questions on notice, and ask the Deputy Prime Minister to answer them: was there a written communication between Ms

Gillard and Slater & Gordon in relation to this matter? If so, was that written communication by Ms Gillard signed off as Deputy Prime Minister, or on her Deputy Prime Minister letterhead? And then, of course, it follows: how, then, can it be asserted that this correspondence was not in pursuit or in the clothing of her public authority as Deputy Prime Minister and therefore clearly subject to FOI? If this correspondence was on a plain sheet of paper and deemed to be private correspondence, where she did not claim to be Deputy Prime Minister, then it might not fall into the FOI category. But I would have thought it is a huge jump to assert it is not FOI-able if the minister has signed off as or used the title of Deputy Prime Minister in any of that correspondence. As you cannot answer, please take all of that on notice.

Senator RONALDSON—As a follow-up, when was the ministerial code of conduct removed from this portfolio?

Ms Beauchamp—Removed from this portfolio?

Senator RONALDSON—Yes.

Ms Beauchamp—I would have to get that information for you. I did not think it had been removed from this portfolio.

Senator RONALDSON—Dear me. I probably do not need to say anything more.

CHAIR—Do you have further questions, Senator Ronaldson?

Senator RONALDSON—I have a lot more questions. I refer you to an article in the *Age* on 22 April. When I mention the *Age* there is no yelling and screaming from the left-hand side, but as soon as I mention the *Herald Sun* they go into a state of total apoplexy. By their silence, I assume that I will not need to establish the bona fides of this article, and quite rightly so, because Katharine Murphy, the national affairs correspondent—

CHAIR—Do you have a question?

Senator RONALDSON—I do; I am giving some background to it.

CHAIR—Senator Ronaldson, I remind you of a point of order taken earlier by Senator Kroger in relation to Senator Cameron. Her assertion was that he was giving background rather than asking a question. I remind committee members that this process is for asking questions.

Senator RONALDSON—As Senator Ryan said, I only had eight minutes, and I want to talk about eating. The article is headed ‘Rudd roasts editors at diner’, as opposed to dinner, I presume; it was at a very well-known Melbourne eatery. Minister, do you recall that this article related the story of yet another of the Prime Minister’s serial outbursts of verbal abuse, this time against senior News Ltd editors?

Senator Ludwig—Have you tabled the article?

Senator RONALDSON—Yes, I have tabled it. I have so many things to table we could be here a while.

Senator Ludwig—That is okay; it has not got to me yet.

Senator RONALDSON—Hopefully by about 8 o'clock tonight Ms Beauchamp will have had a look at the ministerial code of conduct and worked out whether it is still in or not.

Ms Beauchamp—Senator, I confirm that it remains as our portfolio responsibility.

Senator RONALDSON—Well done, Ms Beauchamp.

Senator ABETZ—Your problem was taking Senator Ronaldson seriously.

Senator RONALDSON—Are you aware of this incident, Minister? Are you aware of this matter? The Prime Minister's temper is legendary, is it not?

Senator Ludwig—Is there a question here or are you just making transcript?

Senator FIERRAVANTI-WELLS—Since he lost his butler and he has to do his own ironing!

Senator RONALDSON—His temper is legendary both amongst the public service and your colleagues.

CHAIR—Do you have a question?

Senator RONALDSON—I am asking whether the minister is aware of it.

Senator Ludwig—I think I may have read it at the time. I am now re-familiarising myself with it.

CHAIR—Senator Ronaldson, will you be tabling this document?

Senator RONALDSON—I will provide to the minister. It does not worry me whether it is tabled.

CHAIR—Does the committee wish to have a tabled?

Senator JACINTA COLLINS—Yes, please.

CHAIR—It has been tabled.

Senator RONALDSON—The minister at the last Senate estimates asked if I would provide these press reports and my staff have worked assiduously, I have got to say, to make sure that they are there. As you can see, there is a few more to go on the way through.

CHAIR—That is very good, have you got a question?

Senator RONALDSON—You asked me a question, I was just explaining it.

CHAIR—We appreciate the efficiency of your staff. If you could move onto the questions—

Senator RONALDSON—In light of this further example of another legendary prime ministerial dummy spit, are you aware of whether security was called anytime during what that highly regarded *Age* journalist, Katharine Murphy, described as a 'bruising enough outburst by Mr Rudd'?

Senator Ludwig—I will take it on notice. I am not aware of that, no.

Senator ABETZ—Anybody at the table know anything about it?

Senator RONALDSON—I think that is highly unlikely.

Senator JACINTA COLLINS—I am still trying to track down the restaurant.

Senator ABETZ—It does not exist after this.

Senator RONALDSON—Ms Beauchamp, I am hoping that I might be able to find something that you are aware of. I want to refer you to a dispute between the offices of the Prime Minister and the Deputy Prime Minister over a \$1,767 catering bill stemming from a social function held, I gather, in Ms Gillard's ministerial office on 20 March last year. Are you aware of this matter?

Ms Beauchamp—I am aware of reports of this matter, yes.

Senator RONALDSON—Fantastic, that is great. Are you aware that according to Christian Kerr, of the *Australian*—the *Australian* is back in favour; there is no yelling and screaming on the left, so they will be pleased—and who gained possession of an email from the office of the Deputy Prime Minister to that of Prime Minister, Ms Gillard's staff warned in September 2009 that the caterers for this Parliament House party were 'desperately chasing payment'? Are you aware that according to Chris Johnson of the *Canberra Times*:

The caterer's order agreement ... lists the account as "Rudd" with the contact in his office being "Trudy".

Are you aware of that?

Ms Beauchamp—What I am aware of is that all those matters, as far as I am aware, have been finalised and there are no outstanding matters in relation to that issue.

Senator RONALDSON—I think I will make the judgment about whether they are outstanding matters for the purposes of Senate estimates. Because the Prime Minister's office was a party to this dispute over payment and because the response to a question on notice I submitted to Ms Gillard's department on the topic was totally unsatisfactory, I will ask you on what date this outstanding catering bill was finally paid, which I understand it has been?

Ms Beauchamp—I have not got that date in front of me. I will have to take that on notice.

Senator RONALDSON—I think you will find it was probably—

Senator ABETZ—Probably Ms Gillard can answer that one.

Senator RONALDSON—I think it might possibly have been in January of this year. Does that ring a bell?

Ms Beauchamp—As I indicated, I am not very clear of the date and I will have to take that on notice.

Senator RONALDSON—This was a party, I gather, to mark the parliamentary passage of the Rudd government's euphemistically called 'Fair Work Australia' legislation, is that right?

Senator CAMERON—It has got to be better than Work Choices. Do you remember Work Choices?

Senator RONALDSON—Do you think the timely payment for services rendered is an essential part of a fair working arrangement, Ms Beauchamp? Minister, do you think that what is best described as a petty squabble between the Prime Minister and the Deputy Prime Minister over who should pay a \$1,700 bill demeans both offices? And is it appropriate for

hardworking catering firms to wait for almost a year for this food and drink account to be paid?

Senator Ludwig—My understanding of the matter is that the account has been paid, so I am not going to entertain your colourful language or the assertions that you make.

Senator ABETZ—So four months late is okay, according to this government—or more than four months late.

Senator RONALDSON—It is a lot more than four months; it is nearly a year.

Senator ABETZ—I stand corrected: 12 months.

Senator RONALDSON—I have had nearly an hour, Madam Chair, so I am happy for other colleagues who have got some questions to ask them.

Senator HANSON-YOUNG—I am not sure if I have got every body that is needed at the table, but let me know. My question relates to legal advice that was either sought, or perhaps not sought, in relation to the government's decision in early April to suspend asylum seeker applications from Afghanistan and Sri Lanka. My question is: was legal advice sought?

Senator Ludwig—By?

Senator HANSON-YOUNG—By the government; by the Department of the Prime Minister and Cabinet.

Mr Lewis—I may be able to help at least in part with that. With regard to your question, it really is a matter for the Department of Immigration and Citizenship because it was an immigration policy question. So, I cannot answer the issue of what sort of legal advice was sought.

Senator HANSON-YOUNG—I will, of course, when the department is before us tomorrow ask it. It was an announcement that was made not just by the Minister for Immigration and Citizenship, Senator Evans, but by several ministers together. I would assume that there had been discussion within the Department of the Prime Minister and Cabinet. It was a pretty significant policy decision. Are you telling me that the department did not have anything to do with checking to make sure that that policy decision did not breach our international conventions or our obligations under those conventions?

Mr Lewis—The reason why several ministers made the announcement is that the decision, which you quite correctly characterise as a government one, is a matter really for the Border Protection Committee of Cabinet and, of course, I am not in a position to discuss the machinations of that cabinet process.

Senator HANSON-YOUNG—But that committee does come under Prime Minister and Cabinet, does it not?

Mr Lewis—No, it is a committee of the cabinet. It is not—

Senator HANSON-YOUNG—Supported by staff from Prime Minister and Cabinet?

Mr Lewis—Yes, we provide the secretariat, as we do with all cabinet committees.

Senator HANSON-YOUNG—If there was a direction to seek legal advice, surely that would come through this department?

Mr Lewis—No. I am sorry, I might not have made this clear. The issue of the decision to suspend is a matter for the immigration minister and the immigration department. Any seeking of legal advice or anything of that nature is something that would be better put to the immigration department.

Senator HANSON-YOUNG—As far as you are aware, no-one within the Department of the Prime Minister and Cabinet was asked to seek legal advice, or organise for any type of legal opinion on that policy to suspend applications.

Mr Lewis—Not to my knowledge.

Senator HANSON-YOUNG—In the past, are there cases where the department would be asked to make sure that if this was a government decision then these cases would be checked in terms of the legalities of this decision, based on whether it be domestic law or international law or where it fits in the realm of our obligations?

Mr Lewis—From time to time our department can seek legal advice, but I go back to my original point that the matter of suspension is a decision that is taken within the purview of the immigration act. That is something that is a matter for the Minister for Immigration and Citizenship and his department. If there was any legal advice sought, it is something that the immigration department would be able to answer. I am afraid I cannot provide any further assistance.

Senator HANSON-YOUNG—Was any opinion or advice given to the Prime Minister about the impact that this policy would have on our obligations or various other pieces of legislation?

Mr Lewis—We are giving advice to the Prime Minister on a regular basis. I cannot speak to this particular piece. I would have to take on notice whether there was a specific brief on this issue that went forward.

Senator HANSON-YOUNG—What is your role in the department again?

Mr Lewis—I am the National Security Adviser.

Senator HANSON-YOUNG—I would assume that, if the Prime Minister's own ministers are making a big announcement about quite a significant policy change, you, as National Security Adviser, would have been involved at some level before that announcement was made. Are you saying that you were not?

Mr Lewis—No, as the National Security Adviser I chair the border protection task force, and when there is whole-of-government coordination requirement then I absolutely become involved. Remember that the issue of advice and the content of advice that might go from me or anybody else in the department is not a matter that we are able to discuss with you.

Senator HANSON-YOUNG—I realise that.

Mr Lewis—We can advise whether there is advice, but the nature of that is something that I am not able to go into.

Senator HANSON-YOUNG—You cannot recall whether you gave advice to the Prime Minister on this matter?

Mr Lewis—No, I will have to check whether there was a written brief of some sort that went to the Prime Minister on this matter.

Senator HANSON-YOUNG—If you could take that on notice that would be helpful.

Mr Lewis—Sure.

Senator HANSON-YOUNG—While you are checking to see whether there was written advice, did you have any discussions with the department of immigration around the legalities of this policy decision?

Mr Lewis—I do not personally recall having a discussion on the legality of the issue with the department of immigration, no.

Senator HANSON-YOUNG—Has the Department of the Prime Minister and Cabinet seen the legal opinion that was released at the weekend relating to this policy, with advice from various lawyers commissioned by the human rights legal centre that this policy change is a breach of our international obligations under three different conventions and protocols and there is a question mark over whether it is consistent with our own Migration Act?

Mr Lewis—I am aware of the report. I have not read it.

Senator HANSON-YOUNG—Have you been asked to advise the Prime Minister based on that report that this legal advice exists?

Mr Lewis—No, I have not.

Senator HANSON-YOUNG—Have you been given any information in relation to what this policy decision has meant for the movement of people, whether fewer people or more people have been seeking asylum in Australia?

Mr Lewis—I have turned my mind to how we might measure that, but it is very much in early stages. It is too early to tell at this stage. I do not have a view.

Senator HANSON-YOUNG—When do you think you could get back to us about whether there was a written brief to the Prime Minister?

Mr Lewis—Quite soon. I think we can get that answer fairly quickly as to whether there was a brief.

Senator ABETZ—I return to the Crown Casino. We agreed that the Prime Minister did dine at the Nobu restaurant?

Senator Ludwig—I was not personally there.

Senator ABETZ—Surely, Prime Minister and Cabinet would know because whenever the Prime Minister travels somewhere he will take staff, security detail et cetera with him, so clearly this must be within the knowledge of the department. No department lets their minister travel without them knowing exactly where they are going. Surely somebody can confirm that?

Senator JACINTA COLLINS—Is this the world's most recognised Japanese restaurant, apparently?

Senator ABETZ—We do not know?

Senator Ludwig—I do not think there is any dispute about that.

Senator ABETZ—Thank you.

Senator Ludwig—If that is the basis then we can—

Senator ABETZ—I am asking one question at a time. That is not in dispute. Is it in dispute that any of the Prime Minister's personal staff were also at the dinner?

Senator Ludwig—I am not aware of whether they were.

Senator ABETZ—Can you take that on notice, please.

Senator Ludwig—I can certainly take it on notice.

Senator ABETZ—Were any of the Prime Minister's personal security detail at the dinner or outside the room?

Senator Ludwig—I would have to take that on notice, too.

Senator ABETZ—Can you find out whether on any occasion during the evening the personal security detail found it necessary to enter the room because they were concerned about raised voices? You can take that on notice as well.

Senator Ludwig—I will see what information I can provide in relation to it.

Senator ABETZ—One would imagine that the security detail would not burst in unless they were concerned about the wellbeing of the Prime Minister.

Senator FIERRAVANTI-WELLS—Or someone else.

Senator ABETZ—Yes, saving the Prime Minister from himself possibly. I move on to the disputed account that Senator Ronaldson pursued. Is it agreed that the Prime Minister's office actually received the account for \$1,767 for this food and drink?

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

Senator ABETZ—All right, take it on notice. You are entitled to do so, but with great respect I find it hard to believe that the department is not aware of this. Can the department also advise whether the Prime Minister's office, on 9 September 2009, received communication from the Deputy Prime Minister's office expressing concern about the nonpayment of the account? Do you need to take that on notice?

Ms Beauchamp—Yes, I would like to satisfy myself of all the details.

Senator ABETZ—All right. This communication asserts the invoice covers the payment for catering the PM's office said they would pay following the passing of the Fair Work Bill. Can you take on notice whether or not the Prime Minister or anybody in the Prime Minister's office agreed to foot the bill? If so, who and on what basis did they do a backflip on this? They do backflips even on little restaurant bills, but there you go.

Senator Ludwig—I will take those on notice.

Senator ABETZ—Thank you.

Senator FIERRAVANTI-WELLS—I told you—since the butler left, it is chaotic in the Prime Minister's office.

CHAIR—Senator Fierravanti-Wells, your interjections might be amusing to you but they are not helpful for Hansard or the hearing. Senator Abetz, you have a question?

Senator ABETZ—Yes, I do. We understand that the President of the United States might be visiting. Has a date been set for that as yet?

Ms Beauchamp—A date has not been announced yet.

Senator ABETZ—That is different. Has a date been set? Whether you want to tell us the date will be another question, but has a date been set?

Ms Beauchamp—I am not aware of the exact date, no.

Senator ABETZ—Operation Sunlight in full force. Is somebody here who can help us with the exact date?

Ms Wood—Dates are being discussed but have not been announced.

Senator ABETZ—‘Being discussed’, thank you. In that discussion have they been set?

Ms Wood—They have not been formally announced.

Senator ABETZ—I know that. Have they been set? Have they been agreed between Australia and the United States?

Ms Wood—We have working dates that both sides are working on, but until they are formally announced they are not formally set, with all due respect.

Senator ABETZ—I fully accept they are always subject to cancellation, as we found out with the last one, but at this stage, all things being equal between the United States and Australia we have a date certain or dates certain for the visit. Is that correct?

Mr Lewis—As Ms Wood has described, the date has been under discussion and it remains under discussion with US authorities. An announcement has not been made. On the issue of ‘set’, I can only say it is under discussion. I cannot give you any further information than that. If it is under discussion then it could be subject to change.

Senator ABETZ—We have already agreed that it can be subject to change right up until before he visits. The plane might even turn back over the Pacific on his way here, if that is where he is coming from. I appreciate that. Senator Ryan wants to assist me.

Senator RYAN—I understand that dates are flexible. I would also understand if you said you knew the date and did not want to say, for security reasons. I would respect that. But dates are not set when they are announced. As a matter of logic presumably a date is finalised before an announcement is made. On the last occasion a date was set, before it was subsequently cancelled, notices went out in the United States quite a significant period of time before they went out in Australia. By that I mean a matter of hours and it could have been a day issue. Has a date been agreed upon?

Mr Lewis—I am aware of the date that has been under discussion as you allude to. I am not prepared to share that with you. I am not able to share that with you. The date is under discussion; it is not set.

Senator RYAN—So it has not been finalised.

Mr Lewis—It is under discussion.

Senator RYAN—I take your point that you are not prepared to go any further on that for the reasons I alluded to earlier.

Senator ABETZ—If we can move on to the very helpful answer I got from last time, PM32(a-b), that relates to a story published on 1 February 2010 in the *Australian Financial Review* entitled ‘The reshuffle Rudd may have to have’. Mysteriously this article disappeared from the hard copies that were circulated, so I asked Ms Beauchamp: how common a practice is it in the Prime Minister’s Office to just pull those articles that may not necessarily be favourable? I was then told the department provides an electronic media monitoring service for departmental officers; the article was available in the Prime Minister’s Office folder. I accept that. Was it removed at any stage from the Prime Minister’s Office folder?

Ms Beauchamp—No.

Senator ABETZ—In respect of the visibility of articles provided through the media monitoring service are we talking about the electronic version or the hard copy version?

Ms Beauchamp—We do not provide hard copy media press clips; we provide access to the Media Monitors electronic service, which is available for both the Prime Minister’s Office and the department.

Senator ABETZ—Does anybody in the Prime Minister’s Office make hard copies of this media monitoring service, as in print them off?

Ms Beauchamp—Some officers within the office could make and print out copies as required, yes.

Senator ABETZ—Are you aware what the practice is in the Prime Minister’s Office?

Ms Beauchamp—I am aware that on occasions media articles are printed out, yes.

Senator ABETZ—When you say media articles, in fact the usual practice is for the whole lot to be printed out that are provided electronically, with one big staple in the corner.

Ms Beauchamp—I doubt that very much, given the amount of information that we collect through Media Monitors.

Senator ABETZ—If you doubt that, please take it on notice and find out whether or not on this particular day the hardcopy version of the media monitoring had this particular article removed, and if it was removed, on whose authority was it done and who made the decision.

Senator Ludwig—I am sure Ms Beauchamp will find out what she can. The challenge of course will be—

Senator ABETZ—Sorry, minister—

CHAIR—The minister is responding, Senator Abetz.

Senator Ludwig—I am sure she will take it on notice and see which she can find out. One of the—

Senator ABETZ—Chair, please do not be so—

CHAIR—Senator Abetz!

Senator ABETZ—Somebody was whispering to me, indicating that they wanted a copy of the article, and I was trying to assist. That is why I could not hear the minister and why I very politely, I thought, asked him to repeat—

CHAIR—Sorry, I did not hear you—

Senator Ludwig—I did not have a problem with that either, Senator Abetz. I think the challenge will be (a) someone being able to recall what happened on that particular day and (b) someone being able to then find out who printed them off, assuming that they did so. If there were multiple copies printed, by whom were they printed? Which copies may have been provided to the Prime Minister? All of those may very well challenge anyone who goes back and tries to recollect what those circumstances were, because the evidence to date is that they were provided electronically and that they were printed out. Whether, given the range of sources that might come in, they were printed out in one lot or—

Senator ABETZ—Given the—

Senator Ludwig—We will take it on notice and see what we can find out. But I just thought I would qualify it with the practical reality that people might be faced with.

Senator ABETZ—Given that there was an article on 1 February, that there were estimates about a fortnight later, that the question was asked a fortnight later and that there was then an obfuscating answer provided, to claim that ‘people’s memory may have faded’ is, with respect, disingenuous. But let us see what you can find out.

Senator Ludwig—I think that is a little unfair.

Senator ABETZ—I move onto PM44—

Ms Beauchamp—I clarify that we were asked at the last estimates whether we had withdrawn from the visibility of the Prime Minister’s office the article that you referred to. I think our answer is very clear when we say that we did not remove any articles from the electronic version and that is all that is provided by the department to the Prime Minister’s Office.

Senator ABETZ—That is why we can ask the question of the Prime Minister’s Office. That is what I am doing and that is why I was wondering about your—

Senator Ludwig—But you have now asked that question here.

Senator ABETZ—No, I asked that question some time ago. Please take that on notice, because the department may not necessarily know what the practice is in the Prime Minister’s Office. I have rattled off a whole lot of questions that you have agreed to take on notice. I move onto PM44. What are we talking about there? The absent Senator Ronaldson—quite inappropriately, I thought—referred to the ‘Copenhagen circus’. We asked some questions about this, and the answer provided was:

Questions on notice referred to by the Senator cover similar matters in questions to—

I assume that is supposed to say ‘of’—

other senators. Given the nature of the issues involved, PM&C has been coordinating responses to what became the extensive range of questions across a number of agencies. Interagency coordination is now complete and responses are being prepared.

There may have been a slip-up in my office, but have those responses been prepared and have they been tabled? This is about delays related to questions on notice of 15 and 21 December of the previous year.

Ms Beauchamp—I understand that we have provided all answers to those questions on notice.

Senator ABETZ—To the Prime Minister's Office?

Ms Beauchamp—The ones that were directed to our portfolio, yes.

Senator ABETZ—The Department of the Prime Minister and Cabinet told us that 'interagency coordination is now complete.' So it was not only the questions to department but to all government departments, and PM&C were coordinating. Is that correct? Is my understanding of that answer, PM44, correct?

Ms Beauchamp—The answer provided in PM44 is correct.

Senator ABETZ—So it was not only answers directed to your department that were being sought but also, as the answer says, interagency answers so that the whole lot could be provided as a job lot. I have no criticism of that. The previous government did that. It makes good sense too coordinate all that. I am asking whether that has been fully coordinated and the full answers provided.

Ms Beauchamp—My understanding is that the answers in relation to this issue have been provided.

Senator ABETZ—Across all the interagencies.

Ms Beauchamp—We have coordinated a range of information to provide those answers, yes.

Senator ABETZ—Can you tell us when they were provided?

Ms Beauchamp—Yes, I can.

Senator ABETZ—What date?

Ms Beauchamp—Question on notice 2498 to 2500 was provided on 13 May; 2501 on 13 May; 2503 on 1 April; 2504 on 11 March.

Senator ABETZ—So we did not get a complete interagency coordination of all the matters in the one answer. That is how I interpreted that what would happen was that you would have a range of questions from a range of senators; it was all going to be coordinated in one big answer. Now we are being told that that in fact has not occurred, that in fact all the individual questions have been answered individually.

Ms Beauchamp—The individual questions have been answered. We have tried to table and provide those as the information has come in our possession.

Senator ABETZ—What do the dates you have just provided to us represent? When they were actually tabled in the Table Office or sent to the secretariat or when they were provided to the Prime Minister's Office?

Ms Beauchamp—I am sorry. Could you repeat that?

Senator ABETZ—It was a very good question.

Senator Ludwig—I think the short question is have they been tabled and when. You are after the tabling date, Senator Abetz?

Senator ABETZ—Yes, just the tabling date, if there has been a tabling.

Senator Ludwig—It seems that the last sentence is that interagency coordination is now complete and responses, plural, are being prepared, so we are now at that point, if you can just indicate the dates that they were tabled.

Senator ABETZ—They were the tabling dates?

Senator Ludwig—Were the dates you read out the tabling dates?

Senator ABETZ—Or the dates that they were referred by the department to the Prime Minister's Office for passing on?

Mr Cairns—The Prime Minister's responses have been lodged; they have been tabled with the Senate. For the Prime Minister's department, the answer that was previously provided did not mean that the Prime Minister would be answering all the questions on behalf of all departments. We would have to take on notice whether other departments have tabled their answers to questions.

Senator ABETZ—Do you know what? I think by the time I get an answer to this there will have been an election and everybody will have forgotten about Copenhagen. But take it on notice and see what you can find out for us please.

Mr Cairns—Certainly.

Senator Ludwig—I just want it to be clear so there is no confusion because there will obviously be another estimates.

Senator ABETZ—Any confusion or more confusion?

Senator Ludwig—I am open to suggestion on this one. What you want to know is (a) what questions have been tabled and which are still outstanding. Is that where we are at?

Senator ABETZ—Yes. The secretariat is looking as well. Whilst that is occurring, Senator Ronaldson has some questions, if that is okay with you, Chair.

Senator RONALDSON—We were talking about Copenhagen earlier. Turning to question 2506, where I asked the Minister representing the Prime Minister in the Senate on 21 December the following question:

- (1) What is the estimated carbon footprint in terms of metric tonnes of carbon dioxide for the entire delegation.
- (2) Is there any intention by the Government to offset this carbon footprint; if so: (a) how specifically will this be done, including which specific commercial firm or firms will be used; and (b) what will be the dollar cost of such offsetting.

I understand, Ms Beauchamp, that the Danish government volunteered to cover the cost of carbon credits to offset emissions related to the Copenhagen climate change conference. Is that correct?

Ms Beauchamp—The answer to the question on notice, yes, indicated that.

Senator RONALDSON—Can you remind me how they proposed to do that? Was it by way of planting trees or buying great swaths of rainforest? How was that going to be done?

Ms Beauchamp—I thought it was reasonably clear in the answer to the question on notice what the Danish government was actually doing.

Senator RONALDSON—What are they doing, again?

Ms Beauchamp—They are allocating US\$1 million for offsetting emissions related to the conference.

Senator RONALDSON—How are they doing it? It is not by way of planting trees or purchasing rainforests, is it?

Ms Beauchamp—We were advised that this money was used to fund a project in Bangladesh to replace brick kilns. Under the project, heavily polluting, outdated brick kilns in Dhaka will be replaced by 20 new energy efficient ones, which will cut more than 50,000 tonnes of CO₂ emissions each year and improve the city's air quality.

Senator KROGER—Brick kilns—did I hear right?

Senator RONALDSON—Yes, the carbon footprint has been offset by the Dutch government with the purchase of new brick kilns which apparently have lower emissions than existing kilns. Do we have any information on these kilns such as where they are and by whom they are manufactured or built?

Ms Beauchamp—I do not have any further information on that.

Senator RONALDSON—Can you take that on notice for me? Is that a yes?

Senator Ludwig—Yes, we will take it on notice.

Senator RONALDSON—Minister, how do you think these lucky Bangladeshis with their new kilns will be feeling after the Prime Minister decided to put his climate change proposal, dare I say it, on the backburner for another three years? How do you think they would be feeling at this stage?

Senator Ludwig—I am not going to provide an opinion as to what they may or may not feel, as your silly question seems to ask. What I can say, just from broad recollection, is if they are kilns I am sure they are very grateful to have them.

Senator RONALDSON—I am sure they are equally grateful to the Prime Minister for saying, from recollection, that this was the most compelling moral issue of our generation, wasn't it?

CHAIR—Senator Ronaldson, do you have a question?

Senator RONALDSON—That was the question. It was the greatest moral issue of our generation, wasn't it?

Senator Ludwig—Is there a question in all this or have we simply gone into the happy hour?

Senator RONALDSON—A lot of people will be very unhappy, which is a great segue into my next question—thank you most sincerely. How many staff in PM&C work on issues relating to climate change and the proposed ETS?

Dr Grimes—I might confer with one of my colleagues to see if we can give you an estimate of the number of staff. It is a relatively small number of staff. Part of our difficulty, as you would appreciate, is that we may have staff that work part time on greenhouse and related matters and work can extend across different parts of the department, including the international part of the department, but we might be able to give you a rough estimate. If you are happy for us to take on notice, we will take it on notice.

Senator RONALDSON—I suppose so. I just put to you, Mr Grimes, that if I look at the manifest from the delegation I see there is a huge number of PM&C staff. I assume that they were the senior staff and I assume that for every one that went there were probably five that stayed.

Ms Beauchamp—Sorry, Senator, could I interrupt there. In our questions on notice we did provide advice that three staff from the department were involved in Copenhagen.

Senator RONALDSON—Your point, Ms Beauchamp, in relation to the staffing levels in PM&C involved in climate change and the ETS is?

Ms Beauchamp—I thought you were saying that a lot of people were involved in Copenhagen.

Senator RONALDSON—When you take that on notice, can you get the full-time staff equivalent when you are working out those figures?

Senator Ludwig—This was canvassed at the last estimates and the evidence, to my recollection, that Glenys Beauchamp provided is a figure of three PM&C staff.

Ms Beauchamp—In terms of assessing the number of full-time equivalents, the department is involved in a range of policy issues supporting cabinet, cabinet subcommittees and the like. It is very difficult to come up with a full-time equivalent number of the people who might have been working in relation to the policy advice provided to the Prime Minister and the cabinet around this particular issue, given that we are addressing a number of policy issues during the year.

Senator RONALDSON—Maybe I did not make it clear. Can I have the numbers, please—not the numbers that went to Copenhagen because we have all that on notice—of PM&C staff who are working on issues relating to climate change and the proposed, now dumped, ETS. So you are taking that on notice, are you?

Dr Grimes—I may be able to assist you. We have found our latest organisation chart. In our section, which is the climate change section, and the section will be working on broader things than just market based mechanisms to deal with climate change, there are four officers.

Senator FIERRAVANTI-WELLS—Which division is that in?

Dr Grimes—That is in the Industry, Infrastructure and Environment Division.

Senator RONALDSON—Are they the only staff that are working on issues relating to climate change and the proposed ETS?

Dr Grimes—No. As I indicated before, it is possible for other officers—

Senator RONALDSON—Will you take that on notice for me?

Dr Grimes—to be involved but on a part-time basis. I am not sure that we can actually give you an accurate figure, because it will depend on any point in time. As you would appreciate, the workloads can vary.

Senator RONALDSON—Now that the Prime Minister has cast the ETS on to the scrap heap, are you going to redeploy or retrench those—

Senator Ludwig—That is not accurate, and you know it. Unlike some, the Prime Minister does not believe that climate change is absolute ‘crap’.

Senator ABETZ—Direct action is better than no action.

Senator RONALDSON—Yes. It is not a matter of whose is bigger than whose, Minister. As Senator Abetz said, if you want direct action or if you want to flap around the edges like the Prime Minister does—

Senator Ludwig—You are the one making out—

Senator RONALDSON—then that is your choice. Are they going to be retrenched or are they going to be redeployed?

Dr Grimes—There are no proposals to retrench or redeploy any of those staff. They are working on broad climate change issues and, as I indicated before, in fact in response to Senator Payne earlier, we are continuing to work with states and territories on climate change issues, including climate change adaptation.

Senator RONALDSON—I will go to another subject. I raised this matter with the Office of the Official Secretary to the Governor-General yesterday and they said there had been no staff appointments from their point of view from the Official Establishments Trust. Given that the trust, I think, has responsibilities for The Lodge, Kirribilli House, Admiralty House and Government House—is that correct?

Ms Beauchamp—That is correct.

Senator RONALDSON—there was a newspaper advertisement recently placed by the Official Establishments Trust. Before I get to that, has there been any increase in staff at The Lodge or Kirribilli House since the last estimates?

Ms Beauchamp—No.

Senator RONALDSON—The advertisement in the *Canberra Times* some months ago was for part-time and full-time house attendants at the executive residence. ‘Full-time and part-time positions are available—

CHAIR—Senator Ronaldson, we are still in general and it appears to me that you are going to program 2 when dealing with the Prime Minister’s official residences.

Senator RONALDSON—I think it is across the—

CHAIR—We are going through program by program. Please stick to general questions and we will come to those programs in due course.

Senator RONALDSON—I will finish this one off—

CHAIR—No, Senator Ronaldson, please deal with your general questions because we have other senators waiting to come in to ask questions.

Senator RONALDSON—This program covers multiple portfolios. The ad was placed by the Official Establishments Trust. Where were those positions—

CHAIR—Senator Ronaldson, I draw your attention to the fact that we are dealing with general questions. We will deal with the programs according to the agreed agenda for today. If you do not have any further general questions, we will move on.

Senator RONALDSON—That is a bit rich. I am halfway through the question.

CHAIR—It is a nice try, Senator Ronaldson, but you are well aware of the proceedings of the estimates committee. Do you have any further general questions?

Senator RONALDSON—It relates to domestic policy.

CHAIR—If not, we will move on. Senator Ronaldson, I have made my ruling. We are dealing with general questions. I have been very accommodating to change the program for the opposition. We have an agreement and an agreed agenda. We will be sticking to it.

Senator RONALDSON—It comes under 1.1 which is work and family.

CHAIR—We are in outcome 1, general questions. Do you have any further general questions otherwise we will move on to program 1?

Senator RONALDSON—If you had admonished me 10 seconds into this I could understand it—

CHAIR—Senator Abetz has some general questions, Senator Ryan has advised me.

Senator RONALDSON—but I was five minutes into it.

CHAIR—Do you have any further general questions? If not, I call Senator Abetz with general questions.

Senator ABETZ—I will quickly revisit the Obama visit. There is speculation that it is going to be on 18 June, less than a month away. Is there a team working on it and what is the latest it can be decided in practical terms? Are we able to get to that specificity, not programmatic but just ordinary specificity?

Mr Lewis—There is a team working on the president's visit. It will not surprise you to hear that we are in close consultation with US authorities. There are a number of government departments involved in preparing for such a visit and it is progressing well.

Senator ABETZ—Good, and what is the latest it can be decided?

Mr Lewis—I do not think that I can give you a useful answer to that question.

Senator ABETZ—All right, but perchance he will address the parliament and one would imagine at least a few or more days notice would be given to enable parliamentarians to get here unless it is during the proposed sitting fortnight after this one. That was all I was seeking to pursue, but if we are not going to get any further, we are not going to get any further and we will move on. I move on to question on notice PM 26, Community Cabinet Hobart and Bathurst costs. At the additional estimates I was provided with some answers with a table, but the answer said: 'The following table provides the available costs and estimates of costs where final figures are not yet available.' Are final figures now available for the Hobart and Bathurst Community Cabinet meetings? If not, when is it anticipated that there would be such

final figures and why does it take so long to get the final figures, or does the Prime Minister dispute the drinks bill for these events as well?

Dr Southern—I am checking my notes here to see if I have the final costs for those two meetings, if you could bear with me.

Senator ABETZ—Take it on notice. I do not want to delay the committee's time on this.

Dr Southern—Okay. We would have had the final costs come in since the time we answered the questions.

Senator ABETZ—So you are sure that there will not be any further delay.

Dr Southern—There should not be.

Senator ABETZ—If you can advise us of that as well that will be helpful.

Dr Southern—Certainly.

Senator ABETZ—I understand the government has a Cabinet Implementation Unit. Does that still exist?

Dr Grimes—This section reports to Mr Rimmer.

Senator ABETZ—And it is getting increased funding. In relation to the pink batts program, what role did the Cabinet Implementation Unit have?

Mr Rimmer—The Cabinet Implementation Unit monitors a wide range of government priorities and programs. It is reasonable to expect that one of those priorities and programs was the Nation Building Economic Stimulus Plan but beyond that those matters are really something that is subject to cabinet deliberations.

Dr Grimes—As has already been indicated in other committee hearings, PM&C's involvement in the insulation program was primarily managed through the Office of Coordinator-General—that was the business unit within PM&C which had the greatest level of involvement. It would have interfaced across and worked with the Cabinet Implementation Unit on the implementation of programs.

Senator ABETZ—Just to assist, when do we deal with the Coordinator-General?

CHAIR—At outcome 1.1.

Senator ABETZ—At outcome 1.1. In that case, it is straight after this. If I may quickly check, Chair, I have tried to do my best to put them into the various categories.

CHAIR—I am sure the committee appreciates it.

Senator ABETZ—On that basis, I think I have completed my questioning on matters general.

Senator RYAN—I have some budgetary questions, which I was planning to ask here, related to the department's budget. They are probably relatively quick. Budget Paper No. 1 shows, I believe, that the department will have an additional 86 staff in 2010-11. Am I correct on that?

Ms Beauchamp—That is correct.

Senator RYAN—What will the staff be doing?

Ms Beauchamp—If I can draw your attention to our portfolio budget statement, it is outlined in table 2.1. There is a footnote there that refers to the increasing ASL. It relates to 48 people for the Commonwealth heads of government meeting, 26 ASL for the Office of the Information Commissioner with resourcing to be transferred from the department to that office once it is established, nine ASL for the COAG Reform Council, six for the independent review of the intelligence community, and there has been a reduction in staff with the finalisation of the Pacific Island Forum task force.

Senator RYAN—Thank you for that. Budget Paper No. 2 shows that there is an extra \$4 million over each of the next three years and the description is:

... to enable the Department of the Prime Minister and Cabinet to support the delivery of the government's reform agenda and implementation of major new priorities.

Is that a separate additional resource, or is it covering part of those staff you mentioned?

Dr Grimes—I think I answered this question when it was asked earlier this afternoon. I explained some of the major priorities that are being supported through the funding of \$4 million.

Senator RYAN—I might have been absent temporarily.

Dr Grimes—I understand that.

Senator RYAN—I will look at the *Hansard*.

Dr Grimes—One of the things I did indicate is that that was not accompanied by a net increase in staff over this year, but what it does mean is that there is a smaller reduction in staff—in fact, no reduction in staff—projected for next year relative to this financial year. The additional resources will give us the capacity to be able to provide more intensive support for government reforms.

Senator RYAN—Did you outline those priorities earlier?

Dr Grimes—Yes, I did.

Senator RYAN—I can check the *Hansard* for those, thank you. You mentioned the review of the intelligence community and the staff that are coming in to do that. They are being transferred in, I understand.

Mr Lewis—With regard to the review of the intelligence community, there will be a small secretariat established to support the individual that is eventually appointed to do that review. The sourcing of those folks has not been decided yet. They will probably be drawn from across the intelligence community, but I cannot be specific as to where they are coming from.

Senator RYAN—I understand this funding was also cut from ASIO to conduct a review within Prime Minister and Cabinet.

Mr Lewis—The offset was from the ASIO budget.

Senator RYAN—Will there be any job losses in ASIO as a result of this measure?

Mr Lewis—I am not sure I can answer that. I do not believe so, but it is probably something that needs to be put to the Attorney-General's portfolio. I do not believe so.

Senator RYAN—Were you consulted about this offset coming from ASIO?

Mr Lewis—We are part of the central agency process for determining budgets. I do not know the detail of the negotiation that went on, but I imagine our department would have performed its normal role as a central agency.

Senator RYAN—You are right: Prime Minister and Cabinet is a central agency. So, as part of consideration of the offset, I am sure that consideration would have been given to the impact upon ASIO's operations.

Mr Lewis—I am sure it was.

Senator RYAN—But you cannot answer?

Mr Lewis—No, I do not know the details.

Senator RYAN—Can anyone within the Department of the Prime Minister and Cabinet answer? If there was consideration given to the impact upon ASIO then I would assume someone could answer the question as to what the impact on ASIO will be.

Ms Beauchamp—I might be able to help. I did talk to the Attorney-General's Department around how this might be funded. I understand there will not be any reduction in staffing as a result of this measure. They are looking for other efficiency improvements and the like.

Senator RYAN—So there is no predicted impact on any of ASIO's other capabilities that are not staff related? If you take \$3 million from someone, you consider the impact upon them. Are you saying there is not going to be any impact on ASIO at all other than the \$3 million coming out of their budget?

Dr Grimes—One thing that may help is that the profile of the savings is in 2009-10 rather than 2010-11 or 2011-12. So that indicates that they are efficiencies in 2009-10 rather than affecting ongoing staffing levels within ASIO.

Senator RYAN—There may be a simple answer to this: why is the review being conducted by Prime Minister and Cabinet rather than by one of the more directly relevant agencies?

Mr Lewis—This review has its lineage going directly back to the review of intelligence agencies that was conducted by Philip Flood, you may recall, some five or six years ago. One of Mr Flood's recommendations was that every five or six years a review should be done of the intelligence community, and we have now reached that point. The review will be conducted during the course of the next calendar year.

Senator RYAN—Thank you. I understand an additional \$1½ million going to the COAG Reform Council to review consistency of capital city strategic planning systems with new national criteria—I believe that is the description. Is that to cover the expansion or part of the expansion of staff for the COAG Reform Council?

Dr Grimes—Yes, we did speak about this one earlier as well, with Senator Payne.

Senator RYAN—Sorry, I must have been absent during that section.

Dr Grimes—I am happy to go back over it.

Senator RYAN—I am happy to read the *Hansard*. That is the end of my general questions.

CHAIR—Are there any further general questions?

Senator CAMERON—Yes. Ms Beauchamp, in terms of staff turnover, do you have a figure for retirements and resignations that you could give me?

Ms Beauchamp—I can give you a figure of overall turnover.

Senator CAMERON—Yes, that is what I am looking for.

Ms Beauchamp—It is around 17 per cent.

Senator CAMERON—And what is the number of staff that you have employed?

Ms Beauchamp—The number of staff we have employed is around 618 ASL.

Senator CAMERON—And what is 17 per cent of that? Have you got that figure handy?

Dr Grimes—It is roughly 102.

Senator CAMERON—It is roughly 102?

Dr Grimes—In that order of magnitude.

Senator CAMERON—So would that turnover include staff in key positions?

Dr Grimes—It would include staff across a number of functions in the department. Indeed, in the Department of the Prime Minister and Cabinet we think it is actually a good thing to have staff coming in from other parts of the government and returning to other agencies as well. So PM&C does very actively encourage staff to come to join the department but also to go to other departments. So most of us here have worked in other departments and, no doubt, in the future will go back to other departments as well.

Senator CAMERON—If you were subjected to a staff recruitment freeze, what would be the implications for your capacity to deliver in terms of the key issues for government?

Ms Beauchamp—That is a hypothetical, in a sense, but, given our staff turnover rate, we would have to reorganise priorities in a range of issues. But, as Dr Grimes was saying, we do have secondments from other agencies; we do have people being promoted out. On an ongoing basis we are dealing with quite a deal of turnover of staff. So if there were a freeze we would have to, as we have always done, manage within our budgets.

Senator CAMERON—But if there were a general freeze in other departments—as has been proposed in some areas—you may not be able to transfer staff, because of the—

CHAIR—There is a point of order.

Senator RYAN—This has been raised earlier today and I will raise it again. As my point of order has been, the senator is asking a question; it is hypothetical. The person at the table answered the question by saying, 'It is hypothetical,' and the senator is now pursuing the hypothetical about departments not related to the one before the table. I would urge you to say it is completely out of order for an estimates hearing.

CHAIR—Thank you, Senator Ryan. On the point of order: as I indicated earlier in the day to all members of the committee, it is unhelpful to put hypotheticals to witnesses because obviously they are unable to respond to those. Senator Cameron, I remind you of that and ask you to rephrase your question.

Senator CAMERON—Do you have any indication of the classifications in that 17 per cent turnover?

Ms Beauchamp—Yes I do. Would you like me to go through the classifications?

Senator CAMERON—If it is not too long, yes—you could just take me through some of those areas.

Ms Beauchamp—They range right through the whole of the portfolio, down to APS 2, 3, 4, 5 and 6, EL 1 and 2 and the senior executive service—right across the board.

Senator CAMERON—So, if you were unable to replace any of those staff for any reason, you would have to rely on other departments to bring staff in to replace them, would you—in the context of the staff freeze?

Ms Beauchamp—Obviously our staffing structure reflects what budgets are available and we would continue to work within our budget parameters. We could look at things like staff re-profiling, short-term secondments and part-time work. There is a range of tools that agencies have to manage staffing levels across the board.

Senator CAMERON—There comes a limit to that flexibility over time, doesn't there?

Senator RYAN—Chair, I have a point of order again. We are now getting into the realm of not only the hypothetical but also asking the people at the table to answer hypothetical questions about human resource management over time. Would you please call the senator to order and get him to ask questions about the appropriations?

CHAIR—Thank you, Senator Ryan, for your point of order. I will draw to the attention of the committee once again that it is unhelpful to put hypotheticals to witnesses and expect them to respond.

Senator CAMERON—Do you have what are described as 'front-line' staff and 'backroom' or offline staff?

Ms Beauchamp—I am not too sure what you mean. Primarily, our role is a policy advising agency, and I am not too sure what you mean by front-line staff.

Senator CAMERON—That is okay.

Senator JACINTA COLLINS—The Audit Office was able to characterise their auditors as front line, but everyone else is not. I am curious about what distinction would apply in PM&C.

Ms Beauchamp—Our policy officers would be front-line staff and our corporate services might be backroom staff. But I certainly would not classify staff in that way.

Senator CAMERON—So there is a staff turnover of roughly 103 every year. Is that right?

Ms Beauchamp—Yes.

Senator CAMERON—So if there is a freeze you are 103 staff down each year?

Ms Beauchamp—I am not going to speculate on that.

Senator CAMERON—Okay, thanks.

Senator ABETZ—Does the Prime Minister have any speechwriters in his office?

Ms Beauchamp—Yes.

Senator ABETZ—How many?

CHAIR—Senator Abetz, just for clarity, they may not be identified as a speechwriter other than by adviser title.

Ms Beauchamp—The reason I am hesitating is that I am not sure whether there are dedicated speechwriters or whether speech writing constitutes part of an adviser's function.

Senator ABETZ—We seem to have difficulties here. I take you to question on notice No. PM45 (a) to (c) from last time. We were told that there are two APS officers employed in the Ministerial Services Unit of PM&C, whose duties include the writing of portfolio speeches. So do we have any more than two in there at this stage?

Ms Beauchamp—I am sorry, Senator, I misunderstood. I thought you had actually asked about speechwriters in the Prime Minister's office.

Senator ABETZ—I did ask that and you are quite right. So let us start with the Prime Minister's personal office. How many speechwriters are there?

Ms Beauchamp—As I indicated, I would have to take it on notice. I am not sure how many officers are dedicated speechwriters. However, I understand that some of the advisers do undertake speech-writing functions.

Senator ABETZ—Chances are, not the speech given at the Nobu restaurant. Can we be advised, Minister? Surely that must be very easy to determine.

Senator Ludwig—I will have a look at it. I do not know so I will take it on notice.

Senator ABETZ—Also, just in case people want to get a bit cute—it may be that they are not fully dedicated to speech writing because they might make a cup of tea for the Prime Minister from time to time—if their duties include speech writing, amongst other things. I just want to completely define that. So you will take that on notice, Minister, for the Prime Minister's personal office?

Senator Ludwig—Yes. I have indicated I will see what I can find.

Senator ABETZ—Thank you for that clarification, Miss Beauchamp. What about PM&C?

Ms Beauchamp—Like any other agency we do have speechwriters within the portfolio and, as we have indicated in the answer to that question on notice, we have two officers who do write speeches, along with a range of other duties.

Senator ABETZ—Yes; and that remains the figure?

Ms Beauchamp—Correct.

Senator ABETZ—Are these speechwriters from time to time called upon to travel to Brisbane or elsewhere to liaise with the Prime Minister as to the contents of future speeches?

Ms Beauchamp—I cannot recall the officers in question, in response to this question on notice, having been called to Brisbane.

Senator ABETZ—All right—asked to go to Brisbane or requested to go to Brisbane? Did they ever end up in Brisbane for whatever reason, even of their own volition, paid for by the taxpayer, to get instructions or discuss potential speeches?

Ms Beauchamp—I will have to take that on notice to see if they have actually gone to Brisbane to assist with speechwriting.

Senator ABETZ—But is it correct to say that these dedicated staff write speeches for the Prime Minister to deliver?

Ms Beauchamp—They undertake a range of duties and may assist in writing speeches for officers also within the portfolio.

Senator ABETZ—But the Prime Minister avails himself, not unsurprisingly, of their talents as speechwriters—

Ms Beauchamp—Yes, he can.

Senator ABETZ—that the Prime Minister then delivers. Is that correct?

Ms Beauchamp—Sorry, I am not understanding your question.

Senator ABETZ—Does the Prime Minister avail himself of these services providing him with speeches or speech material.

Ms Beauchamp—That is correct; as well as, perhaps, drawing on other areas as well for information.

Senator ABETZ—Minister, are these speechwriters taken into account when determining the coalition's 21.7 per cent staff allocation?

Senator Ludwig—I don't recall how that calculation is, but I will certainly take it on notice and get back to you.

Senator ABETZ—Have any of these been specifically called in to the Prime Minister's presence for briefing of pieces specifically targeted not so much for actual speeches but overseas publications—so they are, if I can use the term, wordsmiths by occupation and can turn their hand, or their fingers and keyboards or whatever the term is these days, to writing not only speeches but also articles. Is that part of their duty statement as well?

Ms Beauchamp—No.

Senator ABETZ—Not at all?

Ms Beauchamp—No.

Senator ABETZ—So nobody in Prime Minister and Cabinet writes articles that are sometimes then placed in foreign papers, or indeed Australian papers, under the name of the Prime Minister?

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

Senator ABETZ—And you cannot tell us about the trips to Queensland or elsewhere?

Ms Beauchamp—As I indicated, I will check to see—

Senator ABETZ—All right, if you can take that on notice as well as the question of whether any articles are placed in foreign newspapers on behalf of the Prime Minister—it

may well be that this comes out of DFAT; that may well be a source as well but we do not know—and, if so, how many people do that. But I will ask that at DFAT as well.

I have a final question—and you may well tell me to go to Defence on this one—regarding VIP flights, or special purpose aircraft, as I believe they are called these days. I suppose that if the Prime Minister requests one, he gets it. Is that the normal practice?

Ms Beauchamp—You are correct in where you should direct those questions.

Senator ABETZ—I understand that he went to Tasmania for the launch of the state Labor campaign—is that correct—and he used the government aircraft for that?

Mr Lewis—The issue of the tasking of the SPAs, the Special Purpose Aircraft, is actually something that is managed as you alluded to by the defence department, and I think the question is better put to them around the authority for the use of that particular flight.

Senator ABETZ—That is the authority to use it, but then who determines who may or may not travel on it or be advised of its movement that would not necessarily be Defence but in fact the minister or, in this case, the Prime Minister, who has for want of a better term, chartered the plane or requested the plane—that is correct?

Mr Lewis—As I say, the tasking authority for these aircraft is through the Department of Defence, and I cannot be more specific than that.

Senator ABETZ—No, that is not the question. Sure Defence provides the aeroplane but the minister or in this case the Prime Minister can determine who is allowed to fly on the particular plane or accompany him. That is correct, isn't it?

Mr Lewis—Yes, I think that is an accurate characterisation.

Senator ABETZ—Yes, so for the flight that took the Prime Minister to Tasmania for the launch of the state Labor campaign, can we be advised who else the Prime Minister chose or agreed to have accompany him on that flight and return to Canberra?

Mr Lewis—We can check and give you an answer, but I think Defence would be in a position to give you the manifests.

Senator ABETZ—Yes, but the manifests might be different to those that were originally requested to fly. Like with the Obama visit, there may have been changed circumstances arising. I want to know.

Mr Lewis—The department is in no position.

Senator ABETZ—Surely we must know whether the Prime Minister or the Prime Minister's office had a list of people whom they asked to accompany him. The next question is—and I can ask that of Defence in fairness—whether there were any spare seats because no coalition or other person was advised about this flight.

Mr Lewis—The department is in no position to answer your last question with regard to whether—

Senator ABETZ—But the Prime Minister's office is, and that is why if I did not make it clear, I direct it to the minister.

Senator Ludwig—What I wanted to add though of course is that in answer to your first question, the Prime Minister, I am advised as have successive prime ministers, does use a SPA for domestic travel connected with his parliamentary and office business. I think you indicated it was for one purpose only, but the Prime Minister endeavours to ensure that all travel undertaken by him is within entitlement. I understand the Prime Minister travelled to Tasmania, which was on Monday 8 March as you identified, and departed later that same day. While in Tasmania, the Prime Minister attended the Menzies Research Institute, the University of Tasmania—

Senator ABETZ—I am making no claim that it was out of entitlement; that is not even part of the question.

Senator Ludwig—I just wanted to make sure that—

CHAIR—Senator Abetz, the minister was trying to respond to your question. If you could allow the minister to continue his answer—

Senator ABETZ—Chair, a point of order: it is completely irrelevant. There is no allegation here by me—

Senator Ludwig—I just wanted to make sure.

Senator ABETZ—that it was out of entitlement.

Senator Ludwig—Just making sure, and then in relation to the manifest—

Senator JACINTA COLLINS—Is someone else looking at?

Senator ABETZ—Gee, the minister will get licence in case Senator Collins looks at the *Hansard*—

CHAIR—Senator Abetz! Senator Collins! The minister had the call and was responding. As you all well know, I cannot direct the minister on how to respond. Minister, have you got anything else to add, otherwise we will go back?

Senator ABETZ—There has to be some degree of relevance.

Senator Ludwig—I am actually talking about the trip that you asked about, and you indicated that it was a—

Senator ABETZ—Yes, but I did not ask how many tyres it had or—

Senator Ludwig—No.

CHAIR—Are you just going to let him finish?

Senator ABETZ—how much fuel the plane used or how much it cost; none of that.

Senator Ludwig—You can drone on, but let me answer the question.

Senator ABETZ—You are a fine one to talk.

CHAIR—Senator Abetz!

Senator Ludwig—What you did state was that the Prime Minister had flown down for the launch of the Tasmanian Australian Labor Party campaign. I was merely making sure that the record reflected that the Prime Minister, as with successive Prime Ministers, utilised a SPA on that particular day. So I am confirming that a SPA was utilised and that he travelled to

Tasmania on a particular date, departed the same date and, while in Tasmania, attended the Menzies Research Institute at the University of Tasmania and the campaign launch of the Tasmanian Australian Labor Party. In addition, the Prime Minister met separately with the Premier, Mr Bartlett. I think that provides a more fulsome answer to your question.

Senator ABETZ—Mr Lewis, in relation to the speechwriter question, can you see whether you can find out some information over the dinner break? I would be obliged if you could. That deals with the general part of the program.

CHAIR—Are there any more general questions?

Senator RONALDSON—I have a question in relation to the Lobbying Code of Conduct. Before I ask that, can I ask you to take on notice any example where, for example, Senator Ray or Senator Faulkner were prohibited from asking general questions in relation to a specific portfolio output?

CHAIR—You started the day yesterday by expressing your dissatisfaction with the way the program is running in estimates. This was agreed to in the last sitting week of parliament. We are going through the program.

Senator RYAN—Chair, can I correct the record there?

CHAIR—It was agreed to by the majority of people on the committee.

Senator RYAN—That is very different from being agreed to.

CHAIR—If you would pay me the courtesy of allowing me to finish when I am halfway through a sentence, Senator Ryan, you would not need to have to interject. That was placed on the record. You put your complaints on record yesterday morning, Senator Ronaldson, which you are entitled to do. We are going through the program. Your question on notice has been recorded in *Hansard*, and I will ask you to continue with your questions of a general nature before we continue working our way down the program.

Senator RONALDSON—Minister, you are no doubt aware of the Lobbying Code of Conduct. I am sure you are familiar with section 7.2 of the code, which states:

7.2 Persons who were, after 1 July 2008, employed in the Offices of Ministers or Parliamentary Secretaries under the Members of Parliament (Staff) Act 1984 at Adviser level and above, members of the Australian Defence Force at Colonel level or above (or equivalent), and Agency Heads or persons employed under the Public Service Act 1999 in the Senior Executive Service (or equivalent), shall not, for a period of 12 months after they cease their employment, engage in lobbying activities relating to any matter that they had official dealings with in their last 12 months of employment.

Are you also familiar with a series of media stories in mid-February about Tim Marshall, who worked as senior media adviser to the Minister for Broadband, Communications and the Digital Economy? He took up a job with French telecommunications company Alcatel within days of it being granted a \$250 million Commonwealth government communications contract.

Senator Ludwig—Do you have those articles there? Broadly I think I can recollect them, but it would be helpful if you had them there.

CHAIR—Is it the wish of the committee to have the documents tabled? As it is the wish of the committee, it is so ordered.

Senator RONALDSON—I understand that Senator Conroy defended the probity of this on the grounds that Marshall was working as a communications adviser rather than as a lobbyist. Can you explain to the committee what the difference is between a communications adviser and a lobbyist.

Senator Ludwig—In what context?

Senator RONALDSON—In the context of whether this did or did not breach your Lobbying Code of Conduct—in that context.

Senator Ludwig—The lobbyist code of conduct is there to prohibit ministerial staffers from moving into lobbying roles for 12 months. That is plain; it is after they cease employment. The lobbyist register and the Lobbying Code of Conduct allow ministers and their staff to know who is engaged in that. It is also about transparency.

Senator RONALDSON—It certainly is.

Senator Ludwig—The code applies to third-party or consultant lobbyists that is those lobbyists who represent a third party, including professional lobby firms. It does not apply to in-house staff who make representations to the government on behalf of their employer as the very nature of the employment means that it will be clear to ministers and others whose interests they are in fact representing. For the in-house person who is on staff, an IT adviser or whatever particular role they might play in a firm, it would be clear who they are making the approach on behalf of. It is certainly not as a lobbyist where it may not be clear.

Senator RONALDSON—Mr Marshall left the communication minister's office within days of the grant of a \$250 million Commonwealth government communications contract. Did the minister consult with you or the Prime Minister's office about the probity issues involved with Mr Marshall's new job with Alcatel?

Senator Ludwig—I will take that on notice. I will check because you have asked not only my office but for a broader answer. To ensure that we have the facts I will take it on notice and get back to you.

Senator RONALDSON—You are comfortable that someone can—

Senator Ludwig—Is this a question or are you just interested whether I am feeling comfortable not?

Senator RONALDSON—Of course it is a question. So you are comfortable—

Senator Ludwig—I have not heard one yet.

Senator RONALDSON—No, if you would stop interrupting me—I have got two words into it—if you will just let me ask it then I will. So you are comfortable that someone can leave a minister's office, go to a company that has been granted a massive multimillion dollar government communications contract, call themselves a communications adviser as opposed to a lobbyist, all is well and they sail off into the sunset. Doesn't that make a mockery of it?

Senator Ludwig—Perhaps you did not hear what I said in the beginning. The Lobbying Code of Conduct does not apply to in-house persons.

Senator RONALDSON—Would you provide the committee with a complete record of all communications both formal and informal, via email, telephone or in person, to or from a

minister or MOPS staff member of the Rudd government in its widest context regarding Mr Marshall's new position with Alcatel including times, dates, names of participants and minutes of those communications?

Senator Ludwig—I will see what I can find for you.

Senator RONALDSON—While we are still on the Lobbying Code of Conduct are you familiar with a similar case where Mr Tim Murphy, the former senior adviser to the Minister for Innovation, Industry, Science and Research, Senator Carr, joined a pharmaceutical company GSK, GlaxoSmithKline, as a government relations executive within days of leaving the minister's employment?

Senator Ludwig—I am not familiar with that one. I cannot recall it. I may have read about it. Was that a media report?

Senator RONALDSON—I think you will find it is a statement of fact. No, here we are, you can have this as well if you like.

Senator Ludwig—Again the issue would be if they were employed in house then the lobbying code would not apply.

CHAIR—Does the committee wish to have that document tabled?

Senator JACINTA COLLINS—Yes.

CHAIR—It is so ordered.

Senator Ludwig—Of course this is a significant improvement of where we were prior to this government where there was no code for lobbyists at all. There was no prohibition whatsoever.

Senator RONALDSON—So it is a significant improvement that you can call yourself a communications adviser and you can get round it?

Senator Ludwig—It is certainly a significant improvement over nothing which you had when you are in government.

Senator RONALDSON—There is a nothing when they can escape it.

Senator Ludwig—No, there is the Lobbying Code of Conduct and it does apply to lobbyists, that is clear.

Senator RONALDSON—The *Age* has described it quite rightly. The headline reads, 'MPs ex-aide escapes lobbying ban.' The fact is that Mr Murphy was able to sidestep this Lobbying Code of Conduct and he has gone in there as a government relations executive. Tell me what the difference is between an adviser and a lobbyist. How can that possibly fit within the spirit and intent of this Lobbying Code of Conduct?

Senator Ludwig—I think you have missed the whole point. You may object to lobbyists, but my view is that they perform a legitimate role in the democratic process, and there is an expectation that lobbyist activities will be carried out ethically and transparently. The Register of Lobbyists and the Lobbying Code of Conduct allow, as I have indicated earlier, ministers and their staff to know who is engaged in lobbying and whose interests are being promoted. The code applies to third-party or consultant lobbyists—that is, those lobbyists who represent

third parties, including professional lobbying firms. It does not apply in relation to house staff who make representations to the government on behalf of their employer because it becomes plain—as I said earlier—who they are making those representations on behalf of.

Senator RONALDSON—Why have you considered extending this code to in-house government relations practitioners and law and accountancy firms?

Senator Ludwig—What I have said is that it is always open to ensure that the Lobbying Code of Conduct works effectively and—

Senator RONALDSON—But, Minister, you had a meeting, did you not, in Canberra?

Senator Ludwig—I did.

Senator RONALDSON—And was that raised?

Senator Ludwig—There were a range of issues that were raised.

Senator RONALDSON—Was that raised?

Senator Ludwig—There were a range of issues raised.

Senator RONALDSON—Oh, come on. Was it raised or not?

Senator Ludwig—There were a range of issues raised.

Senator RONALDSON—I take it from that that it was. The fact that, as reported in the *Australian Financial Review*, you intend extending the register to in-house government relations practitioners—was that in response to the clear inadequacies of the policy as evidenced by the disgraceful Marshall and Murphy examples? Is that why you were driven to do it—because of the press reports about this?

Senator Ludwig—This is an issue that I think is worthwhile being considered. It is also a matter that I have indicated is currently considered and was considered during the roundtable, if that helps in your discussion today. We could take a purist model and ban all former staff to prevent any conflict between the legislators and—but I do not think that would be a sensible course. You have to find a sensible course. The important part is to ensure that there is transparency, that people know who is lobbying on behalf of third parties. There are issues, of course, if they are in-house, if they are dedicated solely for doing that work, about what accountability and transparency mechanisms are put in place. All of these things do need to be carefully considered, and we do need to arrive at a position that ensures transparency, openness and accountability.

Senator RONALDSON—But, Minister, you briefed—

Senator Ludwig—No, I have not finished.

Senator RONALDSON—You have started dragging this on now.

Senator Ludwig—You have raised the issue, and this is—

Senator RONALDSON—You briefed the *Australian Financial Review* prior to writing to these people about having a meeting.

CHAIR—Senator Ronaldson! Minister, you had the call.

Senator Ludwig—Thank you. Having interrupted my train of thought, I did not want to start again. It is important to ensure that—

Senator RONALDSON—It is not likely to make any more sense the second time around.

Senator Ludwig—the lobbyist code of conduct maintains its contemporary nature. Of course, I have always said that I will keep it under review because if it can be improved then I am open to suggestions, but—

Senator RONALDSON—When was the meeting?

Senator Ludwig—Not very long ago. I can get a date for you. I think it was 30 March.

Senator RONALDSON—30 March. And this was briefed out to the *AFR*. It appeared on 12 March. I put it to you again that you actually briefed out that you were considering this before you had even written to the people you wanted to attend this lobbyists' meeting. So why haven't you done something about it?

Senator Ludwig—Actually we are working on a range of matters, and I am certainly not going to announce it here or say what the intentions or outcomes are likely to be for your benefit. But certainly it meets what your policy is in this area, which is zero. You do not have a policy in this area, do you? You do not have a commitment to a lobbyist code of conduct.

Senator RONALDSON—Indeed, I think that you have actually raised this matter because you have been severely embarrassed by this outrageous abuse of the—

Senator Ludwig—I would have thought that you would have been embarrassed.

Senator RONALDSON—Lobbying Code of Conduct by Messrs Marshall and Murphy. I will ask one other question just to finish up.

Senator ABETZ—The great moral challenge of our time.

Senator Ludwig—I disagreed with that, and you know that. The position—

Senator RONALDSON—Are you familiar with the appointment by the transport minister, Mr Albanese, of Warren Mundy to the Airservices Australia board?

Senator Ludwig—Sorry—who?

Senator RONALDSON—Warren Mundy.

Senator Ludwig—I do not have it at the top of my mind, but—

Senator RONALDSON—Are you aware of it or not?

Senator Ludwig—I do not recollect it right as we speak, but I am sure I can take your word for it if that was the appointment—I am not going to dispute it.

Senator RONALDSON—Okay, good. Are you aware that Dr Mundy is the principal of Bluestone Consulting, a registered lobbying firm that represents the owners of airports in Perth, Launceston and Melbourne?

Senator Ludwig—I cannot say that I recall that, but I can have a look at my record to see what is on it in relation to that point.

Senator RONALDSON—Surely you would agree with me that the appointment of a registered lobbyist, who represents the interests of airport owners, to the Airservices Australia

board would inevitably lead to a perception of conflict of interest—particularly when the appointer is the minister—

Senator JACINTA COLLINS—Conflict of interest! Are you a director of a lobbying company, Senator? Do you have a conflict of interest?

Senator RONALDSON—I most certainly do not. If the appointment is by the minister for transport—

Senator JACINTA COLLINS—Are you a director of a lobbying company?

CHAIR—Senator Ronaldson has the call.

Senator Ludwig—To begin with, are you saying—

Senator RONALDSON—Isn't there surely a perception of a conflict of interest?

Senator Ludwig—You have not actually outlined where there is a conflict of interest. You have made an allegation that there is a conflict of interest, but how do you substantiate that?

Senator JACINTA COLLINS—Well, that is what applies to you as well.

Senator RONALDSON—You are obviously referring to my Register of Members' and Senators' Interests!

Senator Ludwig—Because they are a lobbyist—

Senator JACINTA COLLINS—A perceived conflict of interest—

Senator RONALDSON—So that is why it is in there isn't it?

CHAIR—Senator Ronaldson! Senator Collins! I ask you both to come to order. The minister has the call.

Senator Ludwig—I think it is an extraordinary statement that just because someone is a lobbyist—

Senator ABETZ—That is a great code of conduct.

CHAIR—The minister has the call.

Senator Ludwig—Just because someone is a lobbyist there is not automatically a perception of conflict of interest if they are appointed to a board. If they have the skill set required to serve on a board they should be entitled to serve on a board.

Senator RONALDSON—But he is the principal of a firm that represents owners of airports in Perth, Launceston and Melbourne—

Senator RONALDSON—I will finish up on this note—isn't Minister Albanese in violation—

Senator JACINTA COLLINS—What was Madison Public Affairs?

Senator RONALDSON—If you looked at the report you would realise that it actually has not operated for three years,

Senator JACINTA COLLINS—If we are talking about airports now we might as well ask you what you do.

Senator RONALDSON—Please get your facts straight before you interrupt with something like that,—

Senator JACINTA COLLINS—I did not raise any facts, I asked a question.

Senator RONALDSON—thank you very much, and I take your—

CHAIR—Senators, we are about to adjourn for the dinner break, so interrupting is not helpful. Would you like to put your question, Senator Ronaldson?

Senator ABETZ—She could be in need of your services, though.

Senator JACINTA COLLINS—Not on facts.

Senator RONALDSON—I do not think I would act for her, because I am sure I would not get paid.

Senator JACINTA COLLINS—I do not know about that. A severe dislike of dealing in facts—

Senator RONALDSON—Do you want me to start talking about the use of Comcars and things, Senator Collins? Do you want to get down to that level?

Senator JACINTA COLLINS—You obviously do! You should talk to the—

CHAIR—Senator Ronaldson! Senator Collins!

Senator RONALDSON—I would be very careful if I were you.

CHAIR—Senator Ronaldson—do you have your final question before we go to the dinner break?

Senator JACINTA COLLINS—Chair, ask him not to—

CHAIR—Senator Collins! Before you continue, Senator Ronaldson, Mr Lewis has indicated that he has something to report back, so if you could put your final question before the dinner break I propose that we then go to Mr Lewis.

Senator RONALDSON—Section 1.3(iv) of the Standards of Ministerial Ethics requires ministers to ensure:

... their conduct in office is, in fact and in appearance, in accordance with these Standards;

And section 2.7 of the code warns of:

... perceptions of conflicts of interests ...

I put to you again: isn't the appointment to the Airservices Australia board of a principal of a consulting firm which represents the owners of airports in Perth, Launceston and Melbourne liable to lead to a perception of conflict of interest, and therefore be in breach of section 1.3(iv) of the Standards of Ministerial Ethics?

Senator Ludwig—I reject that entirely. I think you have misread the section. It relates to Minister Albanese, if there is a perception of conflict, and you have made no case for that, quite frankly—none.

Mr Lewis—I would like to report back on a question asked by Senator Hanson-Young a little earlier with regard to briefing that was passed by the Department of the Prime Minister and Cabinet on the issue of the three- and six-month pauses around immigration processing

for Sri Lankan and Afghan irregular arrivals in the country. The answer to her question is that briefing to the Prime Minister was in the context of the National Security Committee of Cabinet and it is cabinet in confidence.

CHAIR—Thank you, Mr Lewis.

Proceedings suspended from 6.30 pm to 7.52 pm

CHAIR—The committee will resume. We have finished general questions, so we will now move to program 1, 1.1 Domestic policy—economic and industry policy. Are there any questions?

Senator FIERRAVANTI-WELLS—Yes.

CHAIR—On economic and industry policy?

Senator RYAN—On a point of order, Chair: I do not think we are going through bullet points. It is program 1.1, is it not?

CHAIR—I am just giving the committee an opportunity if anyone wants to ask about those.

Senator RYAN—I plan to cover everything in those five bullet points in some questions. I have done 1.1 but I have not divided it by bullet points within 1.1

Senator ABETZ—Nor have I, I confess.

Senator Ludwig—I have a response to a request in relation to Ms Nixon and the royal commission. The question, roughly, was: what about reports that counsel assisting said Ms Nixon lied to the royal commission? I can advise that the response from the Prime Minister is: I am aware of reports about submission from counsel assisting regarding Ms Nixon's conduct on Black Saturday and her evidence about that conduct to the royal commission. The Prime Minister notes that the royal commission has not yet made any findings on these matters, and the government will wait for the findings of the royal commission, due in July, before commenting further. In relation to a more general question around support for Ms Nixon: the government continues to have confidence in the work Ms Nixon is doing, leading the bushfire recovery in Victoria.

CHAIR—Thank you, Minister. Do you have a question, Senator Ronaldson?

Senator RONALDSON—Yes. I do not know whether I actually used the word 'lie', did I, during the statement? I think it was another word.

Senator Ludwig—That might be my colour. Maybe it was my shorthand.

Senator RONALDSON—I do not think I had actually—

Senator Ludwig—I withdraw that. In relation to the second matter with respect to the appearance of the ICC, I am not sure where the committee had got to but I think it is fair to say that I had taken on notice to see where I had got to in relation to that matter. I can advise the committee that members of the ICC are not officials. It would, in my view, be unusual for people who are not officials and who are, in fact, under a contract, and are effectively on an advisory body to appear at estimates hearings.

While the ICC members are remunerated on a per diem basis, they are not responsible for any appropriations. The Department of Finance and Deregulation will be able to answer—and I think I indicated this earlier—questions about the ICC’s activities, the number of meetings they have had, the number of reports, and the sort of general material that you might seek. It would be, therefore, in my view, inappropriate for the ICC to answer questions about internal deliberations.

I can add, though, that—this is an estimates response—I understand that, in terms of the JCPAA work, Dr Hawke has agreed to appear in that committee and give evidence. It would appear to be a better place for that to occur, given that it has already been agreed and undertaken. So I am not seeking to stop the Senate from its usual work of examining matters more broadly, and they can do that in that particular—sorry, it is not my view; it is the departmental advice that I have been given.

CHAIR—Minister, and for the benefit of Hansard, we did have a private meeting and we have determined that the advice from the Clerk will be made public, which correlates with what you have just put on the public record, and we will, Minister, give you a copy of both pieces of advice.

Senator RONALDSON—Just on that matter, Madam Chair: Minister, the issue, of course, with this is that the ANAO—as a statutory authority, of course—appears before Senate estimates. This group, which you have described as independent from Finance, and who are actually remunerated outside their normal public service roles, I presume—is that correct?—or on top of their public service—

Senator Ludwig—The people who are on the ICC currently are not public servants.

Senator RONALDSON—So on what basis can the committee then obtain evidence from groups such as this in the estimates process if they are deemed, or interpreted, as not having that relationship with the Commonwealth by the Clerk?

Senator Ludwig—In the response that the department has provided me there are two matters. One is that, while the ICC members are, of course, remunerated on a per diem basis, they are not responsible for any appropriations. Estimates more broadly, and this particular estimates, is about the budget and the estimates and appropriations that relate to that. The second matter is, as I have indicated, that it is not closed to the Senate to be able to use its powers to scrutinise, and I have indicated that the JCPAA is intending to appear before then. Thirdly, of course, the secretaries are responsible for making decisions about whether the ads comply with the guidelines. So the secretaries are capable of being questioned at length, should you so wish, about these matters and about their decisions—because it is ultimately the secretaries’ decision.

Senator RONALDSON—Would you agree with me that the nature and extent of the questioning of the Auditor-General, for example, cannot be replicated with the secretary of the department?

Senator Ludwig—What I have indicated this morning and what I will continue to say is that there was a review and this government has adopted the recommendations of that review, save for not lifting the \$250,000 limit to \$3 million and maintaining the department of finance as the body to look after the ICC. It continues to be an independent review mechanism to

ensure that the guidelines are met by secretaries. Ultimately, secretaries are responsible for ensuring that the ad campaigns do comply with the guidelines. It is a framework that will ensure both accountability and transparency.

Senator RONALDSON—Madam Chair, there is nothing to be gained by pursuing this during this estimates hearing, so I will leave it.

CHAIR—Well, considering that you were part of our meeting, Senator Ronaldson, I would have to concur with your comments. I now call on program 1, 1.1.

Senator FIERRAVANTI-WELLS—Looking at your organisational chart, I note that there is the social policy division. I would like to ask some questions about health and health reform, if I may. This section of PM&C would have prepared the brief to incoming government on matters pertaining to social policy, would it?

Ms Cass—We certainly contribute to incoming government briefs, yes; that is correct.

Senator FIERRAVANTI-WELLS—So far as health matters are concerned, you would have contributed that portion.

Ms Cass—We do, but obviously the executive and the secretary at the time have a strong role in the determination of contents in incoming government briefs.

Senator FIERRAVANTI-WELLS—So you would be aware of the policy commitments that were made by this now government in August 2007 as part of their New Directions for Australian Health. You would have been aware of those when you prepared the incoming brief insofar as it referred to health matters.

Ms Cass—Yes, broadly aware. I do not know if there is a specific issue that you are interested in pursuing.

Senator FIERRAVANTI-WELLS—You are aware of the commitment that Mr Rudd gave that by the middle of 2009, if the states and territories had not begun implementing a national reform plan, the government would seek a mandate from the Australian people. You were aware of the deadline of mid-2009 in relation to a national reform plan.

Ms Cass—Yes, the statements made by the Prime Minister.

Senator FIERRAVANTI-WELLS—On 14 November Mr Rudd made this commitment. It was from his campaign speech, which I would assume would have been part of the material available to you in terms of commitments that Mr Rudd was making. He said:

On hospitals, we have put forward a national plan to end the buck passing between Canberra and the states. I have a long term plan to fix our nation's hospitals. I'll be responsible for implementing my plan and I state this with absolute clarity, the buck will stop with me.

In connection with that, as part of the material that you had available to you in terms of preparing the brief and then post the election, were you given a document that was purported to be the national reform plan?

Ms Cass—Did the department receive a document?

Senator FIERRAVANTI-WELLS—The Prime Minister, before the 2007 election, made a series of commitments about the existence of his national reform plan. That is well documented in a series of Labor Party documents. My question to the department is: given the

emphatic way that the Prime Minister described his commitment and his plan and the buck stopping with him, one presupposes that Prime Minister and Cabinet would have had at least some document that delineated the Prime Minister's outline of his health reform plan.

Dr Grimes—Senator, I think the answer to your question is: in preparing income government briefing for both sides, departments rely on the statements that are on the public record that are made by the various political parties, be they formal speeches, policy documents and, where we possibly can, other media statements that may be made. But we rely on the material that is on the public record.

Senator FIERRAVANTI-WELLS—I am aware of that, Dr Grimes, because in answers to questions in estimates Ms Halton, who is secretary of the health department, admitted that, indeed, there was not a plan and indeed there was not even the back of an envelope plan for health reform. Might I invite you, Dr Grimes, to go and have a look at Ms Halton's comments of 10 February, and if you wish to add anything further to your answer please do so. The reason I ask is that clearly the Department of the Prime Minister and Cabinet in some way or form, given the Prime Minister's commitments, I assume that the department had involvement with the development of this national reform plan that appears to have finally materialised. So I am asking the department: what role did you have in relation to the formulation of that plan? In other words, when did you first start work on what has now become the Prime Minister's grand hospital plan?

Dr Grimes—Shortly after the government was elected, one of the early things it did was to establish a National Health and Hospitals Reform Commission, which undertook extensive work over a considerable period, as you are aware, including with consultations, following the publication of the report of that group. The Prime Minister, the health minister and other ministers conducted extensive consultation nationally. That is an attempt to address the question that you are asking.

Senator FIERRAVANTI-WELLS—I appreciate that. The point that I am making is: there actually was no plan. The question I am asking is: when did the Department of the Prime Minister and Cabinet first begin work in relation to some sort of health reform?

Senator Ludwig interjecting—

Senator ABETZ—It was a plan presented to Department of the Prime Minister and Cabinet.

Senator FIERRAVANTI-WELLS—That is a simple question.

CHAIR—Senator Fierravanti-Wells has the call and the minister was responding.

Senator Ludwig—I was merely correcting the record.

Senator ABETZ—No, he wasn't.

Senator FIERRAVANTI-WELLS—Dr Grimes, was there a document that said, 'national reform'—anything that remotely looked like a plan to reform the health system?

Dr Grimes—The government set out its intentions for health before the election. You have asked me to check the record of statements that have been made by the secretary of health and I am happy to do that, but I obviously cannot do that at the moment.

Senator FIERRAVANTI-WELLS—Dr Grimes, the reason I do so is because in output group 2, social policy, I read that this section did preparatory work for the government's response to the June 2009 final report of the National Health and Hospital Reform Commission. My question to you is: when did Prime Minister and Cabinet first become aware that this commission was going to be established? Was that something that emanated from Prime Minister and Cabinet or did the establishment of the commission emanate from the Prime Minister's office?

Dr Grimes—The understanding we have is that the commission itself was an election commitment of the government. It was something that was an election commitment prior to the election. That is our recollection at least.

Senator FIERRAVANTI-WELLS—It might be your recollection, and my question to you is: when did you first commence work on the establishment of this commission?

Dr Grimes—I assume—and this is just an assumption—that we would have addressed a matter like that in incoming government briefing or shortly after the election.

Senator FIERRAVANTI-WELLS—I am interested to understand when and who actually did the running of this.

Dr Grimes—Going to the level of very specific details and dates—

Senator FIERRAVANTI-WELLS—I am.

Dr Grimes—Obviously, it is a couple of years ago. Something like that would have to be taken on notice.

Senator FIERRAVANTI-WELLS—I am, because your department, according to your operational chart, is responsible for health reform. There is a section in Ms Cass's area that says 'health reform'.

Dr Grimes—You are asking us very detailed questions about something that was almost three years ago.

Senator FIERRAVANTI-WELLS—I appreciate that, but I do not want to go to health—

Dr Grimes—I have indicated that we are happy to take that on notice, if it is a very specific question.

Senator FIERRAVANTI-WELLS—I think you understand my question. I would have thought, given the work that has been most recently done on this whole issue of health reform, that it would be fresh in your mind.

CHAIR—Do you have a question, Senator?

Senator FIERRAVANTI-WELLS—I do, Chair.

Senator Ludwig—I think it is a complaint, but I am sure you are going to get to the question.

Senator FIERRAVANTI-WELLS—Dr Grimes, let me ask you this: what is the day-to-day work that your department does on health reform?

Dr Grimes—Our work on health reform is ongoing. It is a major area of public policy and has been for some time. It is something we have been involved in on an ongoing basis.

Senator FIERRAVANTI-WELLS—But the commission's report—

Dr Grimes—You are asking me a question about a very precise starting date of commencing work on something. We are obviously always looking at health reform proposals.

Senator FIERRAVANTI-WELLS—All right—

CHAIR—Senator Fierravanti-Wells, if you could just let the witness finish their answer, that would be more helpful for Hansard.

Senator FIERRAVANTI-WELLS—Sorry, I thought he had finished. Dr Grimes said that they were doing ongoing work. I am conscious of the time, Chair, and I am trying to hurry along.

CHAIR—If you ask a question, it is just a matter of courtesy and it is helpful for me as chair and for Hansard that you allow the witness to complete their answer.

Senator FIERRAVANTI-WELLS—Dr Grimes, could you take on notice: when was work relating to the commission first commenced and who drove it—was it the Department of the Prime Minister and Cabinet or was it the Department of Health and Ageing? The next question is: how did you interact with the department of health and at what point did you start that interaction with the department of health in relation to the reform commission's work?

Dr Grimes—I am happy to take on notice.

Senator FIERRAVANTI-WELLS—Thank you. So, after the report came out, in June 2009, a series of consultations was undertaken. I understand there were 100 consultations. Who picked 100? Were these visits driven from the Department of the Prime Minister and Cabinet or were they driven out of the Department of Health and Ageing?

Dr Grimes—That process was fundamentally managed by the Department of Health and Ageing. I might invite Mr Rimmer to add to that if there is anything else to be said.

Mr Rimmer—I think that covers it. The consultation process was driven by the department in consultation with the minister.

Senator FIERRAVANTI-WELLS—There were 21 visits that the Prime Minister said he undertook on his listening tour. Are you aware who chose the 100 sites to visit?

Dr Grimes—I imagine that is a question that is best referred to the department. The department managed that process.

Senator FIERRAVANTI-WELLS—No. The Prime Minister undertook 21 of those visits. Who chose where the Prime Minister went on those 21 visits?

Dr Grimes—I am not sure that we are in a position to answer that question. I suppose the best we can offer is that we did not advise directly on those questions. This was a process, as I have indicated, that was managed by the Department of Health and Ageing. So the management of that process is just not a matter that we can answer, because we were not managing that process; it was being managed by the Department of Health and Ageing.

Senator FIERRAVANTI-WELLS—So this is fully within Ms Halton's purview as the secretary of the department?

Dr Grimes—Yes, from a departmental end, that was managed by the Department of Health and Ageing.

Senator FIERRAVANTI-WELLS—My question was not ‘who managed’; my question was ‘who determined the 100 visits’?

Dr Grimes—I think I have answered that question. We did not have a role in determining the locations of consultations. It was a process that was managed through the Department of Health and Ageing. So, if you want to understand that process in greater detail, it would be appropriate to ask it in that setting.

Senator FIERRAVANTI-WELLS—I do not want to go to health and ageing and be told next week—as I inevitably will be—that I should have asked you, at least in so far as the Prime Minister’s 21 visits are concerned. Who decided those 21 visits?

Dr Grimes—I think I have answered that question, at least as far we can. But we are not in a position to answer that question; we were not involved in that decision making.

Senator FIERRAVANTI-WELLS—No involvement whatsoever?

Dr Grimes—Not that I am aware of.

Senator FIERRAVANTI-WELLS—So the Prime Minister was just simply told, ‘You are going to these 21—’

Dr Grimes—No, I did not say that. I said that to understand those processes further it would be appropriate to ask the Department of Health and Ageing. From our perspective there is nothing that we can add here to help you at the moment.

Senator FIERRAVANTI-WELLS—Can I just ask, Dr Grimes, for you to please take that on notice, because my understanding is that there was quite a bit of involvement by your department. For the record, for those 21 or 22 visits—I understand it is 21 visits—that the Prime Minister undertook, I would appreciate if you could take on notice your department’s involvement, whether they were chosen by the Prime Minister or by Minister Roxon and her entourage, or whether they were your—

Dr Grimes—I am happy to take that on notice and see if there is anything else we can add, but as I indicated before it may be something better addressed by Health and Ageing.

Senator FIERRAVANTI-WELLS—Or the marginal seat unit. Can I just ask then, who was responsible for this book? This came out in March 2010. Is this something that is prepared by your department?

CHAIR—Can you identify it for the *Hansard* record, please?

Senator FIERRAVANTI-WELLS—Yes. It is a blue book entitled *A national health and hospital network for Australia’s future*.

Mr Rimmer—I can answer your question. That book was prepared collaboratively between the Department of Health and Ageing, the Department of the Prime Minister and Cabinet and the Department of the Treasury.

Senator FIERRAVANTI-WELLS—Who had the final sign-off of it?

Mr Rimmer—The Prime Minister and the minister.

Senator FIERRAVANTI-WELLS—No, who had the final sign-off—the Prime Minister or the minister? Somebody must have finally signed off on it.

Mr Rimmer—They were both happy with the document before it was released.

Senator FIERRAVANTI-WELLS—Mr Rimmer, that is not my question. Who signed off on the document and who commissioned its production? Who paid the bills for this to be done?

Dr Grimes—I think the answer is that this was a document commissioned by the government and, as Mr Rimmer indicated, it was signed off by both the minister and the Prime Minister. On the question of payment for the document, I will see if Mr Rimmer can add to that.

Mr Rimmer—The document was organised and paid for the Department of Health and Ageing

Senator FIERRAVANTI-WELLS—It was not complicated. Perhaps I might ask some questions going back to this chart. Does the strategic policy and implementation area—Mr Rimmer, your area—have any part at all to play in the health reform area?

Mr Rimmer—There are two ways in which I and my group get involved in a range of policy issues. One is that from time to time the Strategy and Delivery Division does work on specific items of government policy collaboratively with other parts of the department. The other is that, as part of the executive team of the department, from time to time Paul and I and Glenys and others decide which member of the executive is going to take on particular responsibility for particular issues. In this case, I played a role in relation to health reform, working very closely with the Social Policy Division and other parts of the department.

Dr Grimes—Senator, maybe it will assist in your line of questioning to understand that the team that was working on this was a cross-group team comprising some people from Ms Cass's division but also staff from the Strategy and Delivery Division, so it cut across the two groups. As Mr Rimmer has indicated, the executive works together in a very collaborative way, and on certain policy issues a different member of the executive may take the leadership in the management of that policy issue. In the case of health reform, Mr Rimmer led our team within the Department of Prime Minister and Cabinet, working closely with Ms Cass.

Senator FIERRAVANTI-WELLS—How many people, Ms Cass, do you have in your section that work on health reform?

Ms Cass—The team that contributed to the health reform agenda principally comprised nine staff: four from my division, four from SDD and we had one seconded from the department of finance.

Senator FIERRAVANTI-WELLS—Nobody from health?

Ms Cass—We worked incredibly closely with the Department of Health and Ageing; they had their own team. There was very close work between Treasury, health and PM&C.

Senator FIERRAVANTI-WELLS—Further to the question, perhaps you might like to take on notice: when did you start your interaction with health and ageing and Treasury in relation to health reform—the first time you started that—and whether that was at your

instigation or at the instigation of the department of health with you, as opposed to you with the department of health. And, out of interest, when was your section established? When was health reform established within your division or section?

Ms Cass—It is probably helpful if I explain that social policy division has a health and ageing branch, and has done so since I arrived in the Department of Prime Minister and Cabinet in 2008. We have continual and daily contact with the Department of Health and Ageing as one of the line agencies that we deal with. In the development of the national health reform agenda, in September last year we made a decision to form a coherent team that would focus on the reform agenda specifically. That is the point at which the team that I mentioned before was set up. But prior to that, we had ongoing and continuing engagement with health and ageing.

Senator FIERRAVANTI-WELLS—You were established in September, so that is three months after this document was published. Is that the case?

Ms Cass—Yes, but as I just mentioned, prior to that and on an ongoing basis there is a very close liaison between PM&C and health and ageing.

Senator FIERRAVANTI-WELLS—So it is suffice to say that the preparatory work for the government's response was done by the health and ageing component of your division?

Ms Cass—Yes.

Senator FIERRAVANTI-WELLS—Thank you. Mr Rimmer, you have not been long in your position. You started mid-2008. Is that the case?

Mr Rimmer—That is right.

Senator FIERRAVANTI-WELLS—And you hold the position of deputy secretary. That is the position that was advertised on 6 June 2008?

Mr Rimmer—That is correct, Senator.

Senator FIERRAVANTI-WELLS—Okay. This was a new position to establish a strategic policy and implementation group?

Mr Rimmer—Yes.

Senator FIERRAVANTI-WELLS—And with the following elements of strategic policy unit and a cabinet implementation unit?

Mr Rimmer—That is correct.

Senator FIERRAVANTI-WELLS—So you have only been established since mid-2008.

Mr Rimmer—That is correct.

Senator FIERRAVANTI-WELLS—So what do you actually do day-to-day?

Mr Rimmer—The group has two primary functions. The first is the cabinet implementation unit, which, as was mentioned earlier, provides advice to the Prime Minister and to the cabinet about the implementation and delivery of high priority government policies and programs. The second is the strategy and delivery division, which runs a series of projects on particular topics that are priority matters for the Prime Minister to consider. The nature and

number of those projects varies from time to time and involves working closely with other parts of the department and, from time to time, other departments within the Commonwealth.

Senator FIERRAVANTI-WELLS—I am interested to see, Mr Rimmer, why somebody with your background came to this position. I seem to recall that you have a very, very impressive background, but it is certainly not in this sort of area.

CHAIR—Was there a question there, Senator Fierravanti-Wells?

Senator CAMERON—It was a thought bubble.

Senator FIERRAVANTI-WELLS—Senator Cameron has just stolen my next question. Thinking of thought bubbles—

CHAIR—Senator Fierravanti-Wells, you have the call and I assume that you have a question.

Senator FIERRAVANTI-WELLS—I do.

Senator CAMERON—Not a thought bubble?

Senator FIERRAVANTI-WELLS—What happens in your section? Do the thought bubbles come from you or do they come from the Prime Minister?

Senator IAN MACDONALD—Good one!

Senator FIERRAVANTI-WELLS—Are you established to produce the thought bubbles or do you actually respond when somebody up here has a thought bubble: ‘Quick, run-down—Kevin’s got a thought bubble’?

Senator Cameron interjecting—

Senator FIERRAVANTI-WELLS—No, it is a legitimate question, thank you, Senator Cameron!

Mr Rimmer—Sorry, Senator, I missed the question.

CHAIR—I think we will all did, Mr Rimmer. Would you like to repeat your question, because obviously the witness did not get the question.

Senator FIERRAVANTI-WELLS—Rather than framing it in the thought bubble context, when I read the position for which you applied, it is actually very interesting, because there are two major roles. Your Cabinet Implementation Unit is to assist the government in priority setting. So I asked the question, ‘Does that mean that the thought bubbles come from you?’ Is that what you have been set up to do?

Mr Rimmer—The group, and the strategy division in particular, work on a range of projects that are chosen by government, by the Prime Minister, by the secretary of the department, by the executive of the department.

Senator FIERRAVANTI-WELLS—The reason I ask this, Mr Rimmer, it is whether you are proactive or whether you are reactive. That is my question. Again, the strategic policy unit is supposed to identify and articulate long-term strategic issues and directions and also, interestingly enough, to disseminate knowledge and expertise on the development of strategic policy. What I am trying to understand is what you actually do, Mr Rimmer. Do you react when the Prime Minister has another idea and you are sent off to do something about it or do

you come up with the ideas and then you refer them on to the Prime Minister? That is what I am trying to understand.

Mr Rimmer—Like all public servants I personally and my group operate within the overall direction and guidance set by ministers. Again, like all public servants, there is also a responsibility to do thinking about issues which perhaps will come up or should come up or may come up. But there is nothing different in that between my group and any other group in the department or in the Service.

Senator FIERRAVANTI-WELLS—All right, well perhaps I could ask you: what are then the roles of the executive coordinators of Strategic Policy and Implementation. I have a chart as of 12 May and you have got somebody called Mr Tim Beresford, ‘Strategic Policy and Implementation (SDD)’, and Mr James Flintoft, ‘Strategic Policy and Implementation (CIU)’. What do they actually do?

Mr Rimmer—The department has four executive coordinators. The executive coordinators are FAS level appointments, SES band 2 positions, which work in different parts of the department on specific priorities or projects as directed by the secretary from time to time.

Senator FIERRAVANTI-WELLS—Would that account for the fact that Mr Flintoft only joined in April this year? You said ‘from time to time’. This all seems to be a rather recent establishing. You have only been there a very short time. Mr Flintoft joins you in April this year. Is this being pieced together now?

Mr Rimmer—There was a review of the department undertaken by the former Commonwealth Ombudsman, Mr Ron McLeod, in early 2008. That recommended an organisational structure that included executive coordinator positions. As is normal for organisations, from time to time people come and go in those positions. Mr Beresford was appointed and arrived in the department in early April, as you pointed out. That is just part of the normal process of staffing.

Senator FIERRAVANTI-WELLS—Tell me a little bit about Mr Beresford. Is he here this evening?

Mr Rimmer—He is not here right now. We could see whether he is available.

Senator FIERRAVANTI-WELLS—I am interested because I read in an article, which I have a copy of here if you would like to have a look at it—

CHAIR—Does the committee wish that that be tabled?

Senator FIERRAVANTI-WELLS—It is an article in the *Australian Financial Review* of 23 March.

CHAIR—It would be helpful if you could table that, Senator Fierravanti-Wells, so that we all have a copy of it.

Senator FIERRAVANTI-WELLS—Mr Rimmer, tell me a little bit about what Mr Beresford does.

Mr Rimmer—Mr Beresford, as an executive coordinator, undertakes projects or takes responsibility for issues on behalf of the department at a senior level. Right at the moment,

one area that he is focusing on is supporting me, Dr Grimes and others, working closely with Ms Cass, on the implementation of the health reform agenda.

Senator FIERRAVANTI-WELLS—I ask this because we are talking health, and this is now such a topical area in PM&C. According to the report in the *Australian Financial Review*:

The Rudd government has looked beyond the public service and turned to a management consultant to implement its centrepiece health reform as part of a broader strategy to recruit private sector talent into the bureaucracy. Mr Beresford, a former corporate lawyer and Westpac executive with over 15 years experience in banking, mergers and acquisitions, has taken on a senior role in Mr Rudd's department that will focus on implementing the proposed national hospital network.

The article's headline is, 'Rudd goes downtown for health fixer'. Is Mr Beresford now the go-to person to fix the hospitals?

Mr Rimmer—I have two comments in relation to that. Firstly, the Prime Minister does not generally have a role in making SES appointments within the department. Secondly, the article gave a partially true but very significantly overblown description of Mr Beresford's role. He, like Yael, like Dr Grimes and like me will be part of PM&C's engagement for part of his time in the continuing role of assisting the Prime Minister and the government to deliver the National Health and Hospitals Network reforms, but the primary carriage of responsibility for those reforms will rest with the Department of Health and Ageing and the Minister for Health and Ageing.

Senator FIERRAVANTI-WELLS—Does Mr Hoffman have any role in this? I noticed that he is supposed to also be in the Strategic Policy and Implementation Group and leads the Cabinet Implementation Unit.

Mr Rimmer—Mr Hoffman—

Senator ABETZ—I think he is into pink batts, isn't he?

Senator FIERRAVANTI-WELLS—Yes, I know. I was about to ask what pink batts and hospitals have in common.

Senator ABETZ—Disaster.

Senator FIERRAVANTI-WELLS—Disaster written all over them. Does Mr Hoffman have any role at all in hospitals?

Senator Cameron interjecting—

Senator Abetz interjecting—

CHAIR—I remind all senators that it is unhelpful to have dialogue across the chair when we have Senator Fierravanti-Wells, who has the call, putting a question.

Senator Cameron interjecting—

CHAIR—I am not here to rate the comedy team; I am here to adjudicate on estimates.

Mr Rimmer—When he arrived in the department, Mr Hoffman worked in the Strategic Policy and Implementation Group in the position now occupied by Mr Flintoft. In December, he moved from that role into the role he currently occupies in the office of the Coordinator-General, working to support Ms Beauchamp.

Senator FIERRAVANTI-WELLS—I would like to move, if I may, to the whole health reform thing that has arisen out of COAG. In December last year COAG agreed to commence work immediately on the development of a national health reform plan as a priority. What decision-making process was outlined by the Prime Minister to the states as agreed at the December COAG? How did you actively engage after December 2009 with the states? Did you have meetings and that sort of stuff?

Mr Rimmer—Shortly after that COAG meeting, the Prime Minister wrote to the premiers and the chief ministers outlining a process of engagement that then took place over the first three and a half months of 2010, leading into the 19 and 20 April COAG meeting.

Senator FIERRAVANTI-WELLS—Who was involved from the Prime Minister's department? Are the health reforms being driven out of the Department of the Prime Minister and Cabinet? Are you the main driving force in this?

Mr Rimmer—As you would imagine, the health reforms were significant in scale and involved a large number of people across the Commonwealth—in particular the Secretary of the Department of Health and Ageing, as you would expect, but also senior officers from the Department of Finance and Deregulation and the Department of the Treasury and, from time to time, others.

Senator FIERRAVANTI-WELLS—When did you first start engaging with the Department of Health and Ageing in relation to the plan that was put to the states? Did the first draft come from you?

Mr Rimmer—As Ms Cass has said, the Department of the Prime Minister and Cabinet is continually engaged in conversation and discussion with the Department of Health and Ageing about implementation of the government's health reform priorities. That changes in nature and focus from time to time. In December 2007 it looked a little different than it did in May 2008 to September 2009. It changes from time to time but the engagement is constant throughout that period.

Senator FIERRAVANTI-WELLS—I want to ask specifically: how did the Commonwealth actively engage with the states? How many meetings were conducted? You will have to take this on notice. Where were the conducted? Who attended? What meetings were held within the Prime Minister's office? Who was involved from the Prime Minister's office? Was the health department involved? Was Treasury involved? Was the health minister involved? When was the Prime Minister's plan revealed to the states?

Mr Rimmer—Some aspects of that we can talk about now but some we might need to take on notice.

Senator FIERRAVANTI-WELLS—And in canvassing that, did the states get the draft on the morning of the Prime Minister's National Press Club speech or was this circulated beforehand? Much has been made about this sort of so-called cooperative federalism and these reforms, and there has been criticism in the press about these reforms being thrust on the states. Mr Rimmer, I would like to know from you what evidence is available to counter what has been a growing assertion that this was just simply a political fix, cobbled together in the Prime Minister's office. Unless you provide evidence to the contrary, those assertions will remain on the public record.

Mr Rimmer—Some matters that you are raising go beyond things that I can really talk about, but I can tell you about the process that was undertaken. As I have said, in the weeks following the COAG meeting in December last year the Prime Minister wrote to state premiers and he proposed the establishment of a health reform working group. I chaired that group, alongside representatives from the Commonwealth—from both the Department of the Treasury and the Department of Health and Ageing. States were invited to nominate representatives to that group—generally speaking, again, from both health departments and the treasuries or finance departments of the premiers’ departments or chief ministers’ departments’. That group held four formal meetings, the first of which was on 5 February 2010.

There was a lot of informal discussion with the states as well in that period. There had been informal discussion with the states in the lead-up to the December 2009 COAG meeting itself and following that. I think it is fair to characterise that period as a period of very active engagement between the Commonwealth and the states about what kind of health reform plan to bring back to COAG. Very large amounts of the material that the Prime Minister presented in his Press Club speech had either been canvassed with the states or actively discussed with the states before the speech was made.

Senator FIERRAVANTI-WELLS—At what point did the Prime Minister’s promise of the national network—funded nationally and run locally—and all the grand promises made at the National Press Club disintegrate to effectively the states business as usual and, effectively, the agreement entrenching state control.

Senator Ludwig—It seems to me that you are adding to the conspiracy theory yourself here.

Senator FIERRAVANTI-WELLS—Okay, Minister, we will go the long route then. So, in other words, in 2007 we have this promise from the Prime Minister which then was repeated, supposedly, on 3 March 2010 at the National Press Club and he says:

For the first time, Local Hospitals Networks, run by local health, financial and managerial professionals, rather than state or, for that matter, federal bureaucrats, will be put in charge of running the hospital system.

So what was the outcome? The outcome was that the premiers emerged as the real winners and the states have—to quote from the *Australian Financial Review*—‘not only extracted billions of immediate new money but also entrenched themselves at the centre of the health funding process.’ Is that true or untrue?

Mr Rimmer—The proposal that the Prime Minister put forward at the Press Club involved a role for the states in coordinating the delivery by local hospital networks of hospital services. Local hospital networks, as you point out, will be devolved managers of hospital services with governance arrangements that involve local financial, managerial and clinical professionals. Nothing—or nothing of substance to your question—about local hospital networks themselves changed between that speech and the arrangements that were agreed by COAG.

Senator FIERRAVANTI-WELLS—But the state ministers still run the hospitals. The Victorian minister, Daniel Andrews, said that in the *Age* of 22 April. In fact, an article in the *Australian* on 22 April states:

BRUMBY government ministers have boasted about how they won control of the hospital system from Kevin Rudd, while defending their failure to extract more cash from the Prime Minister.

and talks about how they ‘had won on the crucial issue of pool funding’. The article goes on to quote Premier Brumby as saying:

We wanted the state as the system manager and we wanted pool funding arrangements ... the Prime Minister agreed to make all those changes, I think quite profound changes, to his original health model.

Is Premier Brumby not reflecting the position accurately?

Mr Rimmer—Senator, I am not going to get into debating at a distance various comments made in the media. What I can tell you is what was proposed and what was agreed. The Prime Minister proposed at the Press Club a model of local hospital networks—which is significantly different from that that is in operation in almost all states and territories today. That model was agreed by COAG on 20 April.

Senator FIERRAVANTI-WELLS—When you drill down into the detail of the agreement that was signed by everybody except Western Australia, it spells out the responsibilities of the states as the system manager. They will appoint the local hospital networks. They will be the single purchaser of public hospital services. They will be responsible for system-wide planning and policy, and for capital planning and management with ownership of existing and new hospital capital and assets. What has changed? I want to know what has changed from the current situation. It is a lot of talk of hype.

Dr Grimes—There are a great deal of changes, particularly around the national bodies that are going to be set up to drive reform in the hospital systems. I am sure Mr Rimmer can talk about that in further detail.

CHAIR—Other senators have questions. If we have time, we will come back to you after that.

Senator FIERRAVANTI-WELLS—I will just leave it there and come back on these things later then.

Senator CAMERON—We have had a wide-ranging debate on the involvement of PM&C in the National Health and Hospitals Reform Commission. There has been a record investment in health and hospitals since 2008—is that correct?

Ms Cass—I believe that is correct. The decision that has been taken at COAG has produced a record investment in the health and hospital system.

Senator CAMERON—The figures I have indicate an increase of \$500 million in base funding and the new health agreement was \$64 billion, 50 per cent more than any previous health agreement.

Ms Cass—That is right. You are referring to the 2008 COAG outcomes. Those are the figures from that meeting.

Senator CAMERON—Yes. After that 2008 initiative, the Prime Minister and the minister then undertook an assessment of the issues through the National Health and Hospitals Reform Commission. Are you aware that the committee recommendations were taken to health forums across the country?

Dr Grimes—Yes, that is correct.

Senator CAMERON—When the Rudd government took over the responsibility federally for these issues, we were faced with the 2003-04 budget which indicated that the share of Commonwealth funding for hospitals had decreased from 45 per cent to 37 per cent. This is detailed in the 2003-04 budget papers and Mr Abbott was the health minister. Is that your understanding?

Mr Rimmer—We do not have the budget papers from those years in front of us, but the percentages that you give sound about right.

Senator CAMERON—Yes. It equated to Tony Abbott pulling a billion dollars out of the health system in that period.

Mr Rimmer—I do not think I want to respond to that question.

Senator CAMERON—Okay. We inherited a position that in 2003-04 the three peak healthcare organisations—the AMA, Healthcare Australia and the Australian healthcare association—called the Howard government’s position ‘mean and short-sighted’ and called for it to get its ‘priorities in order’. Are you aware of some of the issues that were raised by these organisations then in terms of problems in the health system?

Mr Rimmer—I am aware only in the broadest of terms of the comments that you refer to.

Senator CAMERON—In March 2009, Mr Abbott was quoted as saying:

... we were about to start tackling the public hospital system when we lost office.

I am not sure if this was a written-down, dead-set promise or what, but it never happened. What we are trying to deal with as a government is waiting times. As I understand it, since 2001-02, 31 per cent of people who have attended emergency departments waited longer than the recommended time for treatment. Is that an area that has been discussed in relation to the funding that has been put in this budget to try to deal with the issues?

Ms Cass—It has been discussed and it has been documented in several of the publications that were released by the government in the lead-up to COAG.

Senator CAMERON—Another area is that, since 2002-03, 16 per cent of elective surgery patients have waited longer for treatment than the recommended time. Is this part of the—

Senator RYAN—I raise a point of order. The odd question about something seven or eight years ago may be appropriate but, at a budget estimates hearing, a series of questions about occurrences in 2002-03 is not appropriate.

CHAIR—There is no point of order. The witness will indicate—

Senator CAMERON—It is in the context of a wider discussion. This is in the context of the budget.

CHAIR—Senator Cameron has the call and he will put the question. I am sure that the witness will either be able to respond or say she is unable to take that question.

Senator CAMERON—In the context of the budget, is it true that one of the issues in health that the government is trying to deal with is that, since 2002-03, 16 per cent of elective surgery patients have waited longer for treatment than the recommended time? Is that correct?

Ms Cass—There are a range of issues that are the precursors to this reform agenda which are documented in the government publications.

Mr Rimmer—If I could just add to that. One of the sets of initiatives in the budget does relate directly to the elective surgery challenges that you referred to and introduces a new target of 95 per cent treatment that was agreed by COAG on 20 April.

Senator CAMERON—Is another issue that is being addressed the fact that nearly one-third of patients admitted to a bed in an emergency department wait more than eight hours between the time they arrive and being transferred to a bed? Was that one of the factors that the government was trying to deal with in terms of the budget increase?

Mr Rimmer—That is correct. In the budget there is capital funding for emergency departments as well as funding for states and territories to introduce a new four-hour target in emergency departments. That directly responds to the concerns you are raising.

Senator CAMERON—Is it true that hospital admissions in Australia are above the OECD average and significantly higher than the US, New Zealand and Canada?

Mr Rimmer—Yes.

Senator CAMERON—Given all of these issues, does there have to be a significant injection of funding into the hospital system and structural changes to make it viable in the long term?

Ms Cass—Certainly the reform plan that was agreed to by COAG goes to both resourcing for public hospitals and structural change in the way in which we fund and organise primary health care in Australia.

Senator CAMERON—Can you tell me how the budget is starting to deal with the issue of safety, quality and clinical performance in hospitals.

Mr Rimmer—The budget provides some funding for the permanent establishment of the Australian Commission on Safety and Quality in Health Care. This is a body that has existed for some time as a temporary initiative, but COAG decided to make it a permanent body and the budget papers provide for \$35.2 million over the next four years to make that body permanent. There are, however, a number of aspects built into various of the initiatives that emphasise safety and quality in health care and that will lead to some improvements in that area.

Senator CAMERON—Could you also advise me what has been proposed in the budget to ensure that barriers to access to GPs and primary healthcare services are being dealt with.

Ms Cass—Yes. There are a range of measures in both the package that was agreed by COAG and the budget measures that go to primary healthcare reform. Effectively there were \$1.2 billion in measures for primary healthcare reform, partly about the creation of Medicare

Locals as a focus for organisation of primary healthcare service providers in a specific region but also about the expansion of GP superclinics, the upgrading of existing primary care practices and, in particular, the expansion of services for diabetes care and after-hours primary health care.

Mr Rimmer—Another initiative that very directly goes to your question is the expansion in GP training places, which will mean that there will be more than 5,000 new GPs over the decade. Clearly, one of the constraints at the moment is workforce.

Senator CAMERON—So these are pretty significant structural reforms to the health system. They have been dismissed a bit tonight, but these are pretty significant structural changes, aren't they?

Mr Rimmer—From our perspective, what we can say is that they are very significant, very substantial reforms in the way that the administration and funding of hospitals and health services are carried out in the federation.

Senator FIERRAVANTI-WELLS—I want to ask about the local hospital networks. Could you go into some detail about how they work and how many there will be. Did the Prime Minister actually work out how many there would be before he announced that we would all go to these local networks?

Mr Rimmer—The exact number of local hospital networks is something that will be resolved by the end of 2010. We have within the Commonwealth a planning assumption that there will be something like 100, but that is subject to ongoing development and refinement over the course of 2010.

Senator FIERRAVANTI-WELLS—The *Australian* of 22 April reported there would be 165. It said:

... the government yesterday confirmed that as few as 165 out of the nation's 764 hospitals would be converted to the activity-based funding model the Prime Minister championed as a key driver of a more efficient health service, Canberra has also agreed to take a hands-off approach to the management of local hospital networks.

One hundred and sixty-five is hardly the grand plan that the Prime Minister envisaged.

Mr Rimmer—The issue you are raising is not really connected to the number of local hospital networks. If I recall that article correctly, what it refers to is the number of hospitals that will be funded through activity based funding. There are, as you would know, a large number of very small hospitals in regional and rural Australia where it is not appropriate to provide for hospital services through activity based funding because the small volumes involved make it very difficult to make budgets balanced and to keep hospitals sustainable. So the activity based funding scheme will apply to a number something like that of hospitals, but it is worth pointing out that those 165 hospitals cover the overwhelming proportion of hospital services that are provided in Australia. I think it is roughly 90 per cent, but I would want to ask for further advice about that.

Senator FIERRAVANTI-WELLS—In the provisional work plan, appendix 4 of the future work plan, which was part of the agreement, it says that the establishment of the local health networks will be set up as separate legal entities under state or territory legislation. It is to

commence 2010-11 and it is to be undertaken by state governments. Then determining the size and allocation has to be resolved as well. That is all going to happen by the end of the year, is it?

Mr Rimmer—No, Senator. The plan is that, by the end of 2010, the number and geographic boundaries of local hospital networks will be agreed between the Prime Minister and each Premier or Chief Minister on a bilateral basis. That agreement will also take into account the concurrent development of boundaries for Medicare Locals so that we can arrive at a situation where Medicare Locals and local hospital networks have as consistent geographic boundaries as is possible in the circumstances. They will not always be consistent, but consistency is the objective. That resolves one aspect of the material that you referred to. The actual implementation of local hospital networks will take some time. States and territories will commence implementing those really from 1 July 2011, and the agreement that COAG has reached is that all local hospital networks will be fully established before 1 July 2012, which is when the activity based funding arrangements come into effect.

CHAIR—Can I clarify the date for when the agreement with all the states is to be met in relation to the hospital network?

Mr Rimmer—Before the end of 2010.

Senator ABETZ—I have an interest in this area. The actual agreement between the states and the Commonwealth has not been finalised by way of a legally binding agreement. Is that correct?

Mr Rimmer—Not entirely, Senator, with respect. The intergovernmental agreements between the Commonwealth and the states are traditionally not, as you refer to, legally binding documents. That is the first matter. The second matter is that the IGA for the National Health and Hospitals Network was agreed at COAG on 20 April and received the agreement of all states and territories and the Commonwealth, except for West Australia.

Senator ABETZ—But there is still a lot of work to be done to put the nuts and bolts together. So that which was signed on 20 April, minus Western Australia, still needs a lot of work done on it to pursue the matters that need to be resolved by the end of this calendar year?

Mr Rimmer—In a reform of this scale there are going to be a large number of implementation details that need to be worked through, and in this case that is true.

Senator ABETZ—So the answer is yes. Thank you. When was the last contact with Western Australia over this issue?

Mr Rimmer—Senator, I think we would have to take that on notice.

Senator ABETZ—So it has been so long that you cannot remember. In relation to changing the GST arrangements between the states, does that require the agreement of all the states?

Mr Rimmer—If I might answer the previous question before answering this question, there are a number of people within the government who are in contact with Western Australia. I would not want to mislead the committee, so before providing any answer I would want to check with my colleagues to make sure that I have the latest and most up-to-date

information. Questions about the change to the Federal Financial Relations Act, which is the core legislative element, are best addressed to the Treasury, but the simple answer to your question is that all states and territories need to agree that a change to the IGA should happen. In practice, what that may mean is that there is a clause in the IGA and a clause in the act, depending on how fast matters are resolved with Western Australia, that has an exception for Western Australia until their agreement can be reached.

Senator ABETZ—Sorry, there is an exception in the agreement until agreement with Western Australia can be reached—is that what you said?

Mr Rimmer—One of the next steps is that—

Senator ABETZ—Sorry, is that what you said—that we cannot proceed with it until Western Australia agrees?

Mr Rimmer—What I perhaps should have said is that the Intergovernmental Agreement on Federal Financial Relations needs to be amended to give effect to COAG's agreement. The core component of that amendment was actually discussed and resolved by COAG on 20 April. It is likely that, if agreement with Western Australia cannot be reached in the next few weeks, the intergovernmental agreement might have to be amended in such a way that has an exception clause Western Australia.

Senator ABETZ—Would you be anticipating that Western Australia would sign up to that so we would no longer have unanimity amongst all the governments in Australia in relation to that arrangement?

Mr Rimmer—You are asking me to speculate about what another government may choose to do. All I can say is—

Senator ABETZ—Things can proceed without Western Australia's agreement—is that what you are saying?

Mr Rimmer—That is our view, yes.

Senator ABETZ—When do you anticipate that the deal will be finalised? You said towards the end of this year. When can we anticipate that? During the caretaker mode? That is a cheeky question. October? November? December?

Mr Rimmer—I am not sure which deal you are referring to.

Senator ABETZ—You indicated to us about health reform. An IGA agreement was signed on 20 April. Usually these things take some time to finalise and fully negotiate, and its implementation would be finalised by the end of the year, if I understood you correctly.

Mr Rimmer—There are a large number of different components of implementation activity that will take place over the coming month, six months, 12 months, 18 months. One component of it needs to be finished by the end of 2010, which is the agreement on LHN boundaries and Medicare local boundaries. The amendments to the FFR intergovernmental agreement are really of a technical nature, and we do not expect that they will take a huge amount of time, but we will have to see how that goes.

Senator ABETZ—Have you sought detailed legal advice as to the binding nature of this and whether you can do it without Western Australia?

Mr Rimmer—I would like to take the question on notice. There are a number of departments involved and I want to make sure that I give correct information.

Senator RONALDSON—Are you aware of any departments that have sought legal advice?

Mr Rimmer—Not that I am personally aware of but I would want to check.

Senator ABETZ—I interposed in relation to the legalities but I do have some other health related questions.

Senator FIERRAVANTI-WELLS—I have a question in relation to the involvement of local clinicians. At the Press Club, the Prime Minister made much of local hospital networks being run by local health financial and managerial professionals rather than by state or, for that matter, federal bureaucrats and that they would be put in charge of running the hospital system. This is definitely a key feature of what the Prime Minister has promulgated. But, from the briefings we have had with the department, we understand that clinicians in local hospital networks would or could not be local. Local clinicians will not have the influence that they believe this plan will give them. The reason I would like that clarified is that page 14 of the agreement refers to the local health networks and sets out the government structures of them and the fact that they will have a professional governing council and a CEO. It says:

Governing Councils will comprise members with an appropriate mix of skills and expertise to oversee and provide guidance to large and complex organisations, including:

i. health management ...

It then says:

ii. clinical expertise, external to the LHN wherever practical;

That is a complete contradiction. First of all, who is going to decide? As I understand it, the states will determine who sits on the governing councils; therefore, what happens to the local clinicians who think they will have a say in the local hospital?

Mr Rimmer—The establishment of local hospital networks will mean that decision making about hospital services, the way hospitals are run and the day-to-day working relationship between clinicians and hospital managers will all be done on a much more local basis, with much greater empowerment of local managers and local clinicians to work together to solve problems in the interests of patients.

Senator CAMERON—Something Tony Abbott could never deliver.

Senator FIERRAVANTI-WELLS—Thank you, Senator Cameron.

CHAIR—Mr Rimmer, please continue your—

Senator FIERRAVANTI-WELLS—Would you bring Senator Cameron to order, please, Senator Polley?

CHAIR—Senator Fierravanti-Wells, if you were listening I was asking Mr Rimmer to continue. If you would allow me to get a sentence out without jumping in it would be most helpful. Mr Rimmer, you have the floor.

Mr Rimmer—As I was saying, the establishment of local hospital networks and the fact that they will be the devolved managers of hospital services in each local area will mean a much greater degree of engagement with local clinicians. There are other aspects of the design that will encourage the involvement of local clinicians, including clinicians from outside of the hospital sector. For example, there are references to cross-membership of boards between Medicare locals and local hospital networks. Obviously, Medicare locals are something that will also be established with very strong clinical engagement.

Senator FIERRAVANTI-WELLS—I know that, Mr Rimmer. The point is that it says, ‘Clinical expertise, external to the local health network’. You cannot on the one hand promise that you are going to have it run by local health professionals and on the other hand set out in the agreement that the members of these governing councils will be appointed by the states. You will have your local clinicians all in the expectation that they will be part of running the local health network, but that is not what it says at page 14. That is my point.

Mr Rimmer—Senator, with respect I think we are confusing two issues.

Senator FIERRAVANTI-WELLS—No, we are not confusing two issues. It is there in black and white!

CHAIR—Senator Fierravanti-Wells, you have put your question; will you allow Mr Rimmer to—

Senator Ludwig—If he wants to have a dig back, I think you are—

Senator FIERRAVANTI-WELLS—Anyway, it is okay. I understand Mr Rimmer disagrees with me. That is fine, I accept that.

CHAIR—Senator Fierravanti-Wells, Mr Rimmer had the call and this will be the final question before the break. Did you have anything further to add, Mr Rimmer?

Mr Rimmer—Thank you, Chair. There are two separate issues. The first issue is the extent to which local doctors are involved in the management and delivery of local health services. And through Medicare locals and through local hospital networks, that will be significantly enhanced under the structural reforms that COAG has agreed to. The second issue relates to the actual governing council of the local hospital networks. There is very strong provision for clinical engagement in those governing councils. There are some good corporate governance reasons which suggest that some of the clinical representation on the local hospital network governing council should be external to the local hospital network. That is in accordance with commonly accepted principles of good corporate governance. That will help get good clinical engagement, but the actual existence and operation of local hospital networks themselves in a day-to-day sense is the thing that is going to give the most significant boost to local clinical engagement.

Proceedings suspended from 9.16 pm to 9.38 pm

CHAIR—Welcome back. We are still dealing with program 1.1.

Senator HUMPHRIES—My question relates to the process for forming and enforcing COAG agreements, in this case for affordable housing. I understand that the National Affordable Housing Agreement has a provision that reads as follows—it is clause 13:

13. Local governments ... are responsible for:

- (a) building approval processes;
- (b) local urban planning and development approval processes; and
- (c) rates and charges that influence housing affordability.

My question relates to steps taken by the Commonwealth and states bilaterally since that agreement was reached to put in place measures under the nation-building stimulus program, because I understand that those provisions require that there be streamlining of building approval processes which in fact provide for local urban planning and development approval processes to be sidestepped or ignored and for local government building approval processes to be dispensed with. Can you explain to me how it is that the terms of the NAHA, which I understand was signed by all states and territories and the Commonwealth, can be effectively overridden or in fact trashed by subsequent decisions to streamline social housing projects?

Ms Beauchamp—It is not my understanding that they were overridden by the stimulus program. As part of the housing element of the national stimulus package, we worked with states and territories to see how we could streamline local and state building approval processes. So we did not ‘trash’ them as you have indicated.

Senator HUMPHRIES—You have negotiated arrangements whereby local building codes have been put aside and local governments have had their approval requirements set aside for the purposes of stimulus projects. I am not sure if you are familiar with that, but a number of comments are being made around the country by local government about their inability to influence decisions being made under the stimulus housing program. If those things have been done, aren’t they inconsistent with the provision of NAHA which says that local government will make these decisions?

Ms Beauchamp—Through the housing coordinator in the FaHCSIA department, but that coordinator worked with the states and territories, and the states and territories are indeed responsible for looking at arrangements that can apply both at the local government level and at the state level on a case-by-case basis.

Senator HUMPHRIES—Are you saying that the provisions that guarantee a role for local government in NAHA are only provisions effectively for the benefit of the state governments that signed those agreements and that local governments cannot take any comfort from the protection that they are afforded by that agreement because the states that signed the agreement can effectively negotiate their way away from those obligations in the case of these particular projects?

Ms Beauchamp—I would have to take that on notice to answer that question in particular because I would need to look at exactly what the arrangements are in the NAH Agreement.

Senator HUMPHRIES—I think I have accurately described what is in the agreement, and it is also very clear that several states, specifically New South Wales, Victoria, Tasmania and South Australia, have enacted so-called nation-building legislation which allows them to override local government approval processes. I am curious as to how they are able to do that when they are presumably all bound individually and collectively by the terms of NAHA.

Ms Beauchamp—I think you would agree that the stimulus package was a response to an extraordinary set of circumstances around the global financial crisis. The focus was getting

stimulus—jobs, employment—underway. I think what we did, through agreement with the states and territories, was to work very closely to see what could be done—

Senator HUMPHRIES—If I may interrupt, I understand that point and I am not arguing in this case that extraordinary measures should not be taken. I am just trying to understand how it is possible for a national agreement, signed by all the governments of Australia, to be ousted by bilateral decisions between the Commonwealth and certain states that are inconsistent with the NAH Agreement. That is what I want to find out. Can I also ask you to take on notice, if there are such breaches—what I would characterise as a breach of an agreement such as NAHA—what penalties or sanctions are available within the agreement for states that do not comply with the terms and the obligations that they have under NAHA.

Ms Beauchamp—It is my understanding that the parties to the NAH Agreement were the same parties to the national partnership agreement under the stimulus plan, which identified the housing component of the stimulus. So there was certainly sign-up under the stimulus package from the states and territories.

Senator HUMPHRIES—So they have effectively varied the earlier NAH agreements by virtue of these individual decisions on stimulus projects?

Ms Beauchamp—I think you need to look at it in context. In relation to the stimulus rollout, I think the national partnership agreement that was signed was specifically for a particular purpose, whereas I think the NAH Agreement applies for a longer term arrangement.

Senator HUMPHRIES—What status does the NAHA have if its terms have been at least partly set aside by these individual agreements for stimulus housing projects?

Ms Beauchamp—I will take that on notice.

Senator RYAN—I will attempt to be as brief as possible. I refer to question PM74(a) to (e). The question related to the Office of the Coordinator-General breaking down funding by electorate. In part d) of the answer, the department indicated that, while electorate information would be available on their website, the department's briefs provided to government contain various material, including cabinet-in-confidence material and commercial information, that is not suitable for public release, and to undertake the exercise of reviewing all the documents in question to determine what can be released would be an unreasonable diversion of resources. Are those documents only given by the Coordinator-General to the Prime Minister? Which other ministers are they given to?

Ms Beauchamp—Is what given to other ministers?

Senator RYAN—The briefs that include funding by electorate—for example, when the Prime Minister is visiting—but which are not suitable for release either on the website or to this committee.

Ms Beauchamp—If I understand you correctly, you are looking at the information we provide to the Prime Minister in terms of electorate information that could be private or commercial information.

Senator RYAN—Yes. The question was: has the department undertaken any research or created any reports that break down funding by electorate?

Ms Beauchamp—In relation to the website for the national stimulus plan, all the funding is broken down by electorate.

Senator RYAN—All of it?

Ms Beauchamp—I think it is all listed on the website—yes.

Senator RYAN—Is the funding broken down on the basis of electorates currently in the House of Representatives or is it also broken down on redistributed electorates in states that have had redistributions since the last election?

Mr Hoffman—That is one we would have to double-check.

Senator RYAN—Does the website include electorates as they currently stand or electorate as they will stand at the coming election?

Ms Beauchamp—They are as they currently stand.

Senator RYAN—Firstly, if this data has been broken down inside the department for electorates in states that have been redrawn, I would appreciate confirmation of that having been done by the Coordinator-General. Secondly, I would like to know when that was undertaken. Thirdly, could that information be provided to the committee. If the website only includes current electorates but the department and the government have access to information based on new electorates, that would be of interest to the committee. Are you happy to take that on notice?

Mr Hoffman—We will take that on notice. We receive information from the department that is administering the programs—so, for social housing it comes from FaHCSIA, and so on. They provide it to us in a database feed which is characterised by electorates as they currently stand, as Ms Beauchamp said. So we do not have, to my understanding, information on the basis of new electorate boundaries. We would receive that in future from the relevant departments. But, as we said, we will take that on notice and confirm that.

Senator RYAN—Thank you. I would appreciate that. Ms Beauchamp, on 20 March this year—I am happy to table this—there was an article in the *Australian* newspaper that outlined how the CFMEU in Victoria had succeeded in having site allowances for major projects awarded to some of the BER projects by effectively aggregating the various number of projects. Has the Coordinator-General monitored the impact of this on the cost of the projects?

Ms Beauchamp—It might be worth while if I outline the role of the Office of the Coordinator-General.

Senator RYAN—I understand that, and we have been through it before. I am not sure whether this is something that would be picked up by the various discussions that would happen between the coordinators-general of the states and the Commonwealth. Is that something you would expect to be reported by the Victorian Coordinator-General, given that it is a significant cost element of the program in Victoria?

Ms Beauchamp—It would depend on what program it relates to as part of the stimulus.

Senator RYAN—I understand that this relates to the BER P21 program.

Ms Beauchamp—If it does relate to the BER, the BER coordinator at the Commonwealth would continue to work with the states and territories on whether it had any impact on the cost of the rollout of the program.

Mr Hoffman—As a general rule the Office of the Coordinator-General does not collect or analyse cost information at a project-by-project level—

Senator RYAN—This is statewide. It is a constant frustration for this committee that there appears to have been a dramatic lack of data collected by the various Commonwealth agencies on how this money is spent—and we went through that at length with the Auditor-General this afternoon. If we have a significant cost impact on a Commonwealth funded project in Victoria—and, according to this newspaper article, it could be up to \$80 million—then surely it would be picked up in the various reporting mechanisms of the Commonwealth Coordinator-General. If it is not, I am not happy, but please say so.

Ms Beauchamp—In my time in the Coordinator-General role, and in my discussions with the state and territory coordinators-general, this has not been raised as an issue.

Senator RYAN—Would you expect that something of this scale should have been raised by the Victorian Coordinator-General in your regular oversight and discussion of the program with that person?

Ms Beauchamp—Going back to the role of the Coordinator-General, I think it is important to understand that there are Commonwealth coordinators for each stream of the program. Particularly in relation to BER, where another agency is responsible for overseeing the program management function, they may have been alerted to any issues from their line coordinators. But it certainly has not been raised with the state and territory coordinators-general. Whilst we do have responsibility for consolidating and overseeing the whole of the stimulus package in relation to infrastructure, this issue has not come up in my role. But it may have come up in relation to DEEWR's oversight of the BER.

Senator RYAN—I will chase it up with them. This just illustrates again our frustration that we are constantly referred to various coordinators-general and it is difficult to get information about how Commonwealth appropriations have been spent.

Senator KROGER—In matters such as Senator Ryan has just raised, what is your role in identifying potential concerns? Let us presume for a moment that these concerns have not been picked up by the individual agencies in terms of the implementation of the program. Do you have a role in identifying and value-adding to the rollout of these programs?

Ms Beauchamp—The setting up of the Office of the Coordinator-General and the Commonwealth Coordinator-General occurred in February 2009. It was agreed by all state and territory governments and COAG. It is very clear in terms of the roles and responsibilities of the Office of the Coordinator-General compared to the roles and responsibilities of the states and territories and indeed other Commonwealth coordinators around particular program elements. The Commonwealth is responsible for providing a financial contribution to the rollout of the stimulus, and the Office of the Coordinator-General provides high-level monitoring and oversight.

The states and territories are responsible for the implementation and delivery of the program. Just as an example, the states and territories were provided with around \$240 million to deliver key elements of the stimulus package. So, to my mind, under the national partnership agreement the roles and responsibilities of the states and territories are specific. The state and territory coordinators-general are also coordinating across each of the states. They bring forward issues and have done so since February 2009. Any issues that are raised by the states and territories can be fed to the Commonwealth in a number of ways: through the Office of the Coordinator-General and the state and territory coordinators-general, but it can also go up through the different streams of the stimulus package, whether it be housing or the BER, for example. This issue that has now been raised has not been brought to my attention, given I have only been there also for a short period. Obviously, we also get advice from the Commonwealth coordinators in BER, who are talking on a constant basis with the states and territories in terms of the education authorities, the education departments and the like.

Senator KROGER—If I can ask you, with Senator Ryan’s forbearance: you are responsible for ensuring appropriate rollout of the Commonwealth moneys for these programs?

Ms Beauchamp—We are responsible for oversighting the requirements of the national partnership agreement, which refer to expenditure and key milestones in terms of what has been delivered. The line agencies have primary carriage and primary oversight.

Senator JACINTA COLLINS—Just while you are dealing with the milestone—sorry to interrupt—could you outline for us those key milestones?

CHAIR—Senator Kroger had the call. Perhaps Senator Collins can have a follow-up question as a supplementary. Ms Beauchamp, if you could just answer Senator Kroger’s question and then a supplementary will be forthcoming from Senator Collins.

Senator JACINTA COLLINS—I will come back to the milestones in a moment.

Senator KROGER—If I can follow up your response just with one matter and then we can revert back to Senator Ryan: what accountable processes have been built into what your office deals with to ensure that there is efficiency and effectiveness in the utilisation of the way in which the stimulus package—in this case, the BER—is rolled out?

Ms Beauchamp—As I said earlier, a number of governance arrangements have been put in place to ensure that all parties involved are clear about their roles and responsibilities. I will say again that in relation to the BER the states and territories, being responsible for delivery and implementation, build on the states and territories procurement models, project management models and the like. In terms of the BER framework some arrangements were put in place by DEEWR to provide some level of consistency and caps, for example, on the administrative funds that could be used by each state and territory. So a framework was put in place to ensure that there was efficient rollout and that it was being rolled out effectively as well.

CHAIR—Can we just have the supplementary from Senator Collins. She had put that on the record as a follow-up. Ms Beauchamp, if you could just take Senator Collins’s follow-on question and then we will go to Senator Ryan.

Senator JACINTA COLLINS—I thought it may be helpful if Ms Beauchamp outlined the key milestones so that it is clear to the committee what sort of data is being collected with respect to those milestones.

Mr Hoffman—Just to answer very briefly: the sorts of milestones to which Ms Beauchamp was referring are the completion of a certain number of projects, be it social housing units, be it schools—either refurbishments or new projects being completed in various rounds by certain set dates. They are the milestones that were announced and agreed in the national partnership and which we provide, as Ms Beauchamp has said, the high-level monitoring and oversight to.

Senator JACINTA COLLINS—So, aside from competition of projects, what are the other areas?

Mr Hoffman—The two main areas, as I said, are completion of projects by set dates and then tied against the expenditure of funds. There is then a series of sub-milestones to do with the quality of those buildings and constructions, the standards that are applied to them, the template designs that are used and so on.

Senator RYAN—Ms Beauchamp, I have got a very visual mind. You outlined what looked like a great flow chart on different coordinators-general and frameworks. There is only one thing missing. There appears to be nowhere where we can ask a question about an issue like this. If we go to DEEWR or the relevant committee, we are told the state is the implementing agency. If we come to you, you point us to DEEWR.

Senator CAMERON—Is this a question—

Senator RYAN—Yes, it is.

Senator CAMERON—or a whinge?

Senator RYAN—The Auditor-General today outlined that, with the structure of the program that you outlined, he is prohibited by law from actually investigating issues like this. The state governments may have the opportunity, as you said, to raise issues of concern. Where do senators and members go about issues like this, particularly around how the money was spent—not benchmarks about whether a demountable classroom was dumped in a schoolyard but how the money was spent—so we can investigate the Commonwealth appropriation for this program?

Ms Beauchamp—Could I point out to the senator that we have actually provided two reports on expenditure overall, one in February this year that does provide an outline of how we are going against milestones. Mr Hoffman mentioned some of those milestones. Some of those milestones are various rounds of funding having been conducted, commencement dates, construction dates, dates that they need to be completed by.

Senator RYAN—I appreciate that and I have seen some of those reports—I have not read them all—but those do not answer questions like this about whether value for money was achieved.

Senator CAMERON—If you have not seen them all, how do you know?

Senator RYAN—The Auditor-General cannot do it. The department of education says, as you have just said, that the states are the responsible agency. If the measure of success is shovelling money out the door, this program has probably been a success, but there has been question after question about issues like this. Where do we go to ask questions about a Commonwealth appropriation of billions of dollars with respect to whether or not it has been wasted? Who do we ask?

Ms Beauchamp—I would like to take issue around the value-for-money issue. I have described a framework for rollout of the program. In terms of the BER, there were a number of bilateral agreements put in place to ensure value for money was indeed being achieved. For example, on 27 August 2009, following up from a 6 March email, the BER guidelines were updated to include a direct reference to value for money. So, very soon after the stimulus package started, it was clear in terms of the value-for-money requirements of the BER that they were outlined in those bilateral agreements.

Senator RYAN—With all due respect, I think the question here is not whether or not it has been printed on a bit of paper but what has actually happened in schoolyards around the country. You mentioned earlier that you have a high-level—

Senator Cameron interjecting—

Senator RYAN—Go get Waldorf, if it makes it easier for you.

CHAIR—Senator Cameron, Senator Ryan has the call.

Senator RYAN—You mentioned earlier that you have a high-level responsibility. Here is an issue that involves potentially \$80 million. At what level would you expect, as Commonwealth Coordinator-General, to be informed of a cost impact on a component of the stimulus package if it is not \$80 million? I am not familiar with exactly when you started in the role, but at what point would you expect to be informed?

Ms Beauchamp—Can I reiterate, the value-for-money issues are picked up in the bilateral agreements. The states and territories are responsible for ensuring value for money.

Senator RYAN—How do you ensure that?

Ms Beauchamp—Sorry, if I could just finish. The Auditor-General also made it clear that responsibility for achieving value for money rested with the education authorities, and if I can just refer to paragraph 44 and 719 of the report. The Commonwealth Auditor-General made it very clear in terms of whose responsibility it is.

Senator RYAN—I actually personally think it is partly my responsibility. If you are saying the guidelines are inadequate and you cannot enforce this issue, then I would be happy to hear that. The Auditor-General also said he did not have the legal capacity to investigate other instrumentalities. So in many ways it was not an endorsement, as he made clear this afternoon; it was a comment on the limitations of his role and the framework agreements that had been struck by the Commonwealth and the states. It was not an endorsement that means value for money is happening. What I am trying to explore here is where I go at the Commonwealth level to ask whether we are getting value for money for these billions of dollars? It appears there is no-one we may ask. There are plenty of people who we ask, but there is no-one who can give us an answer.

Ms Beauchamp—I think you would appreciate it is a \$16 billion program.

Senator RYAN—That is exactly what I appreciate!

Senator Ronaldson interjecting—

CHAIR—Order, Senators! Can we please allow the witness to answer with some silence, so we and Hansard can hear the evidence. Thank you, Ms Beauchamp.

Ms Beauchamp—I have been very clear in terms of whose responsibility it is to ensure value for money. In addition to the scrutiny around the BER by the Auditor-General, the Deputy Prime Minister also announced further scrutiny through the Building the Education Revolution Taskforce, headed up by Brad Orgill. They will also be looking at value-for-money issues as they arise.

Senator RYAN—And I am sure we will be following them up on that. Finally, would it have been possible, if I were to—Sorry, let me rephrase this; I have been careful about the way questions have been phrased before. Is it possible to draft a framework agreement where money is being provided to another jurisdiction where the jurisdiction funding it can actually ensure that the details reported would encompass items such as cost of individual programs and relative cost of different projects being undertaken by the jurisdiction? Is that possible?

Senator LUDWIG—It is a hypothetical question.

Ms Beauchamp—It is. Could I make an observation. In my experience as a public servant who has been involved in Commonwealth-state agreements, for many, many years the Commonwealth generally provides funding contribution and the states and territories are responsible for delivery. In the agreements I have seen in the past, under many previous governments, it is not the practice for the Commonwealth to get involved in project-specific details around the administration of an agreement with the states and territories. What it is having trust in the states and territories—

Senator RYAN—I think you should speak to some state government officials a bit more often, Ms Beauchamp. Their perspective is quite different.

Senator Cameron interjecting—

Senator RYAN—Yes, but budget surpluses versus deficits, Doug.

Senator CAMERON—You're such hypocrites!

CHAIR—Senator Ryan, if the witness could complete her answer, then you have the call to put a question. Senator Cameron, it is not helpful to interject.

Senator CAMERON—Jeez, they're such hypocrites, though!

Senator RYAN—I have nothing more on that.

Senator CAMERON—I am not surprised.

Senator RYAN—I have one more issue.

CHAIR—Had you finished your answer, Ms Beauchamp?

Ms Beauchamp—I was just going to say the arrangements that we have in place, whilst they are responding to quite extraordinary circumstances, have been in place for a number of years around Commonwealth state relations.

Senator RYAN—With respect, I have not explored the issues of whether or not a stimulus or this stimulus was justified in the circumstances. I am not asking about that. If you would like to go into that debate, we would probably need more time. So I do not know if that comment necessarily answers the question I was putting. I will probably leave that issue there, because of time pressures.

Ms Beauchamp—Sorry, it was my understanding, Senator, you were inquiring as to the level of detail the Commonwealth would get into in administering such a program.

Senator RYAN—In that case, the misunderstanding is on my part. I have one more issue to raise, but Senator Abetz had a follow-up question.

Senator ABETZ—You are telling us the states are responsible to get value for money on each individual project. Is that right?

Ms Beauchamp—That is correct.

Senator ABETZ—But the Commonwealth taxpayer is providing the money—that is also correct?

Ms Beauchamp—Yes.

Senator ABETZ—If we are to determine that a specific project is not value for money—and, chances are, out of all the thousands there might be just one that is not value for money—how do we as a Commonwealth retrieve or get some justice for the non-value for money, if I can use that neutral term rather than calling it wasteful and reckless? How do we recover that? Do we just say, ‘Oopsie, that was bad’?

Ms Beauchamp—If anyone has a complaint about the value for money or other aspects of the BER, they would provide their evidence or details to the Building the Education Revolution task force, headed by Brad Orgill. The task force would then look at the validity of those claims and, quite rightly, refer rectification issues back to either the states or whoever is responsible.

Senator ABETZ—This is Commonwealth taxpayers’ money and there is no Commonwealth parliamentary scrutiny that can be applied in relation to certain building projects that, no matter how embracing you are of the stimulus package, I think some people might agree were not exactly value for money.

Senator JACINTA COLLINS—I think DEEWR has had a lot of that consideration.

Senator ABETZ—How would we pursue this?

Ms Beauchamp—Sorry, what would you like to pursue?

Senator ABETZ—The non-value for money on individual projects.

Mr Hoffman—That is precisely what the task force has been set up to look at—individual projects.

Senator ABETZ—So get the task force here to answer questions for us as to whether they think they have achieved value for money in a whole range of specific projects.

Mr Hoffman—I do believe Brad Orgill appeared before a Senate committee just last week.

Senator ABETZ—I am talking about the Senate estimates process; I do not think we had any Senate estimates sitting last week.

Mr Hoffman—He appeared before a Senate committee last week.

Senator ABETZ—Senate estimates committee, thank you. When do we get to talk to them at Senate estimates?

Ms Beauchamp—DEEWR. Could I also—

Senator ABETZ—And they will tell us—

CHAIR—The witness had something else to contribute that may be helpful.

Ms Beauchamp—I was just confirming that there is a current parliamentary Senate inquiry into aspects of the BER, where senators can raise issues.

Senator ABETZ—Like we are raising issues here without getting the answers. Let's move on.

CHAIR—Can we have one senator at a time, please.

Senator RYAN—I want to make sure you understand the point of frustration. In the appropriations process we have three estimates hearings a year. There may well be another Senate inquiry. The Auditor-General has said he cannot investigate these issues. You cannot answer the questions and, in our experience, the committee examining DEEWR cannot answer the questions that we have. You have said—

Senator Ludwig—I am not entirely seized of that issue. You are saying that for and on behalf of them, so I will not accept that as a factual statement. It is certainly not—

Senator RYAN—There is no estimates process whereby we can ask these questions about these appropriations at the moment.

Ms Beauchamp—My understanding is that DEEWR have not yet appeared before Senate estimates.

Senator RYAN—We will give it another shot next week.

Senator CAMERON—Ms Beauchamp, you indicated that this process of accountability is the same under this government as it was under previous governments—that the states have responsibility. Are you aware that the Auditor-General examined the previous government's Regional Partnerships program and said that it did not meet an acceptable standard of public administration? Was that one of the programs that was allocated to state areas?

Senator RYAN—Point of order, Chair.

Senator CAMERON—There is always a point of order when there is a problem with you guys.

Senator RYAN—I am just trying to stop you wasting time.

Senator CAMERON—Always a point of order when it is your misuse of money.

CHAIR—Senator Cameron, there is a point of order before the chair. Senator Ryan.

Senator RYAN—Chair, my point of order is that the question is completely unrelated to the topic you allowed Senator Cameron to ask a question on and you have asked us to follow an outcome-by-outcome approach, so it cannot be related to anything the Auditor-General has done.

CHAIR—In relation to the point of order, can I remind Senator Cameron that you did seek leave for a follow-up question to Senator Abetz. Can you make that consideration when—

Senator CAMERON—The follow-up question is on the issue of accountability.

Senator RYAN—You can do better than that, Doug.

CHAIR—I remind Senator Cameron of the standing orders and ask him to make his question relevant to the one that he sought the call on.

Senator CAMERON—I am trying to get some clarity on this issue that there was something different about the administration of the stimulus package and the administration and accountability of the Regional Partnerships program. Were there any differences?

Ms Beauchamp—I am generally aware of it. I was talking about the principles that apply to state and territory relationships where the Commonwealth provides a substantial funding contribution and the states and territories are responsible for delivering under those agreements.

Senator CAMERON—That was the process that was used, I understand, in the Regional Partnerships program, where the Auditor-General found it did not meet an acceptable standard of public administration.

Senator RYAN—Chair, on a point of order again. He has ignored completely your previous ruling. This is about another agency and something that happened years ago that is unrelated to the question at hand and what he sought leave to ask about.

Senator CAMERON—The stench is still around.

CHAIR—Senator Cameron, do you have any further questions?

Senator CAMERON—No, I think the point is made.

CHAIR—Senator Ryan.

Senator RYAN—Senator Cameron was heading down this path and this is specifically related to what I was asking before, that this was a not uncommon process to have Commonwealth-state relations.

Ms Beauchamp—I am talking broadly about Commonwealth-state relations and those grants.

Senator RYAN—The Auditor-General in his report into this in paragraph 2.35 said:

The premise on which the reforms to federal financial relations are founded—

that is, the reforms of this government—

is that the delivery of intergovernmental programs should be on the basis of partnership, as opposed to the more traditional ‘purchase-provider’ arrangements.

That does not indicate this is a bit of a change—doesn't it? The Auditor-General did outline that the reforms that this government has undertaken have actually led to some of the issues we have been discussing tonight. It is not the way it has been run since time immemorial. The Auditor-General said so, didn't he?

Ms Beauchamp—I was drawing comparisons around the likeness of Commonwealth-state relations, more generally.

Mr Hoffman—I think the thrust of the Auditor-General's report after setting up that framework was to go on to say that in his opinion the program has not been implemented in that way but has had greater control. So the thrust of his report is not the point that I think you are making, with respect.

Senator RYAN—The point I am making here is about the reforms to federal financial relations undertaken by this government. The government runs around with signs and badges proudly proclaiming it. So there have been changes. That is true, isn't it?

Ms Beauchamp—Indeed, there have been changes.

Senator RYAN—Thank you. If I could turn to another issue that is probably of slightly less import—that is, the Prime Minister's Twitter account. Is the Prime Minister's Twitter account managed out of the department or out of his private office?

Ms Beauchamp—The department supports the infrastructure to provide the links to his Twitter account. The Twitter account is managed in the office.

Senator RYAN—If you could confirm that the Twitter account is managed out of his office, does that include management of subscribers to it, not just typing in the message that the Prime Minister occasionally does but also—

Senator Ludwig—Hang on a minute, you do not know that to be a fact.

Senator ABETZ—He doesn't type anything in himself.

Senator RYAN—Whoever types it on his behalf.

CHAIR—Senator Abetz, Senator Ryan has the call. Senator Ryan, can you conclude your question.

Senator RYAN—I wanted the minister to confirm that everything other than the infrastructure—accepting friend requests and so on—are all managed out of the Prime Minister's office by him or one of his staff. I am not particularly interested in who that is.

Senator Ludwig—What I can advise—and we will see if this helps; if it does not help then if you have any further questions around this I will certainly take them on notice—is that the Prime Minister has quite plainly used Twitter since October 2008. I am sure you know his username. The Department of the Prime Minister and Cabinet was not involved, as I think you have heard, in the creation and nor is it involved in the maintenance of this account. My view is that, as a consequence, it is not a matter for Senate estimates. If you are asking more broadly then I think it is a matter for the Prime Minister's office.

Senator ABETZ—Do his electorate staff run it or his prime ministerial staff?

CHAIR—Senator Abetz, were you seeking leave—

Senator RYAN—Do his electorate staff run it or his prime ministerial staff? I will repeat the question.

Senator ABETZ—If it is prime ministerial staff then—

CHAIR—Senator Abetz, are you seeking call?

Senator ABETZ—I am not going to delay further on it.

Senator RYAN—And I am done.

Senator KROGER—I wanted to follow up on the role of the Office of the Coordinator-General because I am still somewhat perplexed by your responsibilities. I understand from what you have said that you are not responsible for rolling out the delivery of programs in the states and territories and I have heard what you have said in relation to the BER. But I refer to a report that was commissioned by the government from Dr Allan Hawke on the insulation program. In that report, Dr Hawke says:

Given the reach of the program into so many Australian homes, it demanded much more and continuous attention from the Office of the Coordinator-General than it received, particularly in the post-July 2009 roll out period.

Given that we now have a program which has had extraordinary consequences in so many ways because of the way in which it was so ineptly managed—billions of dollars flushed down the drain pipe but, more importantly, 150,000 homes in need of safety inspections and so on—do you not concede that there is a role for you as an office to oversee and identify that due diligence and probity is given to programs that are rolled out?

Ms Beauchamp—For those which the Commonwealth is responsible, yes.

Senator KROGER—For those that the Commonwealth has funded and is responsible for, such as the insulation and batts program?

Ms Beauchamp—Issues around the insulation program were very different to the delivery of other elements of the stimulus package.

Senator KROGER—What do you see as your responsibility in relation to the rollout of this program and essentially the clean-up that is going to be required now?

Ms Beauchamp—There are two elements to that question. One is: what was our role in the old Home Insulation Program? The second is: what is our role in terms of what you have referred to as the clean-up of the program? In relation to the first issue around our role in the Home Insulation Program, again, the Commonwealth Coordinator-General had general oversight to ensure the milestones were being met in terms of expenditure, households being insulated and the like. The Department of the Environment, Water, Heritage and the Arts at the time had responsibility for the project rollout and delivery. We answered many of these questions in the insulation Senate inquiry hearing. We collected information from the DEWHA person on meeting those key elements and milestones identified under the national partnership agreement.

Senator KROGER—When did you become aware of the serious safety concerns that had been raised by the various parties?

Ms Beauchamp—The Office of the Coordinator General was involved early on in the piece, as you would have heard, in terms of the project control group, where risks were raised and mitigation strategies put in place. So we were aware at the rollout of the risks before the program started and also involved in understanding some of those risks and the rollout of measures that the government put in place to address those risks on a continual basis from July onwards.

Senator KROGER—Let me just get this straight. You were aware of risks before the program had been rolled out. Are you comfortable with the way in which those risks were addressed at the time?

Ms Beauchamp—At the time? It is very good to have hindsight, but at the time, as Dr Hawke's report noted, it is unreasonable to conclude that all the issues that emerged from the Home Insulation Program could have been anticipated. I think that is really the issue that we are dealing with. It is very good to have that hindsight, but I think Dr Hawke acknowledged in his inquiry and his report that some of the implications of the Home Insulation Program could not be anticipated at the time.

Senator ABETZ—There was a story in the *Australian* on 8 May that officials in Kevin Rudd's and Peter Garrett's departments assessed the risk of death or injury under the government's insulation program to be extreme three times in the three months before the first of four young workers was killed. Is that correct?

Ms Beauchamp—With the rollout of any large program within the Commonwealth, as has been iterated at length in two appearances before the inquiry, departments responsible for the rollout of programs do in fact develop risk registers and identify all the possible risks that can be identified at that stage, and then of course put in mitigation strategies to address those risks.

Senator ABETZ—Can I ask the question again, and I will do it slowly: is it correct that officials in Kevin Rudd's and Peter Garrett's departments assessed the risk of death or injury under the government's insulation program to be extreme three times in the three months before the first of the four young workers was killed? Is that a correct statement?

Ms Beauchamp—I was not there at the time. I will have to take that on notice, because I am not too sure what the document is you are referring to.

Senator ABETZ—I thought I said the *Australian* on 8 May 2010.

Senator JACINTA COLLINS—It was a fairly broad statement, though—'Peter Garrett's and Kevin Rudd's departments'.

Senator ABETZ—Departments—that is right. And I understand we have Kevin Rudd's department before us, and that is why I am asking the question. I do not think that should be surprising. I might ask Mr Garrett's department at some other estimates.

Senator Ludwig—Just reflecting upon the question, does it specify a particular meeting date?

Senator ABETZ—I am asking whether this is true or not.

Senator Ludwig—Yes, and that is one of the problems.

Senator ABETZ—It is either true or it is not.

Senator Ludwig—That is one of the problems. I think it would be safer in this respect—

Senator ABETZ—I am not making any assertions; I am asking if that is correct.

Senator Ludwig—In fairness, I think we should take it on notice. I do not have the document in front of me. I did reflect upon the question that was asked, and considered that on this issue, because we do not seem to be able to identify the date of the meeting, some of the detail in that seems little unclear to me. It would be prudent, under the circumstances, to take it on notice and to have a look at the record, given that the witness has indicated that she does not recall attending any of these meetings.

Senator RONALDSON—Madam Chair, I do not think there is any need to take this on notice. I can table these control group meeting documents from 31 July, 17 September and 1 October. To add further to the comments of my colleague, under the compliance and audit risk analysis, the risk is assessed as ‘insulation quality by installers is poor’. Under the consequences section, it says:

Unsafe or incorrectly installed product leads to fire/damage, injury or death

Program does not meet objectives

Increased cost for post installation reviews

Fire/Safety issues - litigation.

The consequence is listed as ‘critical’. That was from 31 July. Again, on 17 September, we have exactly the same situation. It says ‘installation quality by installers is poor,’ ‘program does not meet objectives,’ ‘unsafe or incorrectly installed product leads to fire/damage, injury or death’.

CHAIR—Are you seeking to table those documents, Senator Ronaldson?

Senator RONALDSON—I have.

Ms Beauchamp—Could I comment? In terms of the provision of information that we have provided—

CHAIR—Sorry to interrupt, but just to clarify, if you seeking to table those documents, Senator Ronaldson, then I need to ascertain whether the committee wishes to have those documents tabled.

Senator RONALDSON—We have all day; we can continue the discussion while they are being photocopied.

CHAIR—It has been agreed that the documents be tabled. Ms Beauchamp, you wanted to respond?

Ms Beauchamp—I just wanted to respond by saying that a lot of this information is on the public record, in terms of our involvement on the project control group. There is also a question on notice, No. 10, where we have outlined, from 3 February right through, all the changes that the Commonwealth government put in place through DEWHA to improve the requirements and standards of the work to be undertaken in the home insulation program.

Senator RONALDSON—PM&C were represented in those project control group meetings, weren't they?

Mr Hoffman—Yes.

Senator ABETZ—Who by?

Mr Hoffman—By officers in the Office of the Coordinator-General.

Senator ABETZ—Either of you two?

Mr Hoffman—Not in that period, no. The point that was being made was that the PCG was working through its risk register to identify risks, and you have quoted from that, Senator Ronaldson. DEWHA then took a series of actions, month after month, and they have been widely outlined, as Ms Beauchamp said, in testimony and in questions on notice in terms of responding to those identified risks, making changes in the program, communicating with the installer base and so on. It is equally acknowledged, and it is on the public record, that in hindsight those actions did not prove sufficient. But if the implication was that those risks were identified and nothing was done, that is simply not the case.

Senator RONALDSON—The document from the meeting of October 2009 says:

Process developed on how to handle fires linked to poor installation work

We see that all the way through these documents. PM&C was indeed present from February when these meetings started; is that right?

Mr Hoffman—The first project control group meeting was, from memory, not in February but in early April. But from that point, yes, when they started there was representation.

CHAIR—Senator Ronaldson, can I remind you that we had an agreement to go to output 1.2 for Senator Ludlam at 10.30 am, so can you make this your last question. That was the agreement.

Senator ABETZ—I have some questions on output 1.2 as well.

CHAIR—Senator Ronaldson, your final question?

Senator RONALDSON—I would have much preferred to spend half an hour on this.

CHAIR—That was the agreement that the deputy chair agreed to. Trying to make points is not helpful.

Senator RONALDSON—Madam Chair, I was not reflecting on you; I was just making the point.

Senator Cameron interjecting—

Senator RONALDSON—I think you should be so terribly careful about this, Senator Cameron.

Senator Cameron interjecting—

Senator RONALDSON—I do not view the outcome of this as amusing, I've got to say. From April last year, PM&C were present at Project Control Group meetings where it was quite clear that poor installation had been identified as an outcome of the rush to bring this project in, and yet the Prime Minister in February of this year was still denying any

knowledge of safety concerns in relation to this program—in February of this year he was still denying it! PM&C were represented at these Project Control Group meetings. It beggars belief, Ms Beauchamp, Minister, that the Prime Minister or Cabinet did not have any idea of the risk that had been associated with this program.

CHAIR—Is there a question?

Senator RONALDSON—Yes. And I will ask the further question—

Senator Ludwig—I am not sure there was a question there in the beginning. I understand the reports were tabled in any event but I would not mind having a look at those.

Senator RONALDSON—Can I also direct you to—

CHAIR—Senator Ronaldson, that was a long-winded question and it was your final question.

[10.36 pm]

CHAIR—We are now going to go to 1.2, National security and international policy. Those officers in 1.1 who are no longer required may leave. Senator Ludlam, you have the call.

Senator LUDLAM—I have a couple of questions relating to the independent reviewer of terrorism laws. What is happening with the independent National Security Legislation Monitor?

Mr Lewis—In December the government announced that it would establish the position of the National Security Legislation Monitor. The Independent National Security Legislation Monitor Act 2010 was passed, as you are probably aware, on 18 March and took effect on 14 April. The government is currently working through the process to appoint an appropriate and suitably qualified person as the monitor.

Senator LUDLAM—Can you tell us briefly why it has taken nearly two years to set up one part-time officer to review legislation when we have done all sorts of other interesting things in that period? Why has it taken such a long time to set up this office?

Mr Lewis—The legislation took effect last month, so we are working as quickly as we can. There are decisions to be made about the merit based process of selection and so forth, but that is underway as we speak.

Senator LUDLAM—Did the government have any ideas before the passage of the legislation about who they might choose to perform that role, or has this process only just begun on the passage of the legislation?

Mr Lewis—I am not sure that I can identify precisely when the process began. I have been aware of it for a couple of months.

Senator LUDLAM—Did the drafting of the bill and the consultation that occurred beforehand occur within the Attorney-General's Department or was that coordinated through PM&C?

Mr Lewis—I am not sure.

Senator LUDLAM—My understanding is that it was through the Attorney but that at some point it was transferred across to Prime Minister and Cabinet.

Mr Sheehan—The bill was through the Attorney-General, but we also had an officer within the office of national security and international policy. So we also had an officer within PM&C working on the issue.

Senator LUDLAM—Are you able to enlighten us as to why it took such a long time to draft that legislation? The Senate passed a private senator's bill on this down to the House of Reps at the end of 2008. It took all of 2009 for the government to come up with a bill. What has been the hold-up? Why has it taken so long to get to this point? Two years in, we still do not have a monitor appointed. Is there something inordinately complex going on that I am not aware of?

Mr Sheehan—My understanding is that there was consideration by committee before the bill was passed. Now further process is involved in going forward and selecting the monitor.

Senator LUDLAM—As a participant in all the committees, I can assure you that it was not the committee work that held things up. We will move on. Can you point to where in the portfolio budget statements the funding appropriation for this office is?

Mr Sheehan—My understanding is that it does not appear within the PBS but that the money is within the forward estimates and that funding of \$1.36 million over four years was allocated in the last budget to fund the establishment of the office of the monitor.

Senator LUDLAM—If it is not in this PBS, do I find it in the Attorney-General's Department PBS? Where is that money? It must be on somebody's balance sheet somewhere.

Mr Sheehan—I would have to take the question on notice to get further detail on that. I understand it is in our forward estimates, but I have no further detail.

Senator LUDLAM—It is \$1.36 million. That is consistent with what I had. That is over four years.

Mr Sheehan—Yes.

Senator LUDLAM—What happened to the funding this office was budgeted for last year that was not spent?

Mr Sheehan—Some of the funding would go to the officer within the National Security and International Policy Group. Again, I would have to provide the precise details on notice.

Senator LUDLAM—When do you anticipate that you will have an independent monitor of terrorism laws on the payroll and up and running?

Mr Lewis—It is entirely up to the government as to when the decision is made.

Senator Ludwig—We are working through it. The announcement will be the prerogative of the government. But, now that the bill has passed, I can assure you that the process has commenced and an announcement will be made in due course. Are you sceptical about it? We have passed the bill.

Senator LUDLAM—I am highly sceptical. I have been at this for two years. It is a part-time office with a handful of staff from PM&C.

Senator Ludwig—You may have been at it for two years, but the difficulty is that this government tried, in opposition, to persuade the previous government over a long period of

time—from 2001. We are now achieving that outcome. Yes, it has taken a while. We recognise that. It has certainly been a lot shorter than the process under the previous government. So, yes, you might feel a little frustrated that it has taken two years. But some of these matters started back in 2001 and for the first seven years there was no action.

Senator LUDLAM—I would have thought that that is more of an argument for moving on this. There is no point having a debate with you about it.

Senator Ludwig—And that is why I have indicated that we do take it seriously. The process has commenced, the act has passed and announcements will be made by the government in due course about this.

Senator LUDLAM—But you are not prepared to tell us when?

Senator Ludwig—Of course not.

Senator LUDLAM—Some ministers are actually quite forthcoming, whether there has been an announcement or not. So I should not assume that you are planning on being—

Senator Ludwig—There has not been an announcement. The process is still underway.

Senator LUDLAM—I should not assume you are going to be opaque. Every now and again there is a moment of transparency; it catches us by surprise.

Senator Ludwig—It is a question of the process is in place to find a suitably qualified person.

Senator LUDLAM—Is recruitment being undertaken publicly? Did I miss an ad in the *Australian* for the monitor and also for the staff?

Senator Ludwig—I will have to check with the department as to what their process was.

Senator LUDLAM—If you can tell us what your recruitment process is, firstly, for the monitor and, secondly, for his or her supporting staff.

Mr Lewis—When I last saw this, which was quite recently, a recommendation was going forward to government that a process be put in place. That went by way of advice, so the content of it I am not able to share with you. But it has been processed. I guess it would have passed me within the last two weeks. It is quite recent.

Senator LUDLAM—Just spell that out for me. How does that relate to my question about advertising? It has not been or it will not be?

Mr Lewis—No, sorry, you asked how the process was going, where we were at. That is my answer to that.

Senator LUDLAM—Just spell it out for me in short words, because it is so late. Did you advertise for the position of the monitor?

Mr Lewis—No, the process has not been agreed by government, Senator.

Senator LUDLAM—We have not even started the recruiting process yet?

Mr Lewis—The process has not been agreed by government. You cannot begin a process in terms of public advertising until such time as the process is agreed. That is under discussion.

Senator LUDLAM—We do not even know—we have not even started the recruiting process?

Mr Lewis—I did not say that, Senator. I just said that the process is under discussion with government.

Senator LUDLAM—I am not seeking to verbal you. You have not advertised yet because you have not set down the terms and conditions for that office yet—that is what you are talking about in terms of the process?

Mr Lewis—No. You are making a suggestion there. The reason we have not advertised for it is that the process is under discussion with the government.

Senator LUDLAM—I think I do understand what you mean. Is it intended that you will advertise that position publicly?

Mr Lewis—That will be, again, a decision to be made by government, whether the process involves public advertising or not. I am not trying to be evasive here. We just do not have that decision to hand.

Senator LUDLAM—What about staff? My understanding, although this is quite old information, is that there were going to be two staffers from PM&C who would be seconded or whatever your term is into this office. Is that still the case and what is the process for recruiting them?

Mr Sheehan—As part of the funding it is intended that there will be two staff members working on a part-time basis with the monitor—

Senator LUDLAM—The staff are part time as well?

Mr Sheehan—Sorry, let me rephrase that the staff will work with the monitor; they may also have other duties within the group. But there is money put aside for two people, one at EL1 level, one at a lower level, to provide support to the monitor. It will be difficult to fully gauge the resource requirements until the monitor is actually appointed and we have absolute clarity about the role of supporting the monitor and how that will work.

Senator LUDLAM—Can I provide you with some clarity now. In estimates hearings over the last 48 hours, the numbers of matters that have been referred to this not yet existing office for review have been extraordinary, just in hearings that I have been involved in. Now I hear that the staff are going to be part time, that we have not even started recruiting these people yet and that there is no office and no intention to make an announcement any time soon. Are you aware of the projected workload that other parts of the Commonwealth are planning on dumping on this poor part-time officer and his or her staff? Do you have any sense of how much material they are going to be expected to work through?

Mr Sheehan—We will have to gauge that once the monitor begins.

Senator LUDLAM—How long do you think that might take? I am wondering whether you get a sense of my frustration that it has taken two years effectively to get nowhere. It took two months for the House of Representatives to decide on the Senate's basic amendments around transparency and reporting obligations, but we have not even begun the recruitment

process yet for these part-timers. Is this a measure of the government's priority—perhaps through you, Minister—on the review of Australia's counterterrorism legislation?

Senator Ludwig—Not at all, and I reject your remarks, quite frankly. I could say that if the Senate allowed a lot more bills to pass this may have passed a little earlier and allowed the matter to commence a lot earlier, but—

Senator LUDLAM—We debated that bill in an afternoon.

Senator Ludwig—that is an aside that I will not pursue. In December 2008 the government announced it would establish the position, and the legislation passed on 18 March 2010 and took effect on 14 April. It certainly is still fresh in that sense. The government is working through the process to appoint an appropriate and suitably qualified person as the monitor and as soon as that is finalised it will be announced.

Senator LUDLAM—That is remarkable. I am aware that I have used up a little more than the 15 minutes, so I will ask you to take this question on notice. There is some budget, which I was able to find a line item for, for a \$3 million review of the Australian intelligence community. I put these questions to ASIO last night and they referred me up here. Can you tell us now, if it is quick, or take on notice, if it is more complex, the status of that review, who is conducting it and what its terms of reference will be.

Mr Lewis—Yes. I addressed this question in this committee earlier today.

Senator LUDLAM—As we are short of time I will check the transcript. I will leave it there.

CHAIR—We are now on 1.2, and I understand Senator Abetz has some questions.

Senator ABETZ—I refer to Mr Rudd's appointment of our ambassador to Italy. Who can help me on that? Mr Rudd made the announcement, so there must be an official here. Has he been provided with a course to brush up his Italian skills? I understand that was part of the announcement.

Mr Lewis—I think this question would be better put to the department of foreign affairs because it is the foreign minister who is actually –

Senator ABETZ—The Prime Minister made the announcement.

CHAIR—Senator Abetz, if we could just allow the witness to finish. I did not hear what he was saying.

Mr Lewis—I am not able to answer that question.

Senator ABETZ—What about any other official?

Senator Ludwig—I think it is a matter that may have to be directed to the department of foreign affairs, by the sound of it.

Senator ABETZ—Oh, come on.

Senator Ludwig—It is not unusual. I am sure that Mr Howard, the previous Prime Minister, opened roads and did a whole range of matters related to a particular portfolio that he had made an announcement for, and the questions would have been directed to that particular portfolio.

Senator ABETZ—It looks as though there is a document in front of Mr Lewis. Can you tell us now, please.

Mr Lewis—I do not know the facts, but I am advised that it was actually Mr Smith who announced the appointment; it was not the Prime Minister at all.

Senator ABETZ—How does Prime Minister and Cabinet know that? You have a document there. Does it say whether he was provided with language skills in that document that you have there?

Mr Lewis—I do not have a document. I just have a note here from one of my staff saying that Mr Smith announced—

Senator ABETZ—And does it tell you whether a course to brush up his Italian has been agreed to by the government?

Mr Lewis—I am sorry, I have no idea. That needs to be directed to the department of foreign affairs. There is nothing on this note. It is a handwritten note advising me that your suggestion that it was the Prime Minister who made the announcement is not correct. That is all I am pointing out.

Senator ABETZ—All right. Well, we will find out, won't we?

CHAIR—Does anyone have anything further on 1.2?

Senator RONALDSON—I need to go back very briefly to 1.1. There was a project control group meeting report of 3 December, which I thought was in the pack that I had been given, which I seek to have tabled. Also in relation to this issue, can I request that PM&C be recalled for a very brief time tomorrow in relation to the insulation question that we were pursuing and, if they are not available on Wednesday or Thursday for the committee, that they be recalled for Friday morning to pursue this matter further.

CHAIR—We would need to have a private meeting to discuss recalling PM&C as we have already dealt with that, and that was the agenda and program that has been agreed to by the committee. We can have a meeting in the morning prior to the commencement of tomorrow's hearing to consider that. If you could go back to the clarity of the document that you were referring to—

Senator RONALDSON—Yes, this is, as were the other documents that were tabled, a project control group meeting report of 3 December. I thought it was in the pack, and I acknowledge it was not, that I had given. So there were three, I thought there were four in the pack I was given.

CHAIR—There wasn't, but that one is marked 'in confidence' and we would have to check whether or not that is able to be made public. Once again, it would be a committee decision to make that public. We can deal with that in the morning as well.

Senator RONALDSON—The other three were not—

Senator Ludwig—Was that provided to another committee in confidence or in camera?

CHAIR—No, the document just states on the top 'Department in confidence', so we would need to consider this at a private meeting, which we will in the morning.

Senator Ludwig—That is a matter for you, Chair. I am not seeking to dabble in your processes.

CHAIR—So we will consider this in the morning.

Senator RONALDSON—Okay, that is fine.

Unidentified speaker—We have got the other three pages, haven't we?

CHAIR—Yes, but they were not marked 'in confidence'.

Senator Ludwig—The only thing I would indicate though is that obviously the estimates round has been set and no prior notice has been given for a recall on Friday. I would also indicate that this matter is subject to a range of Senate inquiries already. You might want to list those.

Senator Abetz interjecting—

Senator Ludwig—I am just indicating for everybody's diaries.

Senator RONALDSON—This has 'HIP with significant risk after treatment at 1 December 2009'.

CHAIR—Senator Ronaldson, we will deal with that at the private meeting in the morning, as we will consider your request to recall PM&C, which we have dealt with under the program. So we will have a private meeting in the morning before we commence with the Department of Finance and Deregulation. We will have that meeting at 9 am.

Mr Sheehan—I would just like to clarify an answer—

Senator RYAN—With all due respect, Chair, could we do this on notice? We have a few minutes left, and we came back from the break slightly late.

CHAIR—Can I just clarify whether this was something that you said you were going to take on notice or something you were going to report back on this evening.

Mr Sheehan—This was clarifying a final statement from Mr Ludlum before he left on the final question.

CHAIR—As he has already left the room, would you put that on notice?

Mr Sheehan—Certainly.

CHAIR—I am just clarifying that we have finished with 1.2?

Senator ABETZ—If I may on 1.2: what evidence did the government used to expel the Israeli diplomat given that this is a government that makes its decisions on evidence? Was it beyond reasonable doubt? Balance of probabilities?

Senator Ludwig—There are a couple of issues there. Firstly, this matter should be directed to the department of foreign affairs. Secondly, in relation to security related issues, it has been a longstanding practice, which the opposition does not seem to have adhered to, of not commenting on security related matters.

Senator ABETZ—What? You issued a public release about it, and dined out on it—but we don't comment on these things. Give me a break, Minister!

CHAIR—Do you have another question, Senator Abetz?

Senator ABETZ—Operation Sunlight does not seem to be shining.

Senator Ludwig—You can take it up with foreign affairs in the first instance, that is the usual course.

CHAIR—As we have finished on 1.2 and 1.3, we stand adjourned until tomorrow morning with finance and deregulation.

Committee adjourned at 10.59 pm