



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION  
COMMITTEE

ESTIMATES

**(Supplementary Budget Estimates)**

TUESDAY, 19 OCTOBER 2010

CANBERRA

BY AUTHORITY OF THE SENATE

THIS TRANSCRIPT HAS BEEN PREPARED BY AN EXTERNAL PROVIDER



## INTERNET

Hansard transcripts of public hearings are made available on the internet when authorised by the committee.

The internet address is:

**<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to:

**<http://parlinfo.aph.gov.au>**



---

**SENATE FINANCE AND PUBLIC ADMINISTRATION****LEGISLATION COMMITTEE****Tuesday, 19 October 2010**

**Members:** Senator Polley (*Chair*), Senator Bernardi (*Deputy Chair*) and Senators Faulkner, Kroger, Siewert and Stephens

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

**Senators in attendance:** Senators Abetz, Adams, Back, Bernardi, Boswell, Cormann, Faulkner, Fierravanti-Wells, Fifield, Forshaw, Heffernan, Humphries, Hurley, Kroger, Macdonald, McGauran, Marshall, Moore, Parry, Ryan and Siewert

**Committee met at 9.04 am**

**PRIME MINISTER AND CABINET PORTFOLIO**

Consideration resumed from 18 October 2010.

**In Attendance**

Senator Arbib, Minister for Sport, Minister for Indigenous Employment and Economic Development, Minister for Social Housing and Homelessness

Senator Sherry, Minister Assisting on Deregulation, Minister for Small Business, Minister Assisting the Minister for Tourism

**Department of the Prime Minister and Cabinet****Outcome 1****Overview**

Mr Duncan Lewis, National Security Adviser

Dr Wendy Southern, Deputy Secretary (Governance)

Dr Gordon de Brouwer, Associate Secretary (Domestic Policy)

**1.1 Domestic policy**

Dr Gordon de Brouwer, Associate Secretary (Domestic Policy)

Ms Rebecca Cross, Deputy Secretary (Social Policy)

Dr Paul Schreier, First Assistant Secretary, Industry, Infrastructure and Environment Division

Mr Paul Ronalds, First Assistant Secretary, Office of Work and Family

Mr Dominic English, First Assistant Secretary, Economic Division

Ms Yael Cass, First Assistant Secretary, Social Policy Division

Mr Andrew Jaggers, First Assistant Secretary, Office of the Coordinator-General

**1.2 National security and international policy**

Mr Duncan Lewis, National Security Adviser  
Dr Margot McCarthy, Deputy National Security Adviser  
Ms Rachel Noble, National Security Chief Information Officer  
Mr Michael Shoebridge, First Assistant Secretary, Defence, Intelligence and Research Co-ordination Division  
Mr Patrick Suckling, First Assistant Secretary, International Division  
Mr Tony Sheehan, First Assistant Secretary, Homeland and Border Security Division  
Ms Sachi Wimmer, Assistant Secretary, Border Protection and Law Enforcement Branch

**1.3 Strategic policy and implementation**

Mr Ben Rimmer, Deputy Secretary (SPIG)  
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**

Dr Wendy Southern, Deputy Secretary (Governance)  
Ms Helen Liossis, First Assistant Secretary, Corporate Services Division  
Mr Barry Sterland, First Assistant Secretary, Cabinet Division  
Mr Alex Anderson, Assistant Secretary, Legal Policy Branch  
Ms Joan Sheedy, Assistant Secretary, Privacy and FOI Policy Branch  
Mr Gerard Martin, 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**

Dr Wendy Southern, Deputy Secretary (Governance)  
Mr John Cairns, First Assistant Secretary, Ministerial Support Unit  
Mr Frank Leverett, Assistant Secretary, Ceremonial and Hospitality Branch

**Outcome 2****Office for the Arts**

Mr Richard Eccles, Deputy Secretary, Arts and Sport Group  
Ms Sally Basser, First Assistant Secretary, Culture Division  
Ms Lynn Bean, First Assistant Secretary, Arts Division  
Mr Stephen Cassidy, Acting Assistant Secretary, Indigenous Culture Branch  
Ms Kim Allen, Assistant Secretary, Collections Branch  
Ms Celia Street, Acting Assistant Secretary, Film, Literature and Creative industries Branch  
Mr Paul McInnes, Assistant Secretary, Arts Policy and Access Branch  
Mr Mark Taylor, Assistant Secretary, Arts Development and Training Branch

**National Gallery of Australia**

Mr Alan Froud, Deputy Director

**Screen Australia**

Dr Ruth Harley, Chief Executive Officer  
Ms Fiona Cameron, Executive Director Strategy and Operations  
Mr Ross Matthews, Head of Production Investment  
Mr Ian Clark, Transitional Chief Finance Officer

**National Film and Sound Archive**

Mr Steve Vogt, Acting Chief Executive Officer  
Mr David Boden, Acting General Manager, Collection Development and Outreach  
Mr Noel Florian, Finance and Infrastructure Branch

**National Library**

Dr Warwick Cathro, Director-General  
Mr Gerry Linehan, Assistant Director-General, Corporate Services

**National Museum of Australia**

Mr Andrew Sayers, Director  
Ms Louise Douglas, Assistant Director Audience, Programs and Partnerships  
Mr Mat Trinca, Assistant Director Collections, Content and Exhibitions  
Ms Lisa Wilmot, Director Employee Relations and People Development  
Ms Kylie Noonan, Chief Finance Officer

**Outcome 3****Office for Sport**

Mr Richard Eccles, Deputy Secretary, Arts and Sport Group  
Mr Bill Rowe, General Manager  
Ms Natasha Cole, Assistant Secretary, Sport Branch  
Mr Jaye Smith, Acting Assistant Secretary, FIFA Task Force

**Australian Sports Commission**

Mr Matt Miller, Chief Executive Officer, Australian Sports Commission  
Prof Peter Fricker, Director, Australian Institute of Sport  
Ms Judy Flanagan, Director, Assisting the CEO  
Ms Christine Magner, Director, Corporate Services  
Ms Nadine Cohen, Acting Director, Sports Development  
Mr Steve Jones, Director, Commercial and Facilities  
Ms Wenda Donaldson, Acting Director, Community Sport

**Australian Sports Anti-Doping Authority**

Ms Aurora Andruska, Chief Executive Officer, Australian Sports Anti-Doping Authority  
Mr Trevor Burgess, Chief Operating Officer, Australian Sports Anti-Doping Authority  
Ms Geetha Nair, General Manager, Anti-Doping Programs and Legal Services  
Mr Chris Owens, Director, Marketing and Communications

**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, Deputy Official Secretary to the Governor-General  
Ms Sharon Prendergast, Director, Australian Honours and Awards Branch  
Mr Stephen Murtagh, Director, Corporate Services Branch

**Australian National Audit Office**

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  
Mr Matt Cahill, Group Executive Director Performance Audit Services Group

---

Ms Fran Holbert, Executive Director Performance Audit Services Group  
Ms Barbara Cass, Executive Director Performance Audit Services Group  
Mr Peter McVay, Executive Director Performance Audit Services Group  
Mr Grant Caine, Senior Director Performance Audit Services Group  
Mr Brian Boyd, Executive Director Performance Audit Services Group  
Mr Michael White, Executive Director Performance Audit Services Group  
Mr Tom Clarke, Executive Director Performance Audit Services Group  
Mr Stuart Turnbull, Executive Director Performance Audit Services Group

**Australian Public Service Commission**

Mr Steve Sedgwick, Public Service Commissioner  
Ms Carmel McGregor, Deputy Public Service Commissioner  
Ms Annwyn Godwin, Merit Protection Commissioner  
Ms Helen Bull, General Manager, Workplace Relations Workforce Classification  
Mr Patrick Palmer, Group Manager, Corporate  
Ms Clare Page, Group Manager, APSC Products and Services  
Mr David Schmidtchen, Group Manager, APS Workforce  
Mr Patrick Sedgley, Group Manager, APS Workforce Classification  
Dr Andrew Taylor, Group Manager, Workplace Relations  
Dr Jane Gunn, Group Manager, APS Learning and Development  
Mr Damian West, Group Manager, Client Engagement  
Ms Karin Fisher, Group Manager, Ethics  
Ms Sherryn Bellis, Group Manager, Workforce Participation

**CHAIR (Senator Forshaw)**—Good morning everyone—Minister, Mr Eccles and other officers. I declare open today's meeting of the Senate Finance and Public Administration Legislation Committee. I will not read all of the statement that I made at the beginning of yesterday's hearing. I report that we are examining the particulars of proposed expenditure and related documents for 2010-11 for the parliamentary departments and portfolios of Prime Minister and Cabinet and Finance and Deregulation and annual reports of the departments and agencies. The committee has fixed Friday, 3 December as the date by which answers to questions on notice are to be returned. I remind senators that they have until the adjournment of the hearings today, 19 October, to lodge any written questions on notice with the secretariat. We are going to commence this morning by continuing our examination of the Prime Minister and Cabinet portfolio then proceed to the Department of Regional Australia, Regional Development and Local Government and the Finance and Deregulation portfolio.

I also remind senators again that if you are intending to quote from and table a document, it would be appreciated if you could provide multiple copies of the document so that it can be quickly distributed to the witnesses and other senators. I also again draw the attention of witnesses to the order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised. I now welcome again the Minister for Sport, Senator Mark Arbib, Mr Richard Eccles and other officers. Do you have an opening statement, Minister or Mr Eccles?

**Senator Arbib**—No.



**CHAIR**—If not, we will commence with questions for the Australia Council. Who wants to lead off?

[9.06 am]

### Australia Council

**Senator HUMPHRIES**—I want to start with some general questions on arts funding at this point. I note that at the recent election the government committed to contributing a new \$10 million to the Australia Council to support new and emerging artists. That was over five years. Will that promise be commenced from the 2011-12 budget?

**Ms Bean**—That is our understanding, and that is what was in the election costings. However, the appropriation of that money needs to be considered in the budget process.

**Senator HUMPHRIES**—Indeed they do. I would have to say that, as far as policy announcements go, \$2 million a year is a pretty modest total contribution towards enhancing the arts in Australia. I want to ask how the efficiency dividend will impact on that promise. As I understand it, the government at one point announced it was going to reduce the efficiency dividend from 1.25 per cent to one per cent. I understand that is no longer the policy of the government. Is that correct?

**Ms Bean**—As I understand it, yes.

**Senator HUMPHRIES**—So a 1¼ per cent efficiency dividend will apply to spending on agencies in this portfolio, including the Australia Council?

**Ms Bean**—At the present time, the Australia Council's entire appropriation is subject to the efficiency dividend, yes.

**Senator HUMPHRIES**—Over a one-year period, what would that entail in terms of a reduction in the allocation to the Australia Council?

**Ms Bean**—Sorry, I should add that there is supplementation for one component of the efficiency dividend for the council, which is the major performing arts funding.

**Senator HUMPHRIES**—Could you repeat that, please, Ms Bean?

**Ms Bean**—Sorry. There is supplementation for part of the efficiency dividend. So the efficiency dividend applies to the entire appropriation. But with one part of it—the money that is targeted for the major performing arts company—the council is supplemented for the money that would be lost through the efficiency dividend. So that is maintained. Yes, it is that ultimately the efficiency dividend does not apply to that component. It is around 57 per cent or 58 per cent of their appropriation. I do not have the exact number of how much they are scheduled to pay in the efficiency dividend or what it would amount to. I would have to take that on notice.

**Senator HUMPHRIES**—What is the budget allocation for the Australia Council for this year?

**Mr Eccles**—While Ms Bean is looking for the figure, it is around \$196 million.

**Senator HUMPHRIES**—Well, \$196 million approximately. You say 57 per cent of that figure is quarantined?

**Mr Eccles**—About 58 per cent of that goes to the major performing arts.

**Senator HUMPHRIES**—And that component is not subject to the efficiency dividend? There is an offset for it?

**Mr Eccles**—There is a fiscal treatment to ensure that the efficiency dividend has no impact. So, for all intents and purposes, that is right.

**Senator MOORE**—I want to ask a question on that. Does that appear as a separate allocation, then?

**Mr Eccles**—No.

**Senator MOORE**—It does not. So how does it appear in the budget?

**Ms Bean**—They just get a one-line appropriation.

**Senator MOORE**—Just a one-line appropriation. And there is an asterisk to explain that model?

**Ms Bean**—I do not think so.

**Senator MOORE**—Sorry, Senator Humphries. I just wanted to see how it worked.

**Senator HUMPHRIES**—Sure. I have been doing very rough maths. If a little under half of that \$200 million approximately is subject to the efficiency dividend, that is a cut, in effect, of about \$1 million?

**Mr Eccles**—With 58 per cent, it would be quite a bit less than the \$100 million.

**Senator HUMPHRIES**—Yes. But the efficiency dividend is 1¼ per cent. It is approximately \$1 million, is it not?

**Mr Eccles**—Sorry, Senator. Yes. I think that is probably about right. Forgoing the on-the-run maths, it is the ballpark.

**Senator HUMPHRIES**—What it means is that the promise of a \$2 million increase to support activities of the Australia Council is actually only half of that. That is true, is it not? If you are spending \$2 million extra on Australia Council activities and you are taking \$1 million away, you are left with only a \$1 million per annum increase in real terms, are you not?

**Mr Eccles**—Yes. The purpose of the efficiency dividend is to promote more efficient practices. But the maths is right.

**Senator HUMPHRIES**—But the Australia Council is essentially a funding body. Most of what it receives it gives out in grants, does it not?

**Mr Eccles**—Yes.

**Senator HUMPHRIES**—There is only so much efficiency you can make in the administrative arm to reach that target. There is no doubt, is there, that the efficiency dividend cut will affect the amounts going to arts organisations and individuals?

**Mr Eccles**—Yes.

**Senator HUMPHRIES**—Yes. Well, you might like to take on notice a question about the extent it does that. Can you tell me whether my maths is wrong? Perhaps there is less of a cut in store for the arts?

**Mr Eccles**—Yes. We will get the precise maths.

**Ms Bean**—Certainly to date the council has absorbed the efficiency dividend in their administration. They have not reduced grants to artists or arts organisations.

**Senator HUMPHRIES**—Is this including when the efficiency dividend went to 3¼ per cent?

**Ms Bean**—This is certainly in the last three to four years.

**Senator HUMPHRIES**—So you cannot tell me at this point in time the effect of the efficiency dividend in this financial year on grants to arts organisations?

**Ms Bean**—No. I do not have that figure. That is for the council to work out. I understand that there will be no impact on artists and arts organisations, but I will take it on notice to confirm it.

**Senator HUMPHRIES**—Well, it is already mid-October. The council would have made a decision about how it will deal with grants for this financial year. It makes grants on a financial year basis, I take it?

**Ms Bean**—Not always, no. They run a number of grant rounds through the year and across the different art form boards.

**Senator HUMPHRIES**—But in terms of grants of funding received in the 2010-11 budget, it would have made decisions on how it will deal with those grants, as in how much money for the efficiency dividend will come from grants and how much will come from administration.

**Ms Bean**—Yes. As I said, Senator, I understand that there will be no reduction in funding to artists or arts organisations. But because this is an Australia Council matter, not a departmental matter, I would need to confirm that on notice.

**Senator HUMPHRIES**—All right. That would be good. Have you got that figure yet on what the funding is?

**Ms Bean**—Yes. The appropriation from government for 2010-11 is \$172.264 million, and the council will receive \$9.195 million in other revenue from government.

**Senator HUMPHRIES**—That is \$9.215 million?

**Ms Bean**—It is \$9.195 million.

**Senator HUMPHRIES**—So about \$180 million or a bit over that. And you will take on notice telling me what the Australia Council has decided to do with respect to how it deals with the efficiency dividend?

**Ms Bean**—Yes.

**Senator HUMPHRIES**—Does the Australia Council have to report to government on a regular basis on how it is dealing with the efficiency dividend?

**Ms Bean**—No, Senator. The Australia Council is a CAC, a Commonwealth authorities and companies, body. It has a board and operates independently. As a matter of good governance, ministers over time have held annual or biannual meetings with the chair of the council and with the CEO, as with other portfolio agencies, to discuss governance matters. Prior to each of those meetings, the agency provides a report to the minister. One would expect that an issue like managing the budget would be part of that report. So it has in the past.

**Senator HUMPHRIES**—Okay. I am sure you are aware that there was lots of industry criticism of Labor's commitments in the recent election. I note that Geoff Brown from the Screen Producers Association of Australia said:

I have to say all sections of the industry have been really disappointed in Labor's lack of strategic vision in their platform. They're going into perhaps one of the most critical three years in a long time, with the analog switch-off, the review of Australian content regulations, convergence reviews—and to not get any policy framework from the ALP going into that is really disappointing.

Can you indicate to me what comfort the industry can take from Labor's plans at this point in time to deal with that kind of problem facing the industry?

**Mr Eccles**—Can you repeat the problem that the industry referred to—

**Senator HUMPHRIES**—Well, have you not had any conversations with the Screen Producers Association of Australia about their views about the support they are getting from the government?

**Mr Eccles**—We have had discussions with a number of stakeholders, Senator.

**Senator HUMPHRIES**—And what do they say about this?

**Senator Arbib**—Senator, you are asking our officials to make a comment on a policy matter, which is outside their roles. There are always groups and stakeholders who are not happy with policies that government may take into an election or the opposition may take into an election. That is part of life. So I think you may want to rephrase the question because there is no way the officials can answer that.

**Senator HUMPHRIES**—I entirely agree, Minister. That is why I really was thinking of you when I was making those statements. What do you say to the industry's concern about what they say is a lack of direction from the Labor Party on support for their industry? They say there is no indication or strategic vision on the part of the government with respect to a very important part of the arts industry. What comfort can you offer them that that is not the case?

**Senator Arbib**—I think I said to you, Senator, that I am not the arts minister. But the government has a strong commitment to the arts and the sector. You have seen the maintenance of funding plus new funding going into the sector. At the same time, from the media reports we have seen over the past months, Minister Crean has been working extremely closely with stakeholders in terms of their issues. We believe that there is a bright future for the arts in this country and the Labor Party and the government will work closely with the sector.

**Mr Eccles**—Senator, referring to the specific comments that you refer to, it is important to bear in mind that there is a review of the viability of the independent screen production sector,

which is underway at the moment and is on track to be delivered by the end of the year. So we are certainly mindful of the importance of the issues that I think you are hearing.

**Senator HUMPHRIES**—I think the sector has described that review as a procrastination tactic, have they not, at some point?

**Mr Eccles**—I am not aware of those comments.

**Senator HUMPHRIES**—I see that the minister has indicated a number of thoughts about where his portfolio should be going, including questioning whether we should continue to even have an Australia Council. He says:

I think the council has done a good job but I don't know where we go to from here ... I'm open to discussions.

Can you tell us where we stand with those discussions at the moment? Has the minister begun discussions about what should happen to the Australia Council?

**Senator Arbib**—I have to say that I am unaware, Senator, but I am happy to check on that for you and get you some information.

**Mr Eccles**—Certainly the minister has met with the Australia Council.

**Senator HUMPHRIES**—Well, that is good to know. But he has flagged here in his first interview after becoming arts minister that he is considering replacing the central organ for funding the arts in Australia, federally at least. I am reading from an article in the *Age* on 9 October. I quote:

His priority is to produce a cultural policy and to consider the push for a new body to replace the Australia Council that would be better equipped to deal with the contemporary arts scene.

If that is his view, can you outline to us what the minister's concern is about the funding arrangements for the Australia Council at the present time?

**Senator Arbib**—Just again, Senator, these are policy issues you are raising. I have said to you that I am happy to seek out that information for you and get you a more detailed answer.

**Senator HUMPHRIES**—I am just a bit concerned that we have a major change of direction being flagged by the minister and we do not have any indication from officials at the table as to what that means. Would I be right in thinking—

**Senator Arbib**—You are asking about a policy.

**Senator HUMPHRIES**—It is one that the minister has announced. He has announced that he is reconsidering the role of the Australia Council.

**Senator Arbib**—No. He has not said that. That is not what that article just said. If you said previously he is talking about directions that he may take the arts sector in, then obviously as a new minister in that area he is looking at his options, I would assume. But I am happy to get you more information in terms of the article you have raised and the direction he is going to take arts.

**Senator HUMPHRIES**—Well, I would have thought, being the first minister in living memory, as far as I can recall, to say that he thinks the Australia Council should be replaced, that there would be more detail on the table about that.

**Senator Arbib**—Senator, I would like to see the full context of that before agreeing that that is what he has actually said. But certainly there have been comments on record by Minister Crean in terms of future directions from the arts. I think it has been well received from the sector itself. There will be more, I expect, announcements and decisions to come over the coming 12 months. But I am happy to seek out some information in terms of the issue you have raised.

**Senator HUMPHRIES**—Okay. He says in this article, or at least he is paraphrased as saying, and I quote:

His priority is to produce a cultural policy ...

So we will just work on that. Is that your understanding of what your task is—to assist the minister to produce a cultural policy? If so, where do we stand with that policy development at this point in time?

**Mr Eccles**—One minute, Senator. It is difficult for us to appreciate what is in an article that we do not have. But in terms of cultural—

**Senator HUMPHRIES**—With respect, Mr Eccles, you were not aware of what the Screen Producers Association thought about the government's policy direction in this area. You are not aware of the first interview which the minister did in the media. I do not buy this. Why are you not aware of the things the minister is announcing in his first public statement about what this portfolio should be doing? Surely you are following all of this.

**Mr Eccles**—Absolutely.

**Senator HUMPHRIES**—He talks about a new cultural policy. Have you or have you not asked for a direction from the minister to start working on a cultural policy?

**Mr Eccles**—We are working with the minister on the development of a national cultural policy.

**Senator HUMPHRIES**—Thank you. Can you tell us anything about this process? What form does it take? Are there guidelines yet about how this will work? Is there a timeline et cetera? Can you give us a bit of information, please?

**Ms Bean**—This is a fairly longstanding process initiated by the previous minister. He made a speech to the Press Club in October 2009 in which he talked about the national cultural policy. From that there was then an interactive blog over the summer period at the beginning of 2010 in which initial comments from the sector were sought, or anyone was invited to put in submissions or just make comments or engage in an interactive conversation. That closed, I think, on 1 February or maybe 31 January. Some preliminary analysis of that was done. The current situation is that we will provide further advice to the minister in the very near future on the next steps.

**Senator HUMPHRIES**—Is it expected that there will be some kind of discussion paper, white paper or green paper?

**Mr Eccles**—Those details are yet to be sorted, but there will be consultation, absolutely, the exact means by which we will work through. But absolutely there will be consultation.

**Senator HUMPHRIES**—Is there an ETA for this new cultural policy?

**Ms Bean**—We would certainly be expecting it to be in this term of the government.

**Senator HUMPHRIES**—Okay. Thank you very much. He also says—and, again, I assume you are aware of this since it was in the public media—that he is prepared to try to get the efficiency—

**CHAIR**—Excuse me, Senator Humphries, were you intending at all to table that document you are quoting from? I am just thinking that it might be of assistance. It is up to you.

**Senator HUMPHRIES**—I was not intending to. This appears in a major daily national newspaper. I did not think I needed to table this to bring it to the attention of the witnesses at the table.

**CHAIR**—Yes, that is fine. I am putting the request to you because of other senators who are also involved in the estimates. It is helpful to know if you are referring to a document and quoting from it a number of times that we have the opportunity to at least look at it or follow it.

**Senator HUMPHRIES**—I can see you do not read the arts entertainment section of the *Age*, Chair.

**Senator Arbib**—He just forgot to bring it with him.

**Senator HUMPHRIES**—I will. I will table the document.

**CHAIR**—It is just that I do not have it. It does not readily come to my mind.

**Senator Arbib**—Chair, could we get it tabled?

**CHAIR**—Yes.

**Senator HUMPHRIES**—It is about 10 pages ahead of the sports section, Chair.

**Senator MARSHALL**—What date is it?

**Senator HUMPHRIES**—It is 9 October.

**CHAIR**—I am probably still waiting for any extensive review or committee or times review or something. The point is that, whether one reads it or not, we do not actually have it in front of us at this point of time.

**Senator HUMPHRIES**—I understand. I will table this document now, if I may. I am sorry I do not have multiple copies.

**CHAIR**—Thank you.

**Senator HUMPHRIES**—I want to quote one more section from it, where the minister is paraphrased as saying that he is also prepared to try to get the efficiency dividend lifted that the government imposed on the council. I table that document. Can you tell me what stage that announcement or that policy initiative by the minister has reached, please?

**Ms Bean**—That is a matter for consideration in the budget context.

**Senator HUMPHRIES**—So the minister has taken steps to deal with this in the budget context?

**Ms Bean**—If it is dealt with, it will be dealt with in the budget context.

**Senator HUMPHRIES**—Okay. I want to move on to the resale royalties scheme. What stage has that scheme reached? It commenced in June this year. Is that correct?

**Ms Bean**—That is correct; it is fully operational.

**Senator HUMPHRIES**—Do we have any indication of how many payments to artists have been made under the scheme at this point in time?

**Ms Bean**—I am advised that to date there have been 30 qualifying resales. I do not have the exact number. I do not know that the processing of those is completed.

**Senator HUMPHRIES**—We have not got a dollar figure on how many dollars have been handed over?

**Ms Bean**—No. We have not been advised that the processing has been completed.

**Senator HUMPHRIES**—All right. I understand that under the scheme it is necessary for all arts traders to have the transactions recorded, even those that might not be subject to the resale royalty arrangements. All dealers need to report all sales to CAL whether subject to the royalty or not. Is that the case?

**Ms Bean**—That is correct.

**Senator HUMPHRIES**—Why is that necessary?

**Ms Bean**—Because the nature of the scheme is that the royalty will apply to the second resale after the scheme comes into effect. Therefore, you need to know when the first one has happened so that you know when the second one happens.

**Senator HUMPHRIES**—So an art dealer who sells a painting, say, records that back to the department or CAL?

**Ms Bean**—CAL. CAL manages the scheme on behalf of the government.

**Senator HUMPHRIES**—For the first, what, three years of its operation?

**Ms Bean**—The contract is for three years, yes. Sorry, it is five years.

**Senator HUMPHRIES**—So when the art dealer reports this to CAL, CAL will then presumably tell the art dealer that this is the second sale of this painting and, therefore, he needs to send some money to CAL for payment to the artist?

**Ms Bean**—Yes.

**Senator HUMPHRIES**—Again, I hope this does not come as a surprise to any of you, but there was some criticism of the scheme from art dealers and arts organisations when it was first rolled out about it being complex and difficult to administer. It was described by one source as a catastrophe similar to the insulation rollout. An Indigenous art gallery in Broome described it as an ill-conceived fiasco. Allowing for a little hyperbole, it does suggest that the industry was not particularly on top of what was expected of them or how they would meet their obligations. Since the scheme has been inaugurated, what steps has the department taken to educate art dealers about their obligations under the scheme?

**Ms Bean**—It is actually CAL that has taken steps. They have undertaken an extensive education campaign for the industry and they have actually established both an art trade advisory panel and an artists' advisory panel to assist in implementing the scheme. That

---



includes developing information and advising on best processes to assist market professionals and artists with the scheme.

**Senator HUMPHRIES**—They have got committees. What actually have they done to transmit that work into—

**Ms Bean**—No. They have actually held education sessions around the country in different places.

**Senator HUMPHRIES**—And what sort of budget do they have to do that?

**Ms Bean**—Well, the government provided \$1.5 million over three years, which is \$1.65 million including GST, for the purpose of establishing the scheme. Education will be part of that.

**Senator HUMPHRIES**—Do we have any indication of how they are reaching art dealers? Is it by direct correspondence or email? Is it through inviting them to come to these education forums?

**Ms Bean**—I think there is a variety of methods. They have had fact sheets on their website, they have held information sessions in capital cities and in some regional areas and they are working to develop a code of practice for the scheme. So there is a mix of things, I guess.

**Senator HUMPHRIES**—It was reported that dealers were concerned about a lack of information, privacy concerns and burdensome paperwork. Mr Tom Lowenstein, a member of the art trade advisory panel to CAL, says that the handling of the scheme is ‘pretty bad’. He criticised that CAL was not appointed until early April, two months before D-day. Have you got evidence that that obvious level of concern within the sector is abating as a result of these measures?

**Ms Bean**—Only in the negative sense in that we are not currently hearing significant concerns expressed in relation to the processes around the scheme.

**Senator HUMPHRIES**—Good. Let us hope that that remains the case. I will move to another area. I see that the government has ruled out excluding artworks from the asset base of self-funded superannuation schemes. They rejected the recommendations of the Cooper review in that respect. There was a suggestion, again from Mr Lowenstein, on this occasion as part of the Save Super Art organisation, that the recommendation from Mr Cooper could violate section 55 of the Constitution. Has the department taken advice about whether that would be the case?

**Ms Bean**—No. The Cooper review is the responsibility of the Treasury portfolio.

**Senator HUMPHRIES**—So you are not aware of any work that they have done on the constitutionality of such an arrangement?

**Ms Bean**—I am not aware of that.

**Senator HUMPHRIES**—The minister has also flagged using the NBN to promote the arts and using school halls built under the stimulus program as part of the resources available to the arts. Can you give me any indication of how those policy ideas are being implemented at this stage?

**Ms Basser**—There is a whole range of areas where there is potential, particularly for the NBN. There will be opportunities for content, so I think there are opportunities there throughout a range of creative industries. We have worked, and continue to work, closely with both DBCDE, the department that is managing the NBN, and DEEWR in terms of opportunities there as they come up.

**Senator HUMPHRIES**—What sort of stage has that work reached? Is there anything that we can point to as a positive development that might indicate that there is—

**Ms Basser**—I think at the moment they are discussions really that are around how content fits in with the early work that they are doing, which is substantially at the moment around infrastructure. But we are at the table discussing content and the opportunities that are there, for example, for the collecting institutions—three or four artists are having their work either out there physically through using school halls or also through the NBN. So it is broadly at the moment a marker of the space and that that is important as they move forward with the infrastructure rolling out.

**Senator HUMPHRIES**—They are the general questions I have on the arts. I have questions on specific agencies, but I think I am done with questions for the arts overview at this point.

**CHAIR**—Thank you. Next is the National Film and Sound Archive. Then we have Screen Australia, the National Museum, the National Gallery and the National Library. We will follow that order unless there are any other requests to change it.

[9.39 am]

#### **National Film and Sound Archive**

**Senator HUMPHRIES**—Welcome, gentlemen. I understand that the National Film and Sound Archive has been successful in getting its collection exposed to people in rural and regional Australia through the Big Screen program. Can you tell us something about how that has worked and, in particular, where these opportunities are being created in regional and rural Australia?

**Mr Vogt**—The Big Screen program is one of a suite of programs we have that travel Australia. There is the Big Screen program, there is the School Screen program and the Black Screen program. Those programs travel all across the country. In the last financial year, we are proud to say that we visited through those three programs well over 100 locations last year. Through our travelling outreach programs, over 44,000 people attended one of those screening opportunities. In addition to those programs, they are supported by Australian Screen Online, which is an online platform that takes that content online to those audiences throughout Australia. We have a lot of interest also internationally with that online platform.

**Senator HUMPHRIES**—So this is essentially taking films in the archive's collection to smaller communities and showing them in cinemas or halls or whatever in those places?

**Mr Vogt**—Yes. Correct.

**Senator HUMPHRIES**—Is there educational material taken along at the same time, such as displays or brochures?

**Mr Vogt**—I might just refer to David Boden on that. It comes under his responsibilities.

**Mr Boden**—A key touring program is our School Screen program and our Black Screen touring program, which both target those audiences with films from the National Film and Sound Archive collection. So there is very much a focus both on remote locations, particularly in the indigenous program, and a broader regional program for the schools touring program.

**Senator HUMPHRIES**—That was not my question. My question was: when you show the films in these locations, what else do you take along with them?

**Mr Boden**—We take along National Film and Sound Archive staff to help with educational interpretation around the Schools Screen program.

**Senator HUMPHRIES**—So you do not take physical displays of material or exhibits?

**Mr Boden**—No. The staff are able to mediate and introduce the audiences to programs like Australian Screen Online, which holds over 2,000 interpreted film clips for teachers and students to download into their classrooms for use in local learning circumstances.

**Mr Vogt**—The material is tailored around the national curriculum. So we work closely with the teachers to make sure that what we do provide in terms of an experience for school groups is relevant to the curriculum and to the outcomes that the teachers are after.

**Senator HUMPHRIES**—I was thinking more of the Big Screen program there and what other interest might be created for people who see that.

**Mr Vogt**—There is broader interest in the Big Screen in terms of attracting broader audiences within regional centres. We work closely with particularly the larger regional centres. We have established a very good relationship with those networks. That is where we are very successful in attracting some local media and getting a lot of coverage. Our attendances at some of those larger venues are very encouraging.

**Senator HUMPHRIES**—Do you have a budget to do this?

**Mr Vogt**—Yes, we do have a budget. We have three separate budgets for those three programs.

**Senator HUMPHRIES**—What is the budget for Big Screen?

**Mr Vogt**—The budget for Big Screen for the 2009-10 year was \$331,000.

**Senator HUMPHRIES**—When you take films out to these locations, you do not take the original prints, I assume. You take a digitised version of the film?

**Mr Boden**—No. We take a combination of original 35 millimetre screen prints and sometimes digital copies. The aim of the program is to provide increased access and enjoyment to the Australian film heritage, both contemporary and historic materials. So we use the best formats that suit the best venue.

**Senator HUMPHRIES**—How much of the collection of the NFSA has now been digitised?

**Mr Vogt**—Less than five per cent of the collection has been digitised at this point in time.

**Senator HUMPHRIES**—It would be your aim, I assume, to digitise all of it in due course?

**Mr Vogt**—We ideally would like to digitise the whole collection, but that is a major task for the organisation and it is a significant amount of resources that the organisation does not have to achieve that.

**Senator HUMPHRIES**—Of that five per cent, are you dealing with that through your own internal budget arrangements? You have not had to take any special funding from the federal government for the digitisation of your collection?

**Mr Vogt**—No. That is within our existing resources. Yes, that is true.

**Senator HUMPHRIES**—On current budget projections, how long will it take you to digitise the collection?

**Mr Vogt**—We will probably never fully digitise the collection, given that the time frame to digitise what we have in the collection at the moment is well in excess of 100 years. That is the existing collection material. We are also acquiring a lot more material as we try to fill gaps in the collection. A lot of that material is not digitised. Increasingly, a lot more material coming in is born digital, but a lot of the material is still analog and requires digitisation. So it will be a very long time frame.

**Senator HUMPHRIES**—I will come back to that later. Your annual report makes reference to inadequate facilities to store the collection in appropriate conditions. I know you have a storage facility out at Mitchell, which has to be kept at a certain humidity and a certain temperature to prevent deterioration of the film. What is your storage capacity at the moment? Have you got enough capacity to store all the films you are required to store?

**Mr Vogt**—Storage is a critical issue for the organisation. We have exceeded our capacity to store all our nitrate film. We are looking at options at the moment to acquire some more space. We also sometimes lean on other sister cultural institutions to assist us with storage space. We also expect that in calendar year 2010 our storage capacity for documents and artefacts, which is the largest part of the collection, will exceed that. So at the moment we are exhausting all options to look at appropriate storage accommodation on a long-term lease, which is a major priority for us to secure, hopefully, this financial year. With some capital reserve funding we will kit that out this financial year.

**Senator HUMPHRIES**—Sorry, what did you say about capital?

**Mr Vogt**—We have some capital reserve funding that we would use to kit out, to make sure that the environmental conditions are appropriate. A cost in the order of \$1 million is what we are looking at out of reserves to kit out a leased premises.

**Senator HUMPHRIES**—Is all your collection stored in Canberra?

**Mr Vogt**—There are some collection materials which are stored—a very, very tiny percentage—in Melbourne. There is none in Sydney. Some of it comes in to be looked at through curatorial staff in Sydney or Melbourne, or people who have contact with the donors. But over 99 per cent of it is stored in Canberra.

**Senator HUMPHRIES**—Does the archive ever have to refuse donations or gifts of old film on the basis that it cannot store it?

**Mr Vogt**—Not on the basis that we cannot store it. The curators very closely assess opportunities for material to come into the collection, particularly with an eye to gaps in the collection and very culturally significant items. So that is the primary concern. It is true to say that with limited storage space it creates challenges for us if there is a very large collection. But we would not be limited by the storage capacity. That is why it is such a priority for us this financial year.

**Senator HUMPHRIES**—Of course, we have no statutory deposit arrangement for film or visual material in Australia. That relationship, of course, exists for printed material like books and, I think, magazines and newspapers but not for film. I assume the archive supports such a concept; the idea of such a deposit scheme would be useful in its collecting policy?

**Mr Vogt**—The NFSA has advocated for some time that the development of a legal deposit scheme that extends to audiovisual works would be ideal as an outcome. It would enable cultural institutions like us, with a collecting mandate for audiovisual works, to fill gaps in the collection and to build our collection. To that extent, we have been working with the library and with departmental officers, and had contact with Attorney-General's in relation to our desire to see a legal deposit scheme that does cover audiovisual works. So we are certainly committed to achieving that as an outcome. We would love to see that.

**Senator HUMPHRIES**—How many films produced in Australia would be subject to such a scheme, if it operated? How many people producing films are now giving the archive films voluntarily?

**Mr Vogt**—I would be happy to take that on notice. We do our best in establishing individual agreements with particular donors and large producers to make sure that we cover to the greatest extent possible the opportunities to acquire what we can. But that would fall significantly short of all of the producers.

**Senator HUMPHRIES**—Would you expect much opposition from the film industry if there were to be such a scheme?

**Mr Vogt**—We understand that there are copyright concerns that producers would have and there are some cost issues in relation to the scheme as it would operate if it did require producers to automatically lodge copies with an organisation such as us.

**Senator HUMPHRIES**—Just for guidance, what does a print of a feature length film cost?

**Mr Boden**—To strike a single print of a 35 millimetre feature film probably costs approximately \$4,000 to \$5,000. I could get a firm figure on that for you. I think it is also important to say that the legal deposit scheme that the NFSA envisages would focus on the NFSA being able to selectively acquire items from the production sector rather than take in the entire production output.

**Senator HUMPHRIES**—I could imagine. How has the efficiency dividend affected this agency in the last financial year, 2009-10?

**Mr Vogt**—Sorry, I have the figure for 2010-11. I can provide that.

**Senator HUMPHRIES**—That is fine.

**Mr Vogt**—The figure for 2010-11 is \$308,000.

**Senator HUMPHRIES**—Right, and how are you dealing with that?

**Mr Vogt**—We are doing what we can in terms of good strategic workforce planning to make sure that we manage our workforce, I suppose, in a way in which you get maximum productivity to cover the pressures of finding the funds. And through our annual business planning process we are trying to find efficiencies, particularly in enabling service areas to try to find the appropriate efficiencies. To date, we have been able to achieve that without compromising the work program. But, of course, it is a difficult task at times.

**Senator HUMPHRIES**—So has it led to any redundancies of staff?

**Mr Vogt**—No. It has not led to any redundancies.

**Senator HUMPHRIES**—And no programs have been reduced in scope?

**Mr Vogt**—No.

**Senator HUMPHRIES**—Finally, I have seen a lot of advertising for the Arc Cinema recently. It seems to be showing films on a very regular basis. Do you get good houses for that?

**Mr Boden**—Yes. We are quite pleased with the progress of Arc since it opened in August 2007. Last financial year, it increased its audience to 22,000. That is an average of about 56 per session. The program also involved 21 key cultural partnerships with organisations such as the World Cinema Foundation founded by Martin Scorsese through to national touring cultural partnerships with the Goethe-Institut, the Japan Foundation and the like. So it is a CinemaTech-styled program that is growing quite successfully.

**Senator HUMPHRIES**—That is really good to see. I see you have included Paul Keating's speech at Redfern in 2002 in the collection. Sorry, 1992. Yes, it was December 1992.

**Mr Boden**—Yes. That is the Redfern speech that was included in this year's registrations in the Sounds of Australia registry.

**Senator HUMPHRIES**—That is an audio recording or a film recording?

**Mr Boden**—Yes. That is an audio recording.

**Senator HUMPHRIES**—Have you got any of Mr Howard's speeches in the collection as yet?

**Mr Boden**—The way that the Sounds of Australia registry works is that it invites public nominations for people.

**Senator MOORE**—No-one has nominated him.

**Senator HUMPHRIES**—I will take care of it. Do not worry.

**Mr Boden**—For people to identify or nominate individual sound recordings of cultural significance. There are some criteria that are available on the NFSA website. Then there is a panel assessment process that brings in a minimum of 10 recordings each year. That also feeds through to other touring programs, such as the National Collecting Institutions Touring and Outreach Program, which focuses on taking Sounds of Australia out through some performance theatre works into regional Australia. So we welcome nominations far and wide.

**Senator HUMPHRIES**—I must submit a few of my own speeches and see what happens.

**Senator MOORE**—Senator Bernardi will be on the internet right now.

**Senator BERNARDI**—They will be nominating Kevin Rudd.

**Senator HUMPHRIES**—On that note, Mr Chairman, I have completed my questioning of the archive.

**CHAIR**—Thank you. I thank officers of the National Film and Sound Archive. We will now proceed to Screen Australia. I ask that those officers come to the table, please.

[9.56 am]

### Screen Australia

**Senator HUMPHRIES**—I want to ask about some of the commentary that has been made about Screen Australia in a number of areas, including the way it vets and audits budgets that it approves. Are you aware of the article that appeared in the *Australian* on 15 March this year, which talked about problems facing the sector? It talked about a dramatic decrease in international productions underwriting the postproduction sector of the industry in Australia and confusion over the effectiveness of the producer offset. I understand that Doron Kipen, executive director of music and effects, said:

Screen Australia say there's no clear evidence that we're being paid less but we've been telling the funding bodies for five years—

that that is the case. He or she said:

Screen Australia failed in its duty to invest taxpayer funds wisely by allowing some productions to become, at worst, unreleasable or unable to pay bills.

Could you give me some response to those criticisms?

**Dr Harley**—I am not aware of that specific article. We have, however, done quite a lot of work on postproduction budgets, including music, because we are well aware of the concern in the industry. It is correct to say that we have not found evidence that the budgets have been significantly diminished. That said, we are alert to it and we are very keen to follow up on this issue. It is also the case that I am not aware of a film that has been unreleasable for this reason.

**Senator HUMPHRIES**—What mechanism do you have to talk to the film industry in Australia, particularly the postproduction sector?

**Dr Harley**—We have a number of mechanisms. People seek to come and make their views known to us all the time. We make ourselves available to do that. We also meet with SPAA regularly. We meet with the state agencies regularly, and they bring those concerns to our tables. We also are a member of Ausfilm, and the concerns also come to those tables.

**Senator HUMPHRIES**—So the sorts of criticisms that were being made here about not strictly vetting and auditing budgets had not reached your ears?

**Dr Harley**—They have reached my ears, but that is not correct.

**Senator HUMPHRIES**—So you understand what people are saying, but the criticisms are not valid? That is what you are saying?

**Dr Harley**—We are very careful with budgets.

**Senator HUMPHRIES**—Do we have a way of measuring the success of Screen Australia's contribution to the effectiveness of the industry—as in, the number of films produced in Australia each year or the amount of dollars attracted to the sector in investment or whatever? What are the indicators you use of your success?

**Dr Harley**—Yes. We do have measures of that kind. The two you outlined are two of them—the number of films that are made and the contribution of Screen Australia relative to the total amount of money spent on the films. We, of course, look at sales. We look at audiences. We look at awards, both national and international. We have also started for the first time to look at companies and the viability of companies against a range of indices. We see that this is a long-term measure.

**Senator HUMPHRIES**—And how do those indicators show that we are tracking at the moment? I suppose it is partly a reflection in those indicators of how well the industry is doing and partly how well you are doing. What are the historical trends? Are you trending upwards or downwards at the moment in those respects?

**Dr Harley**—I am not sure that I can answer that question. This last year we have had a number of very successful films. We are very proud of them. But it is a cyclic business and I am sorry I do not have in my mind a five-year graph of that or anything of that kind.

**Senator HUMPHRIES**—I assume that you have been keeping records for some time. How old is Screen Australia?

**Dr Harley**—Two years, nearly three.

**Senator HUMPHRIES**—So you have some sort of trending or tracking of your performance over that time, I assume?

**Dr Harley**—Yes, we do.

**Senator HUMPHRIES**—Could you produce that for the committee as a document?

**Dr Harley**—Yes.

**Senator HUMPHRIES**—If you would not mind doing that, that would be much appreciated. How have you dealt with the efficiency dividend?

**Dr Harley**—Screen Australia has had budget cuts in this financial year and the last financial year. It was 9.5 last year and 4.2 this year. The efficiency dividend was \$105,000 last year and about \$160,000 this year. In context, it is not a problem for us. Those budget cuts have occurred in the same time frame in which the producer offset has come on stream. So, as one has gone down, the other has gone up. We have dealt with it in that context.

**Senator HUMPHRIES**—I assume you have seen the submission from the ABC to the review of the Australian independent screen production sector in which they have argued that the investment being made in this sector is probably not best targeted. Have you seen the submission they have made?

**Dr Harley**—Yes.



**Senator HUMPHRIES**—They suggest that funding directly to the ABC might be a better device than going through the offset arrangement:

The ABC argues that if the government were to lift the offset for television to 40 per cent, that may offer the chance to move to “a different mechanism” for Screen Australia’s existing direct funding of TV.

And they give an example of how they say that that is working—that more people are seeing the screen product that they produce and that, therefore, they are a better vehicle for delivering that product to Australian audiences than the mechanism that Screen Australia administers. What is your response to those criticisms?

**Dr Harley**—One can see that the ABC would take the view that delivering money straight to the ABC would be advantageous. I do not believe that other television companies would take the same view. Screen Australia’s purpose is to ensure that there is diversity of content and that diversity of content is available in a variety of styles and for a variety of different audiences. I think that having a multiplicity of delivery channels is from that public point of view more advantageous.

**Senator HUMPHRIES**—How does the ABC not deliver a variety of styles and to a variety of audiences? Surely everybody watches television.

**Dr Harley**—Well, most people watch television, I believe, yes. But some people watch pay television and some people watch SBS and some people watch ABC and some people watch Seven, Nine and Ten. There are a range of ways people might consume television, and Screen Australia is interested in providing for that variety.

**Senator HUMPHRIES**—But there would be many more people, I would assume, watching television, even the ABC, than going to see Australian films in cinemas. In fact, the ABC submission cites four Australian films—*The Proposition*, *Oyster Farmer*, *Lucky Miles* and *Romulus, My Father*. They point out that only 750,000 Australians saw any one of those films but 800,000 people on average see each of the products that the ABC produces. They are suggesting that in fact there is a much wider funnel of an audience that passes through the ABC than would pass through films shown in cinemas.

**Dr Harley**—Again, that is a rather single-minded approach. It is absolutely traditional and customary in the feature film business that the film goes through a variety of screenings. The first screening is generally cinema. The second screening is generally DVD. The third screening is pay TV. The fourth screening is free-to-air television. The accumulation of all those audiences is the audience for the film. So they are right to say that free TV is an important window for feature films. So it is, but so are all the others.

**Senator HUMPHRIES**—So what is the argument for not having the offset at 40 per cent for both film and television?

**Dr Harley**—I think that is a policy question.

**Senator HUMPHRIES**—Screen Australia has not got a view on that that it has put to government?

**Dr Harley**—No.

**Ms Basser**—But those issues are being looked at in the context of the review of the independent film sector, and government will be considering and is considering a whole range of submissions, including the one made by the ABC and by many other organisations and individuals.

**Senator HUMPHRIES**—But not Screen Australia?

**Dr Harley**—We have made a submission to the review. We have not said whether the offset should be increased or not increased.

**Senator HUMPHRIES**—So you are agnostic on that question?

**Dr Harley**—Correct.

**CHAIR**—I want to interrupt with just one question. When you were going through those numbers and the different ways in which people can view Australian films—it might be a minor point—it struck me that there is a section for Australian films on the Qantas in-flight entertainment. I do not know if you can ever get figures, but a lot of people who travel on international flights watch a lot of films, at least as I understand it.

**Dr Harley**—We would not have viewer numbers.

**CHAIR**—No, that is right. I appreciate you cannot because you cannot measure it.

**Dr Harley**—But you are absolutely right. It is—

**CHAIR**—But it is a venue where you have an audience that potentially could also be watching those films.

**Dr Harley**—That is absolutely true. Then there are also festivals. There are touring festivals. There are legal downloads.

**CHAIR**—That is the only opportunity we often get to watch a film.

**Senator HUMPHRIES**—Unless it is on very late at night after everything else is done.

**CHAIR**—Yes.

**Senator HUMPHRIES**—You talked about the review a moment ago. What is the status of the review at the moment? It began earlier this year.

**Ms Basser**—That is right. There have been 78 submissions received from across the sector. During the process there were also 12 focus groups involving 79 producers. They were held throughout April and May. Focus groups also took place in Melbourne, Sydney, Brisbane, Perth, Adelaide and Canberra. These sessions explored a range of issues, including the effect of the producer offset and a range of other issues. The office of the arts is currently considering all the submissions. We will be compiling a report to government.

**Senator HUMPHRIES**—There is no indication of when that is likely to occur?

**Ms Basser**—By the end of this calendar year.

**Senator HUMPHRIES**—I understand from earlier comments—which I think you made, Minister; it might have been Mr Eccles—that there was no policy at this stage on film from the government because you are waiting for this review to be completed.

**Ms Basser**—There is existing policy in that there is an entire policy framework with the producer offset, the location offset, the PDV offset and the establishment of Screen Australia.

**Senator HUMPHRIES**—Actually, I am paraphrasing Peter Garrett. I think Peter Garrett said that there was no policy for the film sector because of this review. He was waiting to see what the outcome of the review was. Are we expecting that—

**Senator Arbib**—He said there is no policy?

**Senator HUMPHRIES**—He was criticised during the campaign for not having any policy particularly on the film sector. He responded to that by saying—and I will find the quotes, if you like, from newspaper articles—that that is because a review is going on.

**Senator Arbib**—I do not think he was saying there was no policy. I think he was making a point that there was a review underway.

**Senator HUMPHRIES**—There are no policy announcements in the Labor Party arts policy. I have that policy here. I am sure that, if you look at it, you will see there is not any announcement about that.

**Senator Arbib**—But I think he was making a point that there is a review underway, which is well known. It was announced in 2007, I think, that we were actually going to undertake it.

**Senator HUMPHRIES**—That is what I am saying. I am saying that because the review is underway there is no policy in its place as in a new announcement about what Labor is going to do with the film sector.

**Ms Basser**—The election commitment said that the government will respond to the review when it is finalised at the end of the year. So that was the stated election policy. Just in addition, there were two enhancements in the 2010-11 budget to the location and PDV offsets as well. But the stated election commitment was that it will be in response to the review, which will be finished at the end of this calendar year.

**Senator HUMPHRIES**—So when the president of the Screen Producers Association called the review a procrastinating device, he was not accurate?

**Ms Basser**—That is his view. I cannot comment on his view.

**Senator HUMPHRIES**—How would you describe the health of the screen sector in Australia? By that I mean film and television. How are we faring as a nation producing reflections on our culture through film and television at this point in time?

**Dr Harley**—I think very well indeed. We have had some absolutely wonderful television in the last year. I do not know whether you are aware of a program at the moment *Art and Soul*, which is on the ABC. It is the third program that is coming up this next week. It is an absolutely wonderful exposition on Aboriginal art. It is a quite brilliant piece of work. There is a beautiful book that goes with it and a very extensive website. It is a marvellous statement on contemporary Aboriginal art. So that is one type of program. If I might be permitted a small commercial break—I do not know if that is allowed, chair—next Wednesday night we are screening a film, *Tomorrow, When the War Began*, here in the House. You are all invited. It is on the John Marsden book. It has done very well at the box office. So they are two quite different types of very strongly cultural product which are finding very good audiences.

**Senator HUMPHRIES**—As a TV consumer, I tend to consume things only after 11 o'clock at night, so I will have to take your word for the quality of that program on Aboriginal art.

**Dr Harley**—You will be able to get the DVD, I am sure.

**Senator HUMPHRIES**—Indeed. They are my questions for Screen Australia. Thank you very much.

**CHAIR**—I thank very much the officers of Screen Australia.

[10.13 am]

#### **National Museum of Australia**

**Senator HUMPHRIES**—I am alternating between being vicious and being fawning. You are lucky: you are going to get the fawning treatment, Mr Sayers. I am interested in the fact that the chairman of the National Museum receives only \$26,580 a year in pay when the chairman of the ABC receives \$145,000, the chair of Australia Post receives \$158,000 and the NBN Co. chair receives \$185,000. Do you think it devalues our cultural institutions that we pay so little to the people who chair these organisations?

**Ms Bassar**—Those rates are set by the Remuneration Tribunal.

**Senator HUMPHRIES**—It is still a fair question, though, is it not? I know you are not responsible for it, but do you not think it is a reflection of how we value our cultural institutions that we pay the people who steer them so poorly?

**Mr Eccles**—You are asking for an opinion, Senator.

**Senator HUMPHRIES**—I suppose I am. Do you have an opinion, Minister?

**Senator Arbib**—It is set by an independent tribunal, Senator.

**Ms Bassar**—Senator, I think the Remuneration Tribunal goes through a whole range of different agencies. So it is a matter, of course, for the Remuneration Tribunal.

**Senator HUMPHRIES**—I see that at the same time as the canonisation of St Mary MacKillop we have had an exhibition in Rome of Aboriginal artefacts at the Vatican and that the National Museum has contributed to the setting up of that exhibition. Can you tell us about that, Mr Sayers, please?

**Mr Sayers**—Yes. Certainly, Senator. The National Museum has relationships with overseas collections, which include Australian Indigenous material. The ethnography museum in the Vatican has quite a considerable collection of Australian Aboriginal material. The ethnographic museum approached the National Museum as the national museum of Australia some time ago to assist with the mounting of an exhibition of Indigenous material from their collection to coincide with the canonisation. So our assistance with the exhibition has been to provide the expertise of two of our staff members. They include the senior Indigenous adviser at the National Museum, Margo Neale, who has assisted the Vatican not only with research but also with the very important element of connecting those historical collections with their communities. This is one dimension which all museums worldwide are now seeking to advance. So the exhibition in the Vatican has been undertaken with the consultation with the communities, which was facilitated by the National Museum of Australia. We have also

provided expertise in terms of the correct description of objects and aspects of presentation which are appropriate to contemporary indigenous Australians.

**Senator HUMPHRIES**—The collection in Rome is a very high quality collection of Australian artefacts?

**Mr Sayers**—The collection in Rome is an unusually mixed collection, I would have to say. It has some extraordinary objects. It has some objects which are like many objects in Australian ethnographic collections. One aspect of it that is particularly distinctive is that the works were almost all collected in the 1920s for an exhibition. They were collected through Australian Catholic missions at New Norcia and Kalumburu in the Kimberly. So, unlike many European collections, which date back to the 19th century, where there are real question marks about the provenance of some objects, this is quite a well-documented collection. It includes some unique objects, probably the most unique of which is a collection of painted wandjinas, which resonate with the stations of the cross. So there is an interesting cross-cultural dimension to it.

**Senator HUMPHRIES**—You said Margo Neale was sent over to Rome for that purpose?

**Mr Sayers**—Yes. Margo Neale has been working with the Vatican museums. One of our staff members who works with Margo Neale has also been assisting not only in the Vatican. When the head of the ethnographic museum, Father Mapelli, came to Australia to visit the communities, we assisted with his road trip.

**Senator HUMPHRIES**—Did the museum meet the cost of the trip by Ms Neale?

**Mr Sayers**—No. The Vatican is actually paying the costs of her travel and her accommodation in Rome.

**Senator HUMPHRIES**—Excellent. I see you have had something to say about the concept of a museum for the stolen generations. Can you tell the committee why you are of the view that this would be unnecessary?

**Mr Sayers**—Senator, there was a brief press mention of the idea that a museum for the stolen generations would be pursued at some stage in the future. I thought it was important to remind the public that the National Museum of Australia has in fact a mandate in its legislation to address indigenous Australia. The National Museum of Australia has active programs in consultation with FaCSIA and the National Library of Australia in recording the stories of the stolen generations and making them available. There are a number of such stories on display in the museum. So I think it seemed important when I wrote that article that you refer to to indicate that the museum has a very wide mandate to talk about not only the history of indigenous people but contemporary issues which affect Indigenous Australians.

**Senator HUMPHRIES**—So if it chose to, the National Museum could put on a quite descriptive and effective exhibition of that kind within the framework of its own resources?

**Mr Sayers**—Senator, we have in fact planned for 2011 an exhibition which looks specifically at children in homes and the history of that chapter of 19th and 20th century history. That does in fact coincide with some of the stories of the stolen generations. So not only are we able to but we do have planned such an exhibition.

**Senator HUMPHRIES**—I might address a question to the minister. The article that Mr Sayers referred to was in the *Canberra Times* in, I think, late June. It suggested that this was an idea on the agenda of the former Prime Minister, Mr Rudd. Is there still consideration being given by the government to a museum of the stolen generations?

**Senator Arbib**—I am not sure about that, Senator. I am happy to find out for you, though.

**Senator HUMPHRIES**—Thank you very much.

**Senator Arbib**—I will take it on notice.

**Senator HUMPHRIES**—How is the museum coping with the efficiency dividend? To what extent does the dividend cut into the budget for this financial year?

**Mr Sayers**—Senator, we have a considerable ongoing impact of the efficiency dividend. The existing efficiency dividend impact is \$523,000 in 2009-10. That, combined with the one-off efficiency dividend of two per cent, has an overall impact on our budget bottom line of \$1.349 million. The museum has been questioned in previous estimates about how it is dealing with that impact. The answer has been essentially the rephrasing of programs so that lots of programs are on for a longer period of time and so on. My predecessor in this role has indicated the difficulties of maintaining programs with the ongoing impact.

**Senator HUMPHRIES**—There was a concept put through the Standing Committee on Public Accounts and Audit at one stage to exempt smaller agencies from the efficiency dividend. You would not presumably be aware of any of that. But, Minister, do you know whether that idea is receiving consideration from the government?

**Senator Arbib**—I have not got any advice to say that, no.

**Senator HUMPHRIES**—Okay. There are no redundancies that have occurred at the National Museum in the last couple of years as a result of the efficiency dividend?

**Mr Sayers**—I have been in the role only a few months, so I will have to defer to my CFO, Kylie Noonan, on this.

**Ms Noonan**—No. There have not been any redundancies as a result of the efficiency dividend.

**Senator HUMPHRIES**—And there are not any proposed for this financial year?

**Ms Noonan**—Not that I am aware of, no.

**Senator HUMPHRIES**—All right. I am through with the museum. Thank you very much.

**Proceedings suspended from 10.26 am to 10.48 am**

**National Gallery of Australia**

**CHAIR**—We will continue with our examination of the estimates. We are now on to the National Gallery.

**Senator HUMPHRIES**—First of all, I congratulate the gallery on its new wing, which I have not seen yet. I understand it has been quite a success. There are very good reports of the collections that are being displayed there, so I am looking forward to seeing it. What was the end total cost of the new extensions?

**Mr Froud**—Our director, Ron Radford, is overseas and the committee has been formally advised, I believe, that Dr Radford would not be in attendance this morning. The forecast final cost is \$107 million. That is pretty well all but concluded in terms of the project, so I would expect that to be the final number.

**Senator HUMPHRIES**—How is that funded? Is that a capital contribution from the Commonwealth or are there other offsets to that cost?

**Mr Froud**—It is a combination of funds being provided by the gallery from its own means, including some private sector support that was secured and a government equity contribution. The majority of the funding has come from the Commonwealth.

**Senator HUMPHRIES**—Can you give us a breakdown of those three components?

**Mr Froud**—Well, the equity contribution will be in the order of \$63 million to \$64 million.

**Senator HUMPHRIES**—From the Commonwealth?

**Mr Froud**—Sorry, yes, \$63 million to \$64 million, and about \$43 million from the gallery. The gallery also funded some refurbishment work, which I was referring to there in saying \$63 million. Within that \$43 million that the gallery has contributed, there has been an announcement made about the generous benefaction from John and Pauline Gandel of \$7 million to partly assist with the building project and with collection development. So about half of that \$7 million will also be applied to the project.

**Senator HUMPHRIES**—And the gallery has had to borrow some of that money?

**Mr Froud**—Yes. The gallery has borrowed \$9 million from the government, which it will repay over the next three years. It was borrowed in the 2009-10 financial year. It is being repaid over the subsequent three financial years. The remainder of the funding that the gallery will be contributing either was put aside and gathered over a period for that purpose or will come from our future capital funding stream.

**Senator HUMPHRIES**—The portfolio budget statement says that government funding has been reduced by \$3 million this financial year in lieu of the first instalment of the loan repayment. Included in total revenue is a debt waiver of \$3 million, which in turn has been offset by the reduction in cash received from government for the first instalment of the loan repayment. I have lost track of which symbol the 'P' is under. Are you paying money this financial year or not?

**Mr Froud**—Yes. It meant that the \$9 million advanced in the 2009-10 year is to be adjusted by a reduction in our funding of \$3 million in each of the next three subsequent years. In addition, we will also pay an interest component on the balance payable based on the long-term bond rate at the time of the loan being drawn or the decision being given to the loan.

**Senator HUMPHRIES**—So where does the debt waiver come in in those circumstances? It says here:

Included in total revenue is a debt waiver of \$3 million.

Is the Commonwealth waiving some of that debt?

**Mr Froud**—I do not understand that, to be honest, Senator. We have borrowed \$9 million and we will repay \$9 million. I am not quite sure of the debt waiver. I could certainly take some advice and provide that on notice.

**Senator HUMPHRIES**—It is on page 348 of the PBS in the middle of the page. If you can just explain how that works, that would be great.

**Mr Froud**—Thank you.

**Senator HUMPHRIES**—I assume on top of all of that you still have to deal with the efficiency dividend?

**Mr Froud**—We do.

**Senator HUMPHRIES**—What is the extent of that for this financial year?

**Mr Froud**—I will take it on notice and provide the specific number. I do not have it with me just at the moment. But the impact of the efficiency dividend will be and has been obviously an ongoing challenge to the organisation. That will remain. We would anticipate that it will have an impact both on staffing and programs going forward. In terms of staffing, we would expect that the current level of staffing of in the vicinity of 260 full-time equivalent staff will need to be maintained or slightly reduced. Despite the fact that we will be managing a larger facility, there is no opportunity to actually grow the numbers. We will be reorganising resources with that requirement. We have actually indicated to our staff and to the unions that represent them that that is the reality of our circumstance and that we will be working through whatever adjustments might arise in a consultative manner. But we are at this stage not envisaging any redundancies. It will be about adjusting and reorganising our resource base and perhaps reshuffling the deck chairs to some extent rather than seeing people leave necessarily.

**Senator HUMPHRIES**—Okay.

**Mr Froud**—That was in terms of staffing. In terms of programs, there has been an ongoing, I suppose, pressure to review and carefully manage programs going forward. I think the way that the efficiency dividend is managed, because there is full knowledge of it, is that it is factored into the planning processes. So our plans are adjusted to reflect the adjusted funding available.

**Senator HUMPHRIES**—We will monitor that situation closely, as you might imagine. I want to ask about the effect of a decision to introduce paid parking on site just across Kings Avenue from the National Gallery a few weeks ago. We were told yesterday that the Department of the Prime Minister and Cabinet has now incurred a liability of about \$1/2 million per annum in fringe benefits tax by virtue of the opening of that paid car park. Has any liability been accrued to the National Gallery as a result of that decision?

**Mr Froud**—Senator, we are actively considering this issue, as you might expect. The preliminary indication is that there may be a liability for the government. Because the gallery does own and control the land on which the car-parking facilities are provided, what we are currently doing is taking advice around some options there, one of which is that there may be an ability for obligations for FBT to be avoided if there is no restriction provided for gallery staff to park. So if it is only administered as an open public parking facility—that is, both the



underground car park and the temporary above-ground car park, both of which are managed by the gallery—and if it is made available 24 hours a day for the public at large as well as staff, there may be, and we are just taking some advice on that, an ability to avoid an FBT liability. As I mentioned, we are taking advice.

**Senator HUMPHRIES**—Would it not have the effect, though, of encouraging the 260 staff you said—

**Mr Froud**—It is 260 full-time equivalent. It is more like 280 to 300 people. Some work part time and some work full time.

**Senator HUMPHRIES**—Sure. So you would have another 300 people, then, using the car parks which are available for the public, could you not, under that situation?

**Mr Froud**—You would. The underground car park is identified primarily for public use. So we do not allow access to the underground car park until just before opening hours. But with the temporary car park at the east of the building, that is primarily used for staff as well as the public. It is primarily for staff. But we are looking at those FBT liabilities at the moment.

**Senator HUMPHRIES**—We will follow up that issue with interest as well.

**Mr Froud**—Indeed.

**Senator HUMPHRIES**—In the interests of time, Mr Chairman, I might leave my questioning of the gallery there.

**CHAIR**—Thank you very much. We will now proceed to the National Library of Australia.

[10.58 am]

#### **National Library of Australia**

**Senator HUMPHRIES**—I read a little while ago about the concerns that the efficiency dividend was likely to impose on the National Library. They are concerns being expressed by the Community and Public Sector Union. Could you indicate what the actual effect of the efficiency dividend would be on the National Library in the course of this financial year?

**Dr Cathro**—Our Director-General, Jan Fullerton, is currently on leave prior to her retirement on 9 November. The impact of the efficiency dividend on the library this year will be similar to what it has been in the past. First of all, in financial terms, I think a little over \$600,000 is the impact. We respond to that by trying to make our work flows more efficient, including introducing automation. We make efficiencies but also make reductions in either the quality or throughput of services. That will continue this year. We are currently struggling to meet our targets for the processing of our collections, so that results in backlogs, which impact on users. That is probably the main example of impact.

**Senator HUMPHRIES**—So what specifically is the effect on the collections or the collecting policy of the library?

**Dr Cathro**—The efficiency dividend does not impact our collecting policy. We have a policy that, of course, draws from the mandate in our act. We will go on collecting published

and unpublished analog and digital collection items. Where we are challenged is cataloguing and processing those collections so that they are accessible promptly by users.

**Senator HUMPHRIES**—So, what, you might defer processing? Do you digitise routinely the new works coming into the library?

**Dr Cathro**—Only a small fraction of new works are routinely digitised. A great majority of pictures, for example, are digitised. But, no, our digitisation is very selective.

**Senator HUMPHRIES**—That is not a product of the efficiency dividend? That is just a question of not having the time and resources to do that?

**Dr Cathro**—That is right.

**Senator HUMPHRIES**—I want to ask about the policy of the library to collect election material. I recall many years ago when I was first a candidate receiving a letter from the library asking for election material. Does it collect material from every federal election?

**Dr Cathro**—This year we made a special effort. I think we wrote to every candidate for the House of Representatives and Senate to collect election ephemera. We have done this in the past but perhaps not on such an extensive basis. In addition, of course, we archive election websites so that they are available for posterity.

**Senator HUMPHRIES**—And there are about 350 websites that were archived at the 2007 election. Is that right?

**Dr Cathro**—I do not have that figure with me, Senator. I will have to take that on notice.

**Senator HUMPHRIES**—How many websites are expected to be archived from the 2010 election?

**Dr Cathro**—Again, I do not know that number. I would expect it to be similar, but I do not have the numbers with me. I can certainly get them.

**Senator HUMPHRIES**—Presumably the archiving has already happened since the website in a month is going to be shut down and so on after the election.

**Dr Cathro**—Exactly. Some types of website archiving have to happen quite promptly before the website disappears.

**Senator HUMPHRIES**—Could we have a list of all the websites that have been archived from 2007 and from 2010?

**Dr Cathro**—Just the election related websites?

**Senator HUMPHRIES**—Just the election related ones, yes.

**Dr Cathro**—Yes. I can get the list. They are available online in our PANDORA archive for browsing, but we can still get you a list.

**Senator HUMPHRIES**—Look, if they are available online, we will have a look. Is it easy to identify what is related to each of the elections on the PANDORA website?

**Dr Cathro**—Sorry?

**Senator HUMPHRIES**—It is easy to identify from the PANDORA website what relates to—

**Dr Cathro**—Yes. The election material is quite easy to find and browse.

**Senator BERNARDI**—Before you continue, I also have a question on the archiving of websites. An organisation that I am involved with received a request to have their website archived. It was not specifically a political campaign website at all but rather about a topical issue. What is the criteria for selecting websites to archive that are in the non-political sphere?

**Dr Cathro**—Well, we look at the value for research and the extent to which they document the Australian people, historical developments and so on. We actually publish the criteria. It is, however, of necessity a quite selective process. I think over the last 14 years more than about 20,000 different websites have been archived, many of them in multiple snapshots over time. But that is still a very small fraction of the significant websites. As I said, it is research value and the extent to which they sort of document significant developments in Australia and important issues, such as social issues and so on.

**Senator BERNARDI**—How are the websites identified? Do people refer them to you, or do you have a special section that surfs the web?

**Dr Cathro**—We have a small team of staff who themselves identify. There is also a suggestion facility on the archive itself where people can make suggestions. We do this collaboratively with the state libraries and some other cultural institutions. So those other agencies themselves are identifying what would be relevant in their sphere.

**Senator BERNARDI**—You will not hear this very often, I am sure, but I will congratulate you on the diligence of your staff because the nonresponse from our end was followed up continually. So that is something to suggest that your systems are working quite well.

**Dr Cathro**—Thank you.

**Senator BERNARDI**—You said that the criteria are published.

**Dr Cathro**—Yes.

**Senator BERNARDI**—Is all that available on the internet?

**Dr Cathro**—It is.

**Senator BERNARDI**—Do you know where? Is there a straightforward link?

**Dr Cathro**—I can get the exact address. I think PANDORA is the name of the archive. On its home page I think there is a link to the selection policy.

**Senator BERNARDI**—That is fine. That is great. That is all I need to know. Thank you.

**Senator HUMPHRIES**—PANDORA is not run by the National Library, though, is it?

**Dr Cathro**—Yes, it is.

**Senator HUMPHRIES**—It is. Okay.

**Dr Cathro**—As I said, we have collaborating partners as well.

**Senator HUMPHRIES**—What does it cost, apart from the time taken to download a website? Is there any cost associated with the library downloading a website and storing a website?

**Dr Cathro**—Yes. There is a small team—I think it is something like five staff; I would have to check on that—so there is the cost of those staff. There are IT support costs as well. I would not like to make an estimate on the run as to what that all typically is.

**Senator HUMPHRIES**—What I really meant is whether there is any sort of copyright cost in taking a website and putting it in.

**Dr Cathro**—There is not. This is our selective process. We seek permission from the website publisher. If we do not get permission, we do not make an archived copy. In some cases, the websites have a commercial aspect to them. Users have to pay. So in those cases we reach an agreement with the website publisher to have an embargo period before it is made available. I should have also said that, in addition to that, the library has a non-selective web-archiving approach whereby we try to capture the entire Australian web domain once a year. That is currently in a dark archive, but we hope to make that available to people at some stage in the future.

**Senator HUMPHRIES**—Lastly, what is the timeframe for selecting a replacement for Ms Fullerton?

**Dr Cathro**—The selection process is being managed by the department.

**Mr Eccles**—I can give you an update on that. The applications closed on 11 October, and the panel will be meeting this week to discuss moving forward on those.

**Senator HUMPHRIES**—Do we have a good field of candidates?

**Mr Eccles**—That is what we are meeting to discuss, so it would be inappropriate for me to speculate.

**Senator HUMPHRIES**—Are there any international contenders for that role?

**Mr Eccles**—Again, it is probably not appropriate for me to go into great detail, partly because I am not sure exactly who has applied. We will know more tomorrow when we sit down and discuss it.

**CHAIR**—Thank you very much. I thank the officers who have attended from the arts section of the Department of Prime Minister and Cabinet. We will now proceed to the Department of Regional Australia, Regional Development and Local Government. I also thank the minister for his attendance and Mr Eccles and other officers.

[11.10 am]

**Department of Regional Australia, Regional Development and Local Government**

**CHAIR**—Good morning, Minister and Ms Beauchamp.

**Senator Sherry**—Do not attempt an acronym, Chair.

**CHAIR**—It is one thing that I do not have to do at foreign affairs estimates today, and that is the acronyms. Thank you for your attendance. You are, of course, aware of the rules and procedures regarding Senate estimates. I have made earlier statements this morning and yesterday just to indicate that we have fixed Friday, 3 December as the date by which answers to questions on notice are to be returned. I also draw your attention, which I am sure you are very much aware of, to the order of the Senate of 13 May 2009 specifying the process by

which claims of public interest immunity should be raised and that we do request all mobile phones to be turned off. Who is going to lead off? Senator Bernardi?

**Senator Sherry**—Sorry, Chair, just before you do—

**CHAIR**—Sorry, did you have an opening statement? My apology.

**Senator Sherry**—Firstly, good morning. Thank you for your welcome. Secondly, I do not have an opening statement, but I understand Ms Beauchamp has an opening statement.

**CHAIR**—I apologise. I should have asked for that. Thank you.

**Ms Beauchamp**—Thank you, Chair. I thought it might be of use for the committee just to explain what has been transferred to the department and from where. Thank you for letting me make an opening statement. The Department of Regional Australia, Regional Development and Local Government was formally created as a result of the administrative arrangement orders which were signed by the Governor-General on 14 September following the election. My acting appointment took place effective from 20 September. The government has a renewed focus on regional Australia, with a dedicated department within the Prime Minister's portfolio now and a dedicated cabinet minister. Minister Crean will work with a team of ministers and parliamentary secretaries, who will seek to represent regional Australia to the government.

**Senator IAN MACDONALD**—What was that?

**Ms Beauchamp**—Minister Crean will work with a team of ministers and parliamentary secretaries, who will seek to represent regional Australia to the government. Broadly speaking, the department's role is to engage with and empower local communities; develop informed regional policies; oversee the rollout of regional initiatives; and provide a dedicated source of advice on regional development. The department also has a number of regional development and local government programs to administer plus the administration of territory matters.

Just for clarification, the programs and functions that have transferred into the department from the Department of Infrastructure and Transport include the following administered programs: regional and local community infrastructure programs; Better Regions; the East Kimberly development package; Regional Development Australia committees; two elements of the Jobs Fund, the national bike path project and the infrastructure employment projects; and the local government reform fund. We also have the function of the Office of Northern Australia. The programs and functions that have transferred into the department from the Attorney-General's Department include the Services to Territories administered program. All of this means that, for 2010-11, the administered funds transferred amount to about \$2.3 billion. So far, departmental resources have been transferred amounting to about \$25 million.

In addition to supporting the existing programs, we are developing our capacity to deliver against the government's new commitments to regional Australia. In addition to establishing the new department, early priorities to support the minister's commitment include ensuring we have a well-coordinated approach across government in supporting and empowering local communities; ensuring programs in the department and across government take into account the needs and priorities of regional Australia; contributing to the government's commitment to

regional Australia agreement with the independent members of parliament, including managing key aspects of that agreement; identifying opportunities for regions to improve productivity and growth, for example, by accessing key programs across government; facilitating effective engagement with local communities in partnership with states and territories and local government; developing robust regional information and evidence for government to make informed decisions based on needs and priorities; to be able to report on the pattern of Commonwealth investment and effort into regions; and improving the governance and implementation of existing programs and services to the territories.

The department has approximately 250 departmental officers. There are also about 120 non-APS employees delivering services primarily to the Indian Ocean territories. The department maintains about 12 office locations throughout Australia's regions and territories. We are in the process of developing a work plan to support the minister in the subcommittee of cabinet. Some of the programs we will be responsible for either delivering or starting to deliver this financial year include, obviously, election commitments and the wide range of community infrastructure projects announced by government during the election. Key components, as I mentioned earlier, are the commitment to regional Australia package, including the establishment of the regional development policy centre; strengthening the Regional Development Australia network; and a strengthened northern Australia office. We will also be working with others around the development of the priority regional infrastructure program and the regional infrastructure fund earmarked specifically for Regional Development Australia. The funds announced during the election and post election announcements will support the infrastructure needs and economic growth of regional Australia. We will also obviously continue to administer the financial assistance grants, which have provided significant support to local government over many years. So thank you very much, Chair.

**CHAIR**—Thank you, Ms Beauchamp. We have two outcomes in this section of our hearings. I am just wondering if senators have what we might describe as general questions before we go to outcome 1. Senator Macdonald, would you like to lead off?

**Senator IAN MACDONALD**—Thank you, Ms Beauchamp. Unfortunately, we were under the impression that this was starting at 11.30, so you got the jump on us. We did not hear the beginning of your statement.

**CHAIR**—Senator Macdonald, I might just point out that the guide says 11 o'clock.

**Senator IAN MACDONALD**—Well, we were told 11.30.

**CHAIR**—I do not know who told you that. I am just saying that the printed document which lists the program—the Senate *Notice Paper* or business of committees paper—has the department of regional development at 11.00. That is a guide only.

**Senator IAN MACDONALD**—Yes. It is a guide only.

**CHAIR**—So it is no fault of the officers or no fault of the committee.

**Senator IAN MACDONALD**—I am not blaming the officers, certainly. I am just apologising that we may have to ask you about things that you have already said.

**CHAIR**—I should have asked for this. Would you please provide a copy of your opening statement to the secretariat?

**Ms Beauchamp**—Indeed. I was just going to suggest that I could provide it.

**Senator IAN MACDONALD**—We are all of a single mind. If you could get several copies made, that would—

**Ms Beauchamp**—I have scribbled all over it at the moment, but I will get that tidied up and get that submitted.

**Senator IAN MACDONALD**—The sooner you can get it, Ms Beauchamp, the better, because otherwise we are just going to be asking things that you have already said. Perhaps we will do that in any case. But with a department that is quite dramatically altered from what we have ever experienced before, it is going to take a bit of time for the committee to get its collective head around where the department is. I should also mention for the record that the senior opposition person in this area is Senator Joyce, who is overseas with the Mary MacKillop celebrations. So I just place on record his apologies for not being here today. I and my colleagues will try to fill in some of the work that Senator Joyce would have done. Starting perhaps on a less happy note, as of today, none of the questions taken on notice at the last estimates committee hearing have been answered. None; not one.

**Ms Beauchamp**—My apologies, Senator. We are almost ready to submit those to the minister this week. It was something that fell through the cracks during the transition to the new department. We had sought clarification on which committee to provide those answers to and through which minister. That has now been clarified for us, and we hope to get those up in the next day or so. So my apologies.

**Senator IAN MACDONALD**—Where has Mr Mrdak gone?

**Ms Beauchamp**—Mr Mrdak is still the Secretary of the Department of Infrastructure and Transport.

**Senator IAN MACDONALD**—So no work was done on these questions prior to the election?

**Ms Beauchamp**—They have been almost finalised, yes.

**Senator IAN MACDONALD**—No. This government is the worst in living memory at getting answers back to committees. I am not blaming public servants here, because I know, and we have established at many estimates committees, that the public servants do their work, submit them to ministers and they languish there in spite of the resolutions of the Senate that these were to be answered, I think, by 21 July. Now, for those of you who do not know, 21 July is at least a month before the election—it is actually a month before the election—so there is no excuse for not having the answers prepared by the department. I am sure the department did it. But just to be clear, can you tell me now how many of the questions were not submitted by the department to the minister prior to 21 July?

**Ms Beauchamp**—I am not in a position to answer on behalf of the Department of Infrastructure and Transport.

**Senator IAN MACDONALD**—Well, who are you authorised to answer on behalf of?

**Ms Beauchamp**—I have taken over responsibility for those questions asked during May that relate specifically to outcome 3 in the previous department's—

**Senator IAN MACDONALD**—Outcome 3 is what?

**Ms Beauchamp**—Is regional development and local government programs.

**Senator IAN MACDONALD**—Can you answer my question in relation to those ones for which you are responsible? As I understand it, no answers have been received in relation to those either.

**Ms Beauchamp**—They will be provided to the minister very shortly.

**Senator IAN MACDONALD**—No. I am asking you many of those questions taken on notice by the department for which you do have responsibility now were submitted by the department to the minister prior to 21 July, as directed by the resolution of the Senate?

**Ms Beauchamp**—I would have to take that on notice because I am not sure how many were submitted to the minister. From my understanding in terms of what I have observed, none of the answers were actually provided to a minister's office.

**Senator IAN MACDONALD**—Ms Beauchamp, unfortunately you may have said this, but you are the secretary of this new department?

**Ms Beauchamp**—I have been appointed as acting secretary.

**Senator IAN MACDONALD**—Acting secretary. Congratulations on the acting appointment. Where do you hail from in the scheme of things? I am not interested in your personal life. The question does not relate to your personal life.

**Ms Beauchamp**—I have a broad range of experience and skills. I was previously deputy secretary in the Department of Prime Minister and Cabinet for 12 months. Prior to that, I was deputy secretary in Families, Community Services and Indigenous Affairs looking after community services, families, disabilities, housing functions and a range of functions there. Prior to that, I worked as a deputy chief executive in the community and housing department in the ACT. I have worked in the department of health.

**Senator IAN MACDONALD**—That will do. Thank you very much. Several of the acting secretaries are straight out of PM&C. This is perhaps a question to the minister. I do not want to offend Ms Beauchamp, but I assume the acting appointments out of PM&C are temporary fill-ins until a permanent secretary is sought and engaged. Is that it?

**Senator Sherry**—I do not know. That is the frank and honest answer. Ms Beauchamp may have some further information to add about the parameters concerning her acting appointment—likely length et cetera and what the process is. But I do not know, Senator Macdonald. I would have to take it on notice.

**Senator IAN MACDONALD**—I do not know how to put this delicately. Are you applying for the job, Ms Beauchamp?

**Senator Sherry**—I do not think that is appropriate.

**CHAIR**—I am not sure if you should really ask that question.

**Senator Sherry**—I am sure she is familiar with the process.



**CHAIR**—That, I think, does go to the personal.

**Senator IAN MACDONALD**—I am sorry if I did not put this delicately. I will pass by. I am just trying to ascertain whether your role here is a temporary one for a fixed period of time. Can you tell me that?

**Ms Beauchamp**—I have been appointed indefinitely at this stage. I am quite excited and privileged to be part of the new department. In terms of my acting role, I will be taking on all the responsibilities of a secretary proper, in a sense.

**Senator IAN MACDONALD**—No indication of when an appointment will be made as secretary?

**Ms Beauchamp**—No.

**Senator IAN MACDONALD**—I apologise for this. I did not really want to embarrass you personally on this. I am just trying to get a better understanding from our point of view on whether we should start attacking you viciously now or leave that for when the appointment is made.

**Ms Beauchamp**—Any time.

**Senator IAN MACDONALD**—Start now? Okay.

**Senator Sherry**—Ms Beauchamp is here. She is the responsible officer and she is prepared to answer all pertinent questions, as am I.

**Ms Beauchamp**—Indeed.

**Senator IAN MACDONALD**—So you are going to get me on notice how many of the questions from the department dealing with regional development, local government and whatever this area had before for which you are responsible. How many of those questions were submitted by your department to the minister prior to 21 July, as directed by an order of the Senate?

**Ms Beauchamp**—Yes. Can I make a clarification? The department did not exist at the time you are speaking of, so I will be seeking advice from the Department of Infrastructure and Transport.

**Senator IAN MACDONALD**—But the regional development elements of that department are now in your department?

**Ms Beauchamp**—Indeed.

**Senator IAN MACDONALD**—And the officers, by and large, are the same?

**Ms Beauchamp**—Yes.

**Senator IAN MACDONALD**—And you will be able to find out from them how many of them provide—

**Ms Beauchamp**—Were submitted to the previous minister, yes.

**Senator IAN MACDONALD**—Minister, do you have any idea why they would not have been dealt with prior to 21 July, well before the election?

**Senator Sherry**—I think Ms Beauchamp has indicated there were issues surrounding the transition.

**Senator IAN MACDONALD**—This is before the election.

**Senator Sherry**—I accept that. I am going to get to that. There have been issues around the transition and the status of the committee et cetera. She has put that on the public record. I would have to take that on notice as well, Senator Macdonald. This is a first for me. I have not represented this department at estimates before so I have not been at previous estimates for the issues that you are raising and where the questions on notice were taken. Otherwise I might have a greater personal knowledge, but I do not, unfortunately. But I will take it on notice, as Ms Beauchamp has. I will attempt to ascertain from the ministerial officers why there has been a delay. I do not believe it is satisfactory that there has been a delay, because I have sat where you sit. I do not accept your critique that you made earlier that this government has the worst record. I think if we were to look at the various records, responses to questions on notice and time frames of each committee over this government and previous governments, I would not accept that we had been worse than the previous government. But I will take it on notice, Senator Macdonald, and I will endeavour to find out, as also Ms Beauchamp has indicated, some specific time frames and reasons for those questions not having been provided. I do not believe it is satisfactory that the questions have not been provided, but I do not believe it is reasonable that Ms Beauchamp, given she is a new appointment—

**Senator IAN MACDONALD**—That is why I asked you, Minister.

**Senator Sherry**—Yes. But, as I have said, I do not believe that it is appropriate that there are still answers to questions on notice. I will endeavour to find out why. As Ms Beauchamp has indicated, she is looking at the next couple of days for a response for those areas that this department has responsibility for.

**Senator IAN MACDONALD**—Well, thank you, Minister. You agree with me, then, that it is entirely unacceptable that this government should finish its last term and start this term with 211 questions asked in the area of Infrastructure, Transport, Regional Development and Local Government and, of those 211 questions asked, not one—that is, zero—has been answered to this committee. Similarly, in Agriculture, Fisheries and Forestry, 158 questions were asked. The sum total responded to was zero.

**Senator Sherry**—Notwithstanding the fact that there have been issues around the election, the formation of government and the creation of new departments. Notwithstanding those issues, which I would argue—

**Senator IAN MACDONALD**—Minister, these were to be answered by 21 July, which you would know is a month before the election.

**Senator Sherry**—Senator Macdonald, just let me finish my answer. If you want to follow up—fine—but I had not finished my answer.

**Senator IAN MACDONALD**—Do not use excuses about elections when these were to be answered well before the election.

**Senator Sherry**—Senator Macdonald, I had not finished my answer.

**Senator IAN MACDONALD**—But you are excusing it because of the election. I am not interested in the election. This should have been done well before the election.

**Senator Sherry**—Senator Macdonald, if you just waited until I finished the answer, you may well be satisfied.

**Senator IAN MACDONALD**—Well, make it relevant.

**CHAIR**—Excuse me, Senators. If for no other reason than for the Hansard reporters to be able to take all of it down, it is important that senators do not try and talk over the top of each other and that they allow questions to be asked and answers to be given.

**Senator IAN MACDONALD**—Thank you for your ruling. The only problem, Chair is that we are getting answers that are not relevant to the question.

**CHAIR**—Well, then, Senator, you can raise a point of order about relevance. But let us at least not get into a situation across the table where senators are trying to talk over each other. I cannot hear and neither can, I think, Hansard or, indeed, the witnesses.

**Senator Sherry**—Thank you, Chair. Notwithstanding the issues that I have touched on, I think, twice, Senator Macdonald, I do not believe it is satisfactory. I have already said that. I do not believe that the delay is satisfactory. I do not believe it is appropriate. I have sat where you sit. I believe that the answers should have been provided.

**Senator IAN MACDONALD**—Thank you, Minister. It just means that we will have to now go back through a lot of the questions we did ask five months ago and about which we have anxiously been awaiting answers. I am told that the answers are at hand. So unless they can be delivered to us in the next hour, we can ask them now in the confident knowledge that we will get answers today because the answers are at hand. So we will come back to those later. First of all, I am just curious as to why the Department of Regional Australia, Regional Development and Local Government has been moved to Prime Minister and Cabinet. As an outsider, it suggests that the Prime Minister has no confidence in those she has appointed to deal with this area. But perhaps there is another explanation.

**Senator Sherry**—Well, that is a decision for the government of the day. The government of the day makes that decision, not the department itself.

**Senator IAN MACDONALD**—Well, I am looking at you, Minister. I think you are part of the government.

**Senator Sherry**—Exactly. Just give me a chance to finish my answers, Senator Macdonald. You keep intervening.

**Senator IAN MACDONALD**—Because you keep misinterpreting the question. I was not asking Ms Beauchamp. I was asking you.

**Senator Sherry**—Well, you did not say that.

**Senator IAN MACDONALD**—Well, all the questions go to you, Minister. You have been here long enough to know that.

**CHAIR**—Order! The questions are properly ones for the minister to answer on this occasion with regard to this issue because we had this same discussion yesterday with regard

to other changes with the Department of the Prime Minister and Cabinet. It is clear that they are not questions that can be directed or should be directed at the officers.

**Senator IAN MACDONALD**—And they were not.

**CHAIR**—Well, they were initially, but I do not want to go over that ground. I am just saying that it is not always clear. And invariably questions are being directed to officers to answer. I think on this occasion it is certainly clear that the minister is the appropriate person or the only person at the table who is in a position to respond.

**Senator Sherry**—Thank you, Chair, again. As I say, it was a decision of the Prime Minister. I do not agree with the assertion in your question, which you have claimed would indicate a lack of confidence in my colleague Mr Crean. What I would argue is that, to the contrary, it shows a renewed and added focus by this government on the issues of regional Australia. Beyond that, I am happy to take your question on notice and see if Minister Crean can add anything further.

**Senator IAN MACDONALD**—Minister, you cannot give us any indication. It is rather unusual—I cannot recall it in my 20 years here—where regional matters under whichever department it is have come in under the umbrella of Prime Minister and Cabinet. You cannot in any way enlighten us as to why that might be?

**Senator Sherry**—I have enlightened you, Senator Macdonald. I have indicated what I think is a reasonable conclusion—that it would indicate the renewed focus of this government and the more important focus of this government and of the Prime Minister in particular, together with the appointment of my colleague in the other place Mr Crean and emphasis on regional issues affecting regional Australia. Beyond that, I will take it on notice. If there is anything further to add from the minister, we will come back to you.

**Senator IAN MACDONALD**—So what part will the Prime Minister play in the oversight of this department, as you have just mentioned?

**Senator Sherry**—Well, the officers may be able to explain or may want to go to any administrative arrangements that to date have been entered into between the minister—in this case, Mr Crean—and the Prime Minister's office. Beyond that, I will take on notice your question to the minister, Mr Crean. But the officers may have something to add on the arrangements between the department and PM&C.

**Ms Beauchamp**—Obviously the Prime Minister announced as part of the administrative arrangement orders where the department would sit. There certainly was a commitment to the independent members of parliament that there would be a coordinating area in the PM's portfolio and where we as a department are part of that. We have very close relations with the Department of Prime Minister and Cabinet and we work through our office to ensure that we do keep the Prime Minister's office and others informed. So, in a sense, it is a very good position to be in in terms of the Prime Minister's portfolio. The Prime Minister is also involved on the subcommittee of cabinet as well.

**Senator IAN MACDONALD**—What subcommittee of cabinet?

**Ms Beauchamp**—The regional Australia and regional development subcommittee of cabinet.

**Senator IAN MACDONALD**—Does she chair that?

**Ms Beauchamp**—No. Minister Crean chairs that. So, in a sense, it is also bringing together a range of ministers and parliamentary secretaries to support Minister Crean and the Prime Minister in this certainly renewed focus on regional Australia.

**Senator IAN MACDONALD**—Who is in the subcommittee?

**Ms Beauchamp**—I am pretty sure there are about 14 ministers.

**Senator IAN MACDONALD**—Fourteen ministers and parliamentary secretaries?

**Ms Beauchamp**—Fourteen cabinet ministers.

**Senator IAN MACDONALD**—How many in the cabinet?

**Senator Sherry**—Perhaps we will get a list. Do we have a list available?

**Senator IAN MACDONALD**—That would be very helpful. In answering my question to the minister, you mentioned an office of coordination in the Prime Minister's department. Is that right?

**Ms Beauchamp**—There was a commitment to a coordinating unit within the Department of Prime Minister and Cabinet.

**Senator IAN MACDONALD**—Can you explain that?

**Ms Beauchamp**—It was a commitment in the agreement. We are, in a sense, a coordinating portfolio.

**Senator IAN MACDONALD**—So you are the coordinating unit that the Prime Minister promised the Independents that she would have in her department?

**Ms Beauchamp**—I think we could be seen as reflecting that commitment in the agreement. We also work very closely with the Department of Prime Minister and Cabinet.

**Senator IAN MACDONALD**—So is there a coordinating unit within the Prime Minister's department?

**Ms Beauchamp**—I think we would see ourselves as the coordinating department within the Prime Minister's portfolio, which is probably more than—

**Senator IAN MACDONALD**—Ms Beauchamp, 'you would see yourself' is an opinion from you, the way you are saying that—'We would see ourselves as this'. What I am really asking you: is there in the department of Prime Minister a unit called the coordinating unit for rural and regional affairs and regional development, or whatever name it might be given, that was created in response to the agreement with the two Independents?

**Ms Beauchamp**—I do not think it has been badged as that at this stage. There are certainly people that we work closely with who have been given responsibility to assist us in the establishment and ongoing functions of the department, yes.

**Senator IAN MACDONALD**—So the unit has not yet been established?

**Ms Beauchamp**—I do not think the unit itself has been established, but there are certainly officers in the Department of Prime Minister and Cabinet who are assisting us with our role.

**Senator IAN MACDONALD**—I appreciate that perhaps these questions should go to the Department of Prime Minister and Cabinet but, as I understand, that is what this estimates committee hearing is about, because we are now in the estimates dealing with Prime Minister and Cabinet.

**Senator Sherry**—Yes. But we are not in the area dealing with Prime Minister and Cabinet. We are in the area dealing with the Department of Regional Australia, Regional Development and Local Government.

**Senator IAN MACDONALD**—Ms Beauchamp has been very helpful in saying that there has not yet been established the coordinating unit that was promised by the Prime Minister to the two rural Independents. But Ms Beauchamp sees herself and her department as being a bit of a coordinating unit. Is that correct?

**Ms Beauchamp**—I would definitely see that part of the department's role is a policy coordination role around regional Australia.

**Senator IAN MACDONALD**—So this subcommittee of cabinet involves 14 cabinet ministers?

**Ms Beauchamp**—Correct.

**Senator IAN MACDONALD**—All of whom have something in their portfolios to do with rural and regional Australia, I take it. Is that the idea?

**Ms Beauchamp**—What the government has brought together is a number of ministers who can assist Minister Crean and the Prime Minister in terms of the commitments to regional Australia, yes.

**Senator IAN MACDONALD**—I want to understand this. I assume, for example, the health minister would have responsibility for a country hospital, perhaps, to provide services to country people. That person would be involved in this subcommittee?

**Ms Beauchamp**—Correct.

**Senator IAN MACDONALD**—And then your department will coordinate the rural aspects of the health department with the rural aspects of the Treasury?

**Ms Beauchamp**—We will work closely with a range of other departments. Obviously there are roles and responsibilities and definitely accountabilities that other departments and other ministers have. Our role is looking to make sure that, from a whole-of-government perspective, there is much more integration and coordination across government for regional Australia.

**Senator IAN MACDONALD**—So who is the adjudicator? If there happens to be a dispute between Treasury and Health, continuing my examples, on something that happens in rural Australia, who is the boss? Is it the rural and regional minister, Mr Crean? Is it the Treasurer, Mr Swan? Is it the health minister?

**Ms Beauchamp**—Like any other issues, they get sorted out at both departmental and ministerial level.

**Senator Sherry**—It is not an unusual arrangement, Senator Macdonald. With my other hats on as Minister for Small Business and the Minister Assisting on Deregulation, for

example, the areas of my department concerned with those two sets of issues has an input into policy in a wide range of other government departments. Ultimately if there is a difference of view, the ministers do sort it out.

**Senator IAN MACDONALD**—So are you a substantive department in your own right? I think you said in your statement, which unfortunately I missed half of—and we have not yet got, as I understand—that Minister Crean does have direct responsibility for some things. Does he? Can you repeat what they are?

**Ms Beauchamp**—We are a department of state, as required, with certain obligations under the Financial Management Act and the like. So we are a separate department reporting to Minister Crean.

**Senator IAN MACDONALD**—In the past—and we will come on to this in some detail later—there were other ministers in the area directly responsible. Perhaps I should be asking this to the minister. Why have the interests of rural and regional Australia, one might say, been downgraded with the appointment of one minister in this portfolio area?

**Senator Sherry**—I do not accept your description or, as I indicated earlier, your assertion, claims or statement surrounding your question. I do not accept your claim that it is a downgrade. In fact, I would argue to the contrary that the appointment of—

**Senator IAN MACDONALD**—Well, we would not need to argue if you would answer questions, Minister.

**Senator Sherry**—Well, if you are going to make assertions and political claims as part of a question—

**Senator IAN MACDONALD**—Let me be a bit more precise. Previously there was—

**CHAIR**—Order! Senators—

**Senator IAN MACDONALD**—Look, Mr Chairman—

**CHAIR**—Excuse me, this is the point I am trying to make. It is not only contrary to standing orders; as I said, it is impossible for people to follow this if people keep interjecting and interrupting and talking over the top of each other.

**Senator IAN MACDONALD**—If need be, I will take a point of order. We have a very limited time for this portfolio. It is a brand new portfolio with a lot of new things happening. With respect to the minister—I will not accuse him of obfuscating—we are having very lengthy answers about things that are not asked in the questions. I intend to interrupt the minister where he is not being relevant to these areas because time is limited. Perhaps, Mr Chairman, you might be able to encourage the minister to stay on point so that we can get through what is clearly going to be a very lengthy information session.

**CHAIR**—Thank you, Senator Macdonald. If you wish to take a point of order at any time, you are entitled to do so. Of course, it is also contrary to the standing orders to continue to take repetitious points of order which have no validity. I think we were at a point where the minister was responding to a question.

**Senator Sherry**—Firstly, I do not think any examination of the record would show that my answers have been in any way lengthy. Secondly, Senator Macdonald, I am happy to answer

questions that you put. If you—and you have not had me as a minister, as I recall, in other committees in the preceding three years—put a political point as part of a question and you make the assertion or claim of a downgrade, I will respond to that because it is part of the question. But I have nothing further to add to your question, Senator Macdonald.

**Senator IAN MACDONALD**—Minister, previously there was a cabinet minister and a parliamentary secretary in this area of governance. Now there is a cabinet minister. Do you consider that a downgrading?

**Senator Sherry**—No, I do not. Yes, there is a cabinet minister and, yes, there is a very good cabinet minister who has a very long record across a range of portfolios, including a range of policy areas, such as agriculture, fishing et cetera. I regard it as a very strong appointment and an appropriate appointment.

**Senator IAN MACDONALD**—Why was there no parliamentary secretary appointed to this department as there was previously?

**Senator Sherry**—Firstly, it is a matter for the Prime Minister. Secondly, if it is a matter for the Prime Minister, as much as I can take that on notice and Minister Crean can provide a response, I will, but it would be a matter for the PM&C estimates, not for Minister Crean's estimates. But I will take it on notice and see if he can add anything.

**CHAIR**—Excuse me, I was actually going to make the point—obviously we allow a lot of latitude—that questions that relate to positions of the Prime Minister I would think would have been brought up during the Prime Minister and Cabinet estimates yesterday.

**Senator IAN MACDONALD**—Thank you, Chair. I have already made that point myself previously. But I am trying to understand who this department responds to and why the arrangements are there. Let me ask the minister: a number of areas coming from the former Department of Infrastructure and Transport were dealt with by a cabinet minister and a parliamentary secretary. Is it correct now that one minister will deal with all of them without any direct ministerial assistance in the portfolio?

**Senator Sherry**—No, it is not correct. In fact, just talking to Ms Beauchamp, there are a number of parliamentary secretaries and other ministers who will be reporting to and supporting Minister Crean. We will be happy to provide a list. We are just getting that prepared for you at the moment.

**Senator IAN MACDONALD**—Perhaps Ms Beauchamp can tell me just a few of them so I can get the idea of what you are talking about.

**Ms Beauchamp**—We have Gary Gray in Western Australia, Warren Snowdon in the Northern Territory, Jan McLucas in Queensland.

**Senator IAN MACDONALD**—They are reporting to them in a ministerial capacity?

**Ms Beauchamp**—These are supporting the minister, not reporting to. In terms of your earlier question, I think you said, 'Did the minister have full responsibility for some of the programs that were transferred?'

**Senator IAN MACDONALD**—Yes.

**Ms Beauchamp**—Indeed, he has full responsibility.



**Senator IAN MACDONALD**—I thought you said you would be reporting to other ministers. You are not. Are you only reporting to Minister Crean?

**Ms Beauchamp**—I will be reporting to Minister Crean, yes. But he has a range—

**Senator IAN MACDONALD**—He will be assisted by which other ministers? Not by name but by portfolio. Are you being assisted by these other ministers as individuals or as ministers in a particular portfolio?

**Ms Beauchamp**—A number of ministers and parliamentary secretaries have been assigned to support Minister Crean's agenda around regional Australia. They have not got formal responsibilities that other ministers and parliamentary secretaries have.

**Senator IAN MACDONALD**—So how does that differ from backbenchers who will be supporting the minister? Am I missing something here?

**Ms Beauchamp**—I am not sure what the question is.

**Senator IAN MACDONALD**—These other people you mentioned are not supporting Minister Crean in the fact of their ministerial portfolio but in the fact, I assume from the people you did mention, of where they come from?

**Ms Beauchamp**—I think certainly their expertise and eyes and ears on the ground in particular states is important to feed back through the minister.

**Senator IAN MACDONALD**—But that applies to backbenchers as well, does it not?

**Senator Sherry**—There is a difference between a backbencher and a parliamentary secretary to the minister, which I am sure you know. There are a number allocated. We will get you the full list. There are a number of allocated ministers and/or parliamentary secretaries throughout regional Australia who have specific reporting to Minister Crean.

**Senator IAN MACDONALD**—So how will that occur? Is there going to be a regular meeting first thing Monday morning or last thing Friday arvo or is it just going to be, 'We'll bump into him at question time and tell him a few things?' What is the process for that?

**Ms Beauchamp**—I understand Minister Crean is meeting with the group shortly, possibly this week, to talk about the process and how they might be involved. But already some of the ministers and parliamentary secretaries have been out there to various consultation meetings and the like and obviously are feeding input back through the minister's office.

**Senator IAN MACDONALD**—So we have a group of cabinet ministers, including the Prime Minister, who are associating with what we would call regional Australia?

**Senator Sherry**—That is a cabinet subcommittee.

**Senator IAN MACDONALD**—And there is a group of other ministers and parliamentary secretaries who are also involved?

**Ms Beauchamp**—Who are supporting Minister Crean.

**Senator IAN MACDONALD**—Let me chance my hand at this. Is a group of backbenchers also going to be reporting?

**Senator ADAMS**—And independents?

**Senator IAN MACDONALD**—Very good. As my colleague Senator Adams quite rightly says, perhaps a group of independents as well. Is there some formality about that?

**Ms Beauchamp**—I am not aware of the formalities in terms of what happens at the political end around backbenchers.

**Senator Sherry**—We have a caucus committee that has responsibility and oversight of the regional issues amongst its remit. But I would have to take that on notice and provide you with a response as to the details. That would meet regularly with ministers, including Minister Crean, in respect of his responsibilities for regional Australia. Obviously Ms Beauchamp would not be aware of those, but I am happy to take it on notice and ask Minister Crean to provide a response on those relationships. I can tell you Minister Gray from WA, Parliamentary Secretary Farrell of South Australia, King in Victoria, my colleague Julie Collins from Tasmania, Elliott in New South Wales, Snowdon in the Northern Territory, McLucas in Queensland and Lundy in the ACT. They are the nominated parliamentary secretaries and/or ministers. My advice is that there are regular meetings every sitting week of those individuals with the minister.

**Senator IAN MACDONALD**—There has been some confusion, particularly in the north, I might say, because on the day of the appointments Senator McLucas announced to the world that she was the parliamentary secretary for Northern Australia. The list came out the next day and clearly she is not in the list as that. Can I just confirm that she is not parliamentary secretary for Northern Australia, replacing Mr Gray, who had the gig previously?

**Ms Foster**—My understanding is that Parliamentary Secretary McLucas is the parliamentary secretary for regional development in Queensland.

**Senator IAN MACDONALD**—That does not appear on the list of appointments issued by the Prime Minister's office.

**Ms Foster**—This is in a supporting role, Senator, that Ms Beauchamp was describing.

**Senator Sherry**—Firstly, Senator Macdonald, these issues of responsibilities and title et cetera really should go to PM&C. I am listed as the Minister for Small Business. I am not listed as the minister assisting, for example, on deregulation. That set of responsibilities was passed to me after the announcement of ministerial arrangements by the Prime Minister by administrative order. It is not an unusual set of circumstances.

**Senator IAN MACDONALD**—So is there an administrative order for Senator McLucas as well?

**Senator Sherry**—Well, I do not know. There would be administrative orders for her in her parliamentary secretary capacity. But if you want—

**Senator IAN MACDONALD**—No, for the Northern Australian gig.

**Ms Beauchamp**—No, there are not. They are not part of the administrative arrangement orders. They have been assigned as supporting Minister Crean in this role.

**Senator IAN MACDONALD**—Assigned by the Prime Minister?

**Ms Beauchamp**—Indeed.

**Senator Sherry**—So the eight people that I read out—ministers and parliamentary secretaries, as I said—meet every sitting week with Minister Crean to provide input into issues concerning regional Australia.

**Senator IAN MACDONALD**—Thanks, Minister. Will the department support that group? Will you provide secretarial services and note taking?

**Ms Beauchamp**—We have not yet put in place processes to support that group. I think, if we were to do engagement well across Australia and support the government, we would be required to provide some sort of support, and that has not yet been determined.

**Senator IAN MACDONALD**—Are you supporting the cabinet subcommittee in that role, or is PM&C doing that?

**Ms Beauchamp**—The Department of Prime Minister and Cabinet has certain obligations under the cabinet processes to support Minister Crean in that role.

**Senator IAN MACDONALD**—I will ask my question again. Will you be supporting the cabinet subcommittee?

**Ms Beauchamp**—The Department of Prime Minister and Cabinet supports the logistics around note taking. Of course, in my acting role I would be supporting the minister in any way I possibly could in terms of bringing the department's point of view to that role.

**Senator IAN MACDONALD**—Yes. But you are not administering the subcommittee. That is PM&C?

**Ms Beauchamp**—Correct.

**Senator IAN MACDONALD**—A simple question, a simple answer. Will the yet to be formed coordinating unit be your responsibility or will that be PM&C's?

**Ms Beauchamp**—I think that would be the Department of Prime Minister and Cabinet.

**Senator IAN MACDONALD**—We now have your statement. You might help me with it rather than have me waste time reading through it. What are the overall budgetary implications of the new department? Where are you getting your money from? Where is it coming from?

**Ms Beauchamp**—As I mentioned in the opening statement, and I have a dot point there, functions were transferred from the Department of Infrastructure and Transport; they are both administered functions and departmental resources. Functions were also transferred from the Attorney-General's Department around supporting and providing services to the territories. For 2010-11, from the budget papers it is very clear that overall the department will have responsibility for administered funds amounting to some \$2.3 billion. That is primarily in the administered programs coming from the Department of Infrastructure and Transport. The departmental resources transferred so far are in the order of \$25 million. As you would appreciate, with any machinery of government changes, the transfer of departmental resources takes some time to nut through and finalise when you are looking at both the transfer of direct functions and corporate overheads and the like. We are still working through those elements in a very cooperative way with the Department of Infrastructure and Transport and the Attorney-General's Department.

**Senator IAN MACDONALD**—So Mr Crean is now the minister for territories, so to speak?

**Ms Beauchamp**—Yes.

**Senator IAN MACDONALD**—Does that appear in his title?

**Ms Beauchamp**—The Minister for Regional Australia, Regional Development and Local Government covers a range of functions.

**Senator IAN MACDONALD**—‘Territories’ is not mentioned, but he is now the territories minister as well?

**Ms Beauchamp**—He will be responsible for the support of the administered program that was transferred from the Attorney-General’s Department, and that program is called Services to Territories.

**Senator IAN MACDONALD**—I might just mention in passing that I think that is a far more sensible place for it to be than in Attorney-General’s, but that is an opinion in passing. Have you provided—if not, can you provide—the staffing levels for SES and non-SES officers in the new department?

**Ms Beauchamp**—We are a very lean department at the moment in terms of SES officers. We have transferred about 250 departmental officers from the giving departments. We have 120 non-APS employees. In terms of the break-up of senior executive service officers and other officers, I will take that on notice rather than read through exactly what SES complement we have on board. At the moment, I am seconding people from other agencies to assist in establishing the department and building our capacity. Some secretaries have been very generous in providing SES and other officers on loan in some instances and, in others, on secondment.

**Senator IAN MACDONALD**—When do you hope to have all these in place?

**Ms Beauchamp**—The structure of the department?

**Senator IAN MACDONALD**—Yes, and your officers placed in those structures.

**Ms Beauchamp**—I hope to have that sorted out in the next few months. As I say, the machinery of government processes do take some time to sort through both from a staffing point of view and, probably more importantly for me, from a resources point of view. Obviously I need to make sure that I can provide a staffing structure within the department that we can afford.

**Senator IAN MACDONALD**—So you can afford it within the budget that you have been allocated?

**Ms Beauchamp**—That is correct.

**Senator IAN MACDONALD**—What budget have you been allocated for the balance of the financial year as an overall department?

**Ms Beauchamp**—I am sorry, Senator, I will have to take the detail of that on notice and provide further detail, as we are still going through the transfer of those departmental resources. At the moment there has been an initial transfer of around \$25 million so we can

operate as a department, so we can enter into contracts and so we can take people on and do the things that you can do legally. But I will be in negotiations with the secretary of Attorney-General's, and Infrastructure and Transport to finalise those resources coming across.

**Senator IAN MACDONALD**—So you do not have an overall budget for the next nine months at this stage?

**Ms Beauchamp**—I have a pretty good indication of what the annual budget is.

**Senator IAN MACDONALD**—What is that?

**Ms Beauchamp**—Around \$25 million. What I need to find out is how much of that has been expended before I appoint any other—

**Senator IAN MACDONALD**—So that is to run the department, is it?

**Ms Beauchamp**—Yes, it is.

**Senator IAN MACDONALD**—And then you said earlier you would be administering programs of \$2.3 billion, you understood?

**Ms Beauchamp**—That is correct.

**Senator IAN MACDONALD**—Or thereabouts. You have 250 APS employees, SES and non-SES, and 120 non-APS. Can you just explain that.

**Ms Beauchamp**—In terms of supporting the Territories Division, there is a range, and quite a large number—120—of non-APS staff that are providing primarily administrative and logistical and service support to the Indian Ocean territories.

**Senator IAN MACDONALD**—So these are school teachers and doctors and those sorts of things?

**Ms Beauchamp**—Exactly, yes.

**Senator IAN MACDONALD**—So we will ask you in the future about the Indian Ocean territories?

**Ms Beauchamp**—Yes.

**Senator IAN MACDONALD**—What do you know about immigration and detention?

**Ms Beauchamp**—Sorry, is that a question?

**Senator IAN MACDONALD**—Well, I am just alerting you to the fact that you might get some questions for as long as the government lasts, which may not be very long.

**CHAIR**—Is there anything specific in your question, Senator Macdonald?

**Senator IAN MACDONALD**—I am diverting, because we clearly have no questions for the territories section of your department. I am diverting to that. How are the arrangements going with Western Australia to take over the services of the Indian Ocean territories? I know they supply most of the teachers and doctors, but, as I understand it, there was some move to more formally move the territories services to Western Australia. Is that progressing at all?

**Ms Beauchamp**—I will have to ask one of the other officers here responsible for that division to provide an answer.

**Senator IAN MACDONALD**—When you identify yourself, can you tell us where you have come from as well.

**Mr Yates**—Certainly, Senator. I am the first assistant secretary of the territories division. I came into that specific role in March this year whilst I was in the Attorney-General's Department. Prior to that, I was the assistant secretary of territories west, which includes the Christmas and the Cocos (Keeling) Islands. So in terms of your question about Western Australia, the arrangements that have been in place for a considerable period of time are that we purchase a wide range of services off the Western Australian government through 40 service delivery arrangements, where they deliver service essentially to the same standard as what is done in remote Western Australia. At this stage, from the Commonwealth's perspective, there are no discussions regarding the Indian Ocean territories going into Western Australia. On that point, I note there are some constitutional steps that would have to be taken before any adjustment of state boundaries. We have had no formal communication from Western Australia regarding any change. All the discussions that we have had with them indicate a high level of satisfaction with the current arrangements.

**Senator IAN MACDONALD**—I suppose it is a bit early to ask you whether that is a goal of the minister to more formally transfer—

**Mr Yates**—That would be a matter for the government.

**Senator Sherry**—And we will take that on notice for the minister.

**Senator IAN MACDONALD**—It is probably a bit early. Sorry, that is all I really wanted.

**CHAIR**—That is all on general questions?

**Senator IAN MACDONALD**—It is more specifically to the territories area of the portfolio, which I do not think appears on your list either, Minister.

**CHAIR**—I want to clarify that we are still on general questions. We have not formally gone to outcome 1. Senator Siewert has indicated that she has a couple of questions, but it is a case of letting her know when it is appropriate. They are related to outcomes, as distinct from general questions.

**Senator ADAMS**—Mine are too.

**CHAIR**—Can we just finish off any general questions and then proceed to outcome 1.

**Senator IAN MACDONALD**—Is there a special item for the priority regional infrastructure program later in the next two hours, or should I deal with that in general questions?

**Ms Beauchamp**—You could deal with that in general questions because it probably has not been allocated to a particular outcome under the portfolio budget statements from last year.

**Senator IAN MACDONALD**—Are you saying we should deal with that now?

**Ms Beauchamp**—Yes.

**Senator IAN MACDONALD**—Well, that succeeds, as I understand, the current regional and local community infrastructure program from July next year. Can you tell us whether it will be applications based or direct allocations of funding provided to each council?

**Ms Beauchamp**—We are still working through the process now and have not yet provided any advice to the minister on how to proceed. So we are just working through those options internally.

**Senator IAN MACDONALD**—The priority regional infrastructure program was a commitment of the government at the election, was it not?

**Ms Beauchamp**—I think it was a commitment during the post election period.

**Senator IAN MACDONALD**—So someone must have some idea what it involves.

**Ms Beauchamp**—It will be providing for regional Australia, and we will be administering that. As I mentioned, we are developing a process for expending those funds from next year.

**Senator IAN MACDONALD**—You have \$800 million of your \$2.4 billion set aside for that. Is that correct?

**Ms Beauchamp**—The government is looking and has earmarked funds for that purpose.

**Senator IAN MACDONALD**—Well, what funds? How much in funds?

**Ms Beauchamp**—Which particular fund?

**Senator IAN MACDONALD**—The priority regional infrastructure program.

**Ms Beauchamp**—The government made a number of commitments with the agreement around the commitment to regional Australia with the Independent members of parliament and provided details around the priority regional infrastructure program. It spoke about investing \$800 million. The program will operate over five years after the conclusion of the current regional local community infrastructure program, which you are very familiar with. The program will fund priority infrastructure projects as identified by local communities. Eligible projects will include transport infrastructure projects; community infrastructure projects, such as town halls and community centres; and economic infrastructure projects.

**Senator IAN MACDONALD**—You have been allocated that \$800 million over the next five years. So on average it is \$160 million a year for five years?

**Ms Beauchamp**—We are still going through the formal budget process, as you would appreciate, based on election commitments and these post election commitments. These sorts of things will be sorted through the budget process, so I am not in a position to provide you with detailed comments on the phasing of those dollars.

**Senator IAN MACDONALD**—Do we have an item today on the program that is replacing the regional and local community infrastructure program, or should I ask you now how much funding has been provided so far? If you do not have this, can you give me a year-to-year breakdown since that program has been going?

**Ms Beauchamp**—For the regional local community infrastructure program?

**Senator IAN MACDONALD**—Yes.

**Ms Beauchamp**—Yes. That is in outcome 1, I think.

**Senator IAN MACDONALD**—I shall come back to that. I diverted myself a bit when we were talking about all these committees helping Mr Crean. Perhaps I should ask you this, Minister. What is the arrangement with the two rural Independents who have guaranteed the government its life? Is there some formal process for them to meet regularly or irregularly?

**Senator Sherry**—It is the Prime Minister.

**Senator IAN MACDONALD**—So the Prime Minister but not the minister, Minister Crean?

**Senator Sherry**—I will take it on notice the extent to which the minister will be meeting with the Independents. I am sure it will be regular. But I do not have a brief about how regular. As for the agreement with the Independents, it is for regular meetings with the Prime Minister.

**Senator IAN MACDONALD**—With the Prime Minister?

**Senator Sherry**—That is what the document goes to.

**Ms Beauchamp**—If I can just confirm that. It has been formalised in the agreement that certainly Minister Crean would meet with the Independents on a regular basis.

**Senator IAN MACDONALD**—And does that include Mr Katter as well as the other two?

**Ms Beauchamp**—I am not aware that Mr Katter has a process of formal meetings with the government.

**Senator Sherry**—He was not party to that document. But I will take it on notice whether Minister Crean has any process with Mr Katter. But I have no indication and no briefing on that.

**Senator IAN MACDONALD**—With the two New South Wales Independents—and I have glanced at the agreement—is there a schedule of spending for the electorates of those two, the member for New England and the member for Lyne? Do you have anywhere within the department's files a schedule of what money is going to be spent in their individual electorates over the period of the government or any other period?

**Ms Beauchamp**—I am not aware of that work having been undertaken, no. I would have to take that on notice to see what commitments—you have asked beyond commitments—or expenditure is likely to occur within those electorates.

**Senator IAN MACDONALD**—Minister, you might take on notice, if you would, the justification for certain allocations for two electorates. I assume, but correct me if I am wrong, there is a lack of commitment necessarily to other electorates in rural and regional Australia.

**Senator Sherry**—I just want to clarify your question. Effectively, you are obviously wanting an electorate breakdown for the two electorates just as they relate to this department?

**Senator IAN MACDONALD**—Yes. Well, I really cannot ask for other departments.

**Senator Sherry**—Yes. That is right.

**Senator IAN MACDONALD**—But in this department, yes.



**Senator Sherry**—But by dealing with the second part of your question vis-a-vis other electorates, there would have to be an examination of other regional electorates to give the comparison, presumably.

**Senator IAN MACDONALD**—Well, my question really relates to how a government can make commitments to two particular electorates and not to other electorates. What is the policy rationale for that apart from power?

**Senator Sherry**—Well, there is an agreement with those two Independents, just as your leader offered \$1 billion to Mr Wilkie for the hospital in Hobart, as I recall. Offers were made and acceptance was entered into.

**Senator IAN MACDONALD**—I think that is speculation.

**Senator Sherry**—But there was a negotiation. There was a conclusion, and the conclusion reached in this case that we are talking about is that which has been published.

**CHAIR**—Excuse me, Minister, I seem to recall that there was an agreement between the former Prime Minister or former government and Senator Harradine regarding the proceeds of the sale of Telstra and particular expenditure for Tasmania.

**Senator BACK**—It is basically what mendicant states do, isn't it, Chairman?

**Senator Sherry**—What was that description of Tasmania?

**Senator BACK**—Mendicant.

**Senator Sherry**—Outrageous! I am outraged, as a Tasmanian senator.

**Senator BACK**—I appreciate your spirited defence of that state, Senator Sherry.

**Senator Sherry**—I observe, in passing, that Senator Harradine was a Tasmanian senator. Frankly, I am proud of the role that Tasmanian senators play from all political persuasions. I am sure Senator Abetz, as the opposition Senate leader, would not appreciate that description.

**CHAIR**—It is not unusual, is it?

**Senator Sherry**—I am sure he would not appreciate that description.

**Senator IAN MACDONALD**—We are wasting valuable time.

**Senator BACK**—We are, yes. I apologise.

**Senator Sherry**—Senator Back should not have made that highly provocative comment about Tasmania.

**Senator BACK**—Highly provocative, however true.

**Senator Sherry**—I will make sure it is on the front page of the *Mercury* tomorrow.

**Senator BACK**—Wonderful.

**Senator IAN MACDONALD**—Senator Back, next time you do it, include Queensland as one of the states that was supporting the rest of Australia.

**Senator BACK**—I was about to, but I knew you would, Senator Macdonald.

**Senator IAN MACDONALD**—I have a series of questions about the priority regional infrastructure program, but I take it from your last answer you cannot give me any detail

about that. For example, have any projects been allocated funding over that to-be-structured priority regional infrastructure program?

**Ms Beauchamp**—Sorry, Senator, I did mention previously that we do need to go through a formal budget process, and we are currently doing that inside government.

**Senator IAN MACDONALD**—Yes, but if you can answer my questions, there is no point in me asking you detailed questions about projects that have received funding because nothing has received funding because you have not set it up yet?

**Ms Beauchamp**—The government has made a commitment for that fund to start some time in the future, and that will be subject to a budget process.

**Senator IAN MACDONALD**—Has the government made any commitments for expenditure from that fund, even though it is not set up?

**Ms Beauchamp**—I am not aware of any.

**Senator IAN MACDONALD**—Not for the electorates of Lyne and New England?

**Ms Beauchamp**—Out of that particular fund?

**Senator IAN MACDONALD**—Yes.

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

**Senator IAN MACDONALD**—Thank you. There were a number of election promises, if I can call them that broadly, made by the government. Does the department have a list of those promises that are relevant to your department and will have to be funded by your department?

**Ms Beauchamp**—Again, Senator, we are in the process of confirming and costing those election commitments. They will be considered in the budget process. So at the moment we are putting together work internally as part of that.

**Senator IAN MACDONALD**—Have eligibility criteria yet been determined for that program?

**Ms Beauchamp**—No. As I mentioned, we will be working through those guidelines—eligibility, processes—and providing advice to the minister accordingly.

**Senator IAN MACDONALD**—Have you yet determined how the word ‘regional’ will be defined with regard to the priority regional infrastructure program?

**Ms Beauchamp**—The definition of ‘region’ Minister Crean has spoken about on a number of occasions. In terms of the agreement, it is very clear that with the definition of ‘region’ we are taking a very broad view. But in terms of the actual agreement, in negotiating the commitment to regional Australia, of which this element is a part, regional Australia was defined as all areas outside of the six major capitals. But obviously Minister Crean has spoken about regions as communities of interest focused on achieving sustainable development. Obviously this is something that we will be taking forward in the context of the agreement.

**Senator IAN MACDONALD**—Thank you, Ms Beauchamp. Let me be more specific. Will projects in capital cities be eligible for funding under the priority regional infrastructure program?

**Ms Beauchamp**—All of those things will be determined in the course of the budget process, so I am not in a position to provide a specific answer other than say regions cover all of Australia. We support 55 regional development authority committee areas, for example, that do cover the whole of Australia.

**Senator IAN MACDONALD**—So you are saying to me that it is possible for projects in capital cities to be funded under the priority regional infrastructure program?

**Ms Beauchamp**—They are yet to be decided.

**Senator IAN MACDONALD**—It is possible. You are not saying, ‘No, that is a capital city so it cannot get funding under the priority regional infrastructure program’?

**Ms Beauchamp**—There may be some very, very valid projects or initiatives that might be located in capital cities that do go to supporting rural, regional and remote Australia, so I do not know why you would not consider them in such a process. However, these decisions are yet to be made by government. We are going through the process at the moment.

**Senator IAN MACDONALD**—But, Ms Beauchamp, I hear again that you are going through the process. But you are not definitively ruling out the fact that the regional infrastructure program can fund projects in the capital cities?

**Ms Beauchamp**—I am not ruling anything in or out. I am not in a position to do that at this stage.

**Senator IAN MACDONALD**—Can we just move on to Regional Development Australia, or is that something that we should deal with under—

**Ms Beauchamp**—That is also under outcome 1, Senator, but I am happy to take it here.

**Senator IAN MACDONALD**—It is more of a broad question. In a recent speech, I understand that the minister stated that Regional Development Australia bodies would be strengthened. They are his words.

**Ms Beauchamp**—Yes.

**Senator IAN MACDONALD**—What steps are being taken to achieve that?

**Ms Beauchamp**—As you mentioned, a commitment has been made to strengthen Regional Development Australia. We are looking and working through some options and advice to give to the minister on how we do that. Minister Crean has met with a number of chairs of regional development authority committees, and officers from within the department at the senior level have also met with some of those key players to see obviously where the government could rightly invest effort in strengthening Regional Development Australia. I would not like to say that there is a generic solution because they are all very different and representing very different needs and priorities in local areas. So we are going through a process in terms of gathering that information and providing some options and advice to the minister.

**Senator IAN MACDONALD**—The minister said it is going to be strengthened, but he is waiting on your advice on how to strengthen it?

**Ms Beauchamp**—That is correct. We are doing that in consultation with key stakeholders.

**Senator IAN MACDONALD**—I will not go further into RDA because I know some of my colleagues have some questions about that later. To what extent will the department be involved in developing the spatial accounting model for regional development funding or the establishment of myregion.gov.au? Yes, please, go ahead.

**Ms Beauchamp**—Thank you, Senator. Obviously we are working with the Department of Finance and Deregulation.

**Senator Sherry**—Sorry, Chair, there is a fair bit of cross-talking.

**CHAIR**—I appreciate that.

**Senator Sherry**—No, amongst all of the committee. I am having trouble hearing despite the witness being next to me.

**CHAIR**—Can I just indicate that we are due to go to a break at 12.30. We will just continue with the questions at the moment. But I draw that to senators' attention.

**Ms Beauchamp**—In the agreement with the independents, it indicates the finance department will develop a spatial accounting model. We are working with the department of finance in looking at what and where the Commonwealth investment and effort is spent and looking at obviously including in the forward estimates arrangements around spatial reporting. So we are working with the Department of Finance and Deregulation and other agencies to look at how we might do that.

**Senator IAN MACDONALD**—So it is a work in progress or work to be started?

**Ms Beauchamp**—It has started, but we are still only in the preliminary stages.

**Senator IAN MACDONALD**—Mr Chairman, if we are going to finish at 12.30, I might indicate that I have a number of other general questions. But my colleagues also want to ask some questions.

**CHAIR**—Have we finished with general questions?

**Senator ADAMS**—Not really. I cannot get in, but the Chair is not looking.

**CHAIR**—Excuse me, Senator Adams, but I totally resent that. Senator Macdonald has had the call the whole time. If you wish to seek the call, you should let your colleague know.

**Senator ADAMS**—Well, I have tried.

**CHAIR**—Excuse me, Senator Adams. You should let your colleague know before you have a go at me about not giving you the call. Senator Macdonald has been leading on this all the way through. If you wish to ask questions, all you have to do is let your own colleagues know and then let me know.

**Senator IAN MACDONALD**—Thank you, Mr Chairman. I was just saying that when we start at 1.30, if Senator Adams and Senator Back and anyone else who might come along would like to ask some questions, and I understand Senator Siewert as well, that might—

**CHAIR**—Senator Siewert's questions, she said, are specifically on the outcomes rather than general.

**Senator IAN MACDONALD**—Well, if we can do that, is it your intention to suspend now for an hour?

**CHAIR**—Well, that is the proposed time. I just thought if there were a couple more questions, that would finish the general section.

**Senator IAN MACDONALD**—Well, my colleagues have some general questions as well.

**CHAIR**—We will suspend now and resume at 1.30 pm.

**Proceedings suspended from 12.29 pm to 1.30 pm**

**CHAIR**—The committee is resumed. Senator Back.

**Senator BACK**—Thank you, Chairman. I do want to pick up—not that I was here for your opening statement, but I am particularly interested in the East Kimberley Development Package. What can you tell me about the progress of that package and its future, please?

**Ms Beauchamp**—Thank you. I might ask Ms Fleming to provide you with an update on that program.

**Senator BACK**—Thank you.

**Ms Fleming**—Robyn Fleming, Office of Northern Australia. The beginning of the East Kimberley Development Package is a \$195 million package in social infrastructure and it complements the Western Australia Government's expansion of the Ord 2. There are some 29 projects delivered through what we call 'three streams of work.' One is a national partnership with the Western Australian government, there are six projects undertaken through the Shire of Wyndham East Kimberley, and two projects which are delivered directly through two Indigenous corporations. We did provide extensive project outlines to the previous committee senator. Do you want me to just leave off from there or would you like me to do more detailed—

**Senator BACK**—No. With respect for time, I can arrange for that to be obtained. Thank you.

**Ms Fleming**—Since we last spoke to the committee we reported that one project, the Wyndham Picture Gardens, had been finished. Two further projects have been completed in that time frame. I do apologise. The Wyndham Pool Upgrade had been completed. The other two projects that have been completed are the Wyndham Picture Gardens and the Patient Transfer Facility, which will become operational later this year. Eight projects have contracts in place and are under construction. Thirteen projects are close to having their contracts finalised. Five further projects have tenders advertised, and the WA government is in consultation to finalise a contract for the major education and health precincts with John Hollands.

**Senator BACK**—Thank you. Taking a slightly longer term perspective, the viability for the Ord project and for the East Kimberley largely will be determined by the capacity to be able to transport produce from that region, whether it is here within Australia or overseas. The catch-22 is that a lot of produce would not be of such a value as to be able to be air transported, which leaves sea transport presumably from Wyndham. Can you tell me, is any work ongoing to evaluate the Port of Wyndham and to assess what may have to be done to actually turn that into a port able, in the longer term, to be used for transporting freight away from the East Kimberley?

**Ms Foster**—The work around ports is in the Department of Infrastructure and Transport. As you are conscious, we have split the regional development and local government elements off from the department of transport, and I understand the estimates hearings are later this week. But there has been some significant work done by Infrastructure Australia around ports.

**Senator BACK**—So is there some degree of complimentary relation, then, between the two still in terms of projects and outcomes?

**Ms Fleming**—We continue to liaise and monitor broader infrastructure development and we are aware that the WA government has a number of port development strategies that it is considering because there are a number of options for port development strategy in the north-west of WA. So that is something that we continue to monitor.

**Senator BACK**—Thank you, Chairman. I will defer to others.

**CHAIR**—Thank you. Back to Senator Macdonald. Are we still in general questions? It is just that we do have one or two other senators who we need to advise when we get on to the outcomes proper to come in and seek to call.

**Senator IAN MACDONALD**—Mr Chairman, I have a number of questions that could take up the rest of the time. Could I suggest to other senators that they come along and, if it suits the committee, I would be happy just to cover the whole field. At three o'clock we might do Northern Australia. I suspect that that will not take an hour and so we may be able to eat into a bit of that time.

**CHAIR**—All right. I am entirely in your hands in terms of how you wish to proceed with your questions. Let us keep going and, if the witnesses are happy, we are dealing with general questions. We will let the other senators know.

**Senator SHERRY**—We are relaxed about that approach and can accommodate it.

**CHAIR**—Thank you. And at an appropriate time, we can interrupt your questioning to give the call to someone else.

**Senator IAN MACDONALD**—I just want to get back to the Regional and Local Community Infrastructure Program, the RLCIP. I understand that \$600 million has been allocated over three years for that program. Is that correct?

**Ms Foster**—That program is being completed in three rounds and the first round was \$800 million. That first round was divided into two components: direct allocation of \$250 million and a competitive round of \$550 million. The \$250 million direct allocation is, in essence, complete. The \$550 million continues. The second round was for \$250 million. Again, there was a direct allocation and a competitive component to that round and also some money invested in local government reform. And then, in June this year, the government announced a further third round of \$100 million, which was all direct allocation to councils.

**Senator IAN MACDONALD**—So that is a total of \$1.15 million, is it, over the three rounds?

**Ms Foster**—That is correct.

**Senator IAN MACDONALD**—I thought that that had been said, prior to the election, to be a \$1.1 billion program over three years. Isn't that correct?

**Ms Foster**—It is. I am just quickly doing the maths to make sure I have got it right. But it is, indeed, a \$1.125 billion program.

**Senator IAN MACDONALD**—And that is being replaced by the Regional Priority Infrastructure Program. Is that correct?

**Ms Foster**—That is correct. That is how that was characterised in the agreement with the Independents.

**Senator IAN MACDONALD**—Yes. And that is for \$800 million over five years, I think.

**Ms Foster**—That is over five years, so \$600 million in the forward estimates.

**Senator IAN MACDONALD**—But a total of \$800 million?

**Ms Foster**—That is right.

**Senator IAN MACDONALD**—Replacing a program of \$1.1 billion.

**Ms Foster**—As I said, that was over three rounds, the first of which was part of the broader stimulus package.

**Senator IAN MACDONALD**—Be that as it may, RLCIP was a total spend of \$1.1 billion being replaced by a program of \$800 million. Hardly a good deal with the rural Independents.

**Ms Beauchamp**—Can I just clarify. The government made a number of commitments, both through the election and in the post-election agreements, with the Independent members of parliament. That did indicate a range of programs with a range of different funding amounts. So I think it is probably incorrect to characterise one program as replacing another. I think that probably needs to be looked at in the context of all the other commitments announced by the government in support of regional Australia.

**Senator IAN MACDONALD**—Thank you, Ms Beauchamp.

**Ms Foster**—Specifically, the government also committed that \$573 million of the \$6 billion Regional Infrastructure Fund and \$573 million would be made available for priorities that would be informed by RDAs. And so if you sum those two, that comes to about \$1.37 billion.

**Senator IAN MACDONALD**—Which \$600 million are you talking about?

**Ms Foster**—The \$6 billion Regional Infrastructure Fund.

**Senator IAN MACDONALD**—\$6 billion dollars.

**Ms Foster**—\$6 billion.

**Senator IAN MACDONALD**—Okay.

**Ms Foster**—And the agreement, with the commitment to regional Australia, indicated that over the next four years \$573 million of the \$6 billion would be invested exclusively on projects to expand the development and growth of regional economies.

**Senator IAN MACDONALD**—Okay. Is that \$6 billion fund being administered by your department?

**Ms Foster**—The bulk of that will be administered by Minister Albanese.

---

**Senator IAN MACDONALD**—That is in which department?

**Ms Foster**—In the Department of Infrastructure and Transport.

**Senator IAN MACDONALD**—But \$600 million of it is coming into your department.

**Ms Foster**—\$573 million. Yes.

**Senator IAN MACDONALD**—Sorry?

**Ms Foster**—\$573 million.

**Senator IAN MACDONALD**—573 coming into your department.

**Ms Foster**—And there were also a number of specific election commitments in regional Australia.

**Senator IAN MACDONALD**—Where is that being funded from?

**Ms Foster**—That is part of the overall election commitment package that the federal government announced.

**Senator IAN MACDONALD**—Where is it coming from? Where is the funding?

**Ms Beauchamp**—That would have been indicated through the Charter of Budget Honesty through the election.

**Senator IAN MACDONALD**—Is it coming out of your department and, if so, from which fund? I accept that the government has made the commitment and it will be done, but I just want to know where the money is coming from.

**Ms Beauchamp**—And I think the sources of funding for these programs have been identified as part of the Charter of Budget Honesty process.

**Senator IAN MACDONALD**—That does not help me today, I am sorry. It is not being funded through your department. Can you tell me what the Charter of Budget Honesty says about it? Perhaps we might take something on notice.

**Senator Sherry**—You want to know whether this department is funding any of those election commitments.

**Senator IAN MACDONALD**—Yes.

**Senator Sherry**—And, if so, which programs.

**Senator IAN MACDONALD**—Exactly. Thank you, Minister. But it is tied into Ms Foster's response.

**Senator Sherry**—Yes. I understand.

**Senator IAN MACDONALD**—Indicating that it is part of the overall funding, and I can only question you about the funding that comes through this department. But, perhaps on notice, if you could take what the minister says but add to that. If you could let me have a simplified chart of what funding you will have for regional projects—regional infrastructure-type projects—the sort of things that have either been promised in election campaigns or that were previously part of the RLCIP program, or any other of those programs. Could you just give me a simplified chart of how much is proposed to be spent in the current financial year and the out years and where it is coming from. Of course, I emphasise you can only do that in



relation to your own department unless one of these other three or four coordinating groups perhaps have some relevance to those things as well.

**Ms Beauchamp**—Can I just put a caveat on that, in terms of funding for projects committed to through the election. We need to go through a budget process, particularly for the phasing and prioritisation of a number of commitments, and we may not be able to provide a complete list until we have finalised that process or until the government has finalised that prioritisation across the forward estimates.

**Senator IAN MACDONALD**—Okay. But just let me make this clear, the bulk of the Regional Infrastructure Fund is not of this department but of the infrastructure department.

**Ms Foster**—In broad terms, \$573 million comes to this department and the remainder is allocated to the Department of Infrastructure and Transport.

**Senator IAN MACDONALD**—\$573 million, and \$5 billion goes to the other department; is that right?

**Ms Foster**—Around \$5.4 billion. I believe that is over 10 years.

**Senator IAN MACDONALD**—Over 10 years. Thank you for that. Will Infrastructure Australia have any role in regard to your part of the Regional Infrastructure Fund? I only say 'your part' because you cannot answer for Mr Albanese's part.

**Ms Foster**—We are yet to work out the process and the guidelines for how that program will be administered, so any role for Infrastructure Australia would be considered as part of that process.

**Senator IAN MACDONALD**—So that \$573 million will go to regional Australia or could some of it go, as we discussed before, to capital cities? Not will it, but could it go to capital cities in Australia?

**Ms Beauchamp**—The \$573 million is outlined in the agreement with the Independents and it identifies that the funds will be specifically used for the development and growth of regional economies.

**Senator IAN MACDONALD**—But you carefully and skilfully avoid my question. Some of it could go to capital cities.

**Ms Beauchamp**—I think, as I previously indicated, we would not rule in and out any projects depending on—

**Senator IAN MACDONALD**—Yes. So it could go. It could go. Thank you. This is being funded by the mining tax, is it, Minister, or can your officials assist you on that?

**Senator Sherry**—Is it part of the tax reform package?

**Ms Foster**—It is.

**Senator IAN MACDONALD**—It is. And what happens if the mining tax does not go through? Perhaps I should ask that to the minister. Perhaps, Minister, you would say it is hypothetical.

**Senator Sherry**—Actually I would not say that. I would have to clarify the status of this program that we are discussing in terms of the future of the mining tax, but certainly the

Treasurer has made it very clear in respect of some other programs of which I have knowledge—for example, standard deductions and the instant write-off of small business. Those sorts of programs are funded from the mining tax and are contingent on the mining tax as part of the package. But with this program, I do not know if any of the officers do know whether it is contingent on the mining tax or not. If they do not, we will take it on notice and find out for you.

**Senator IAN MACDONALD**—Thank you for taking that on notice and for those comments. I just want to quickly turn to the Auditor-General's report, which was titled *The establishment, implementation and administration of the strategic projects component of the Regional and Local Community Infrastructure Program*. At page 21, the Auditor-General found, and I quote:

An eligibility and compliance checking process was developed by the department but was abandoned part-way through its implementation and was not replaced with an alternative, systematic consideration of eligibility and compliance. As a consequence, rather than ineligible and incomplete applications being excluded from further consideration, all applications received were considered as to whether they should be shortlisted to undergo a risk assessment by the department.

Why was that compliance checking procedure abandoned?

**Ms Foster**—As the audit report also points out, there were a series of decisions taken by the government through the course of the development of that program, one of which gave us a set of guidance rules around how to shortlist the applications that had been received.

**Senator IAN MACDONALD**—Ms Foster, you had a process looking at eligibility and compliance; that was abandoned to an extent that concerned the Auditor-General that he should make comment on. And you are saying it was replaced by some government—I assume that means 'political' indication of how you should list these.

**Ms Foster**—The government—and I refer you to page 18 of the Auditor-General's report asked us to bring forward all projects with partnership funding greater or equal to one per cent and from projects from local councils with responsibility for populations of more than 100,000, also for councils with populations between 10,000 and 100,000 seeking \$10 million or less of Commonwealth funding and all disaster-affected councils.

**Senator IAN MACDONALD**—Was that assessment criteria that you just mentioned made public? Page 21 of the report suggests that it was not.

**Ms Foster**—That is correct.

**Senator IAN MACDONALD**—It was not made public.

**Ms Foster**—That is correct.

**Senator IAN MACDONALD**—So the accountability adherence seems a little compromised by failing to make that known to those involved. Was there some reason that they were not made public?

**Ms Foster**—The application process had completed by that stage.

**Senator IAN MACDONALD**—It had been completed.

**Ms Foster**—Yes, we had all the applications by that stage.

**Senator IAN MACDONALD**—But you said you then dealt with the applications on this new criteria, which were not made public.

**Ms Foster**—That is correct. This program had two phases. It was first announced as a \$50 million program, and applications for the program at that phase closed in about December of 2008. Then, as part of the stimulus package, the government announced a further \$500 million to go into that program. So, it was reopened for applications, and the applications were then submitted by 6 March.

**Senator IAN MACDONALD**—But my question was: why was it not made public. And you say you used those criteria to make the allocations and so, having made them, you did not need to make the criteria public. Is that what you say?

**Ms Foster**—Well, the applications were all in and complete.

**Senator IAN MACDONALD**—The criteria changed, but it was not made public.

**Ms Foster**—The criteria were consistent with the guidelines. It was simply a way for the government to refine because there were—

**Senator IAN MACDONALD**—Well, the Auditor-General obviously did not think so. He chose to make quite significant comments about it. Ms Foster, again, I appreciate your position, but the department has an obligation with accountability, and the fact that the Auditor-General makes comment tells the department something. I appreciate you do what you are told to do.

**Ms Foster**—And we have certainly accepted all of the recommendations of the Auditor-General.

**Senator IAN MACDONALD**—Afterwards, that is very useful, yes. But I mean, he is pointing to the fact that you did not do that and he is concerned about that.

**Ms Beauchamp**—Can I just point out, I remember the context was particularly important in terms of the timing. When you look at the end of 2008 and early 2009 in the context of the global financial crisis—and I think ministers and government at that stage had been involved in some of the stimulus work—ministers were obviously required to adjust policy and program settings to make sure that there were projects that were potentially deliverable to get that expenditure going, to get employment and growth going in regional areas.

**Senator IAN MACDONALD**—It said people that applied under one set of criteria which had changed and they did not even have the chance to reapply.

**Ms Foster**—The criteria were not changed. This was simply a method for refining because we had, I think, 484 applications seeking a project value of around—I cannot find the figure—

**Senator IAN MACDONALD**—Those of us who follow the accountability provisions of government would be very interested in this. I am afraid time does not permit us to have more than a discussion amongst ourselves. It is really up to your political masters to explain these things. I guess we cannot get much further with the department here. Were you aware that the department was making funds available under this program, irrespective of whether the

councils had yet spent or committed the funds already advanced to them? Again, I am quoting from the Auditor-General's report at page 55.

**Ms Foster**—We had, for this program, for this component of our LCIP, contracts in place with the proponents which had a series of milestones. When the milestone had been achieved, we then released payment to the council.

**Senator IAN MACDONALD**—Well, according to the Auditor-General these further payments were made irrespective of whether the councils had yet spent or committed the funds they already had.

**Ms Foster**—There is a distinction, I think, between the expenditure and the achievement of milestones. For example, the council might for its own internal—

**Senator IAN MACDONALD**—Ms Foster, with respect—

**Senator SHERRY**—Sorry, let her finish.

**Senator IAN MACDONALD**—Time is short, Minister. And I accept what you say about spent and milestones. But this is even committed, and committed is milestones.

**Ms Foster**—I think what the Auditor-General was talking about was money being committed and expended from the federal government. Many of these projects had different sources of funding, so the federal government would fund some component of it. They might have their own local government funding or some state government funding. What funding they chose to utilise at any stage of the project was a matter for the council.

**Senator IAN MACDONALD**—You have five recommendations from the Auditor. Is action being taken to implement those recommendations?

**Ms Foster**—Yes, it is.

**Senator IAN MACDONALD**—Are you able, simply, to tell me what is being done, or should you take that on notice?

**Ms Beauchamp**—We can talk about some of the things that I will hand over to the officers shortly in terms of what is being done in the department.

**Senator IAN MACDONALD**—Sorry, could I interrupt you. I think because of time constraints, could you take that on notice and give me a short explanation of what is being done to implement those recommendations?

**Ms Beauchamp**—I can tell you exactly.

**Senator IAN MACDONALD**—How long will it take you?

**Ms Beauchamp**—One minute.

**Senator IAN MACDONALD**—We are constrained by time, that is the only thing.

**Ms Beauchamp**—Well, just the sorts of things we are putting here. I will not talk about them all.

**Senator IAN MACDONALD**—All right, fire away.

**Ms Beauchamp**—We are, obviously, putting in a common departmental grants management framework. We now have a grants administration system with assessment

processes built in to include selection criteria and weighting capability. In the new department, I am setting up a governance and risk area specifically targeted at ensuring we do pick up best practice ANAO processes around program management. We have incorporated some changes coming out of the ANAO report in further elements of the RLCIP program. We have certainly put in place now a number of processes to ensure that we are meeting best practice guidelines as presented by the ANAO. In fact, I have had a couple of conversations with the Auditor-General in terms of how we might both put in the correct processes, but also look at how we ensure we have got the skills and capability within the new department to manage it.

**Senator IAN MACDONALD**—Okay. Thanks for that. The Regional Development Policy Centre, which was promised as part of that regional package, can you give me an update on where that is at?

**Ms Beauchamp**—I can give you an update. Just generally, some of these things had only come in place in terms of the agreement which was signed with the Independents during September. We are very early on in the process of developing these processes and requirements in putting advice to government, and as I have indicated, some of these need to go through the budget process. It is early days, and I am happy to hand over to—

**Senator IAN MACDONALD**—When you say, as you said several times, it has to go through the budget process—so there is likely to be no action on these until 1 July 2011.

**Ms Beauchamp**—I think, in the agreement, some of these have been earmarked to commence on 1 July. As I mentioned earlier, the government of course will be asked to prioritise the commitments made, and that will be considered in the budget context, in terms of rolling out particular projects.

**Senator IAN MACDONALD**— So the Regional Development Policy Centre: we will hear about that in the budget, no doubt?

**Ms Beauchamp**—We will hear more about that in future. We have had a couple of meetings with key stakeholders. We are in the process of putting some advice to the minister on how that might work.

**Senator IAN MACDONALD**—Is it to be a physical place, or is it just going to be based at some university or within the department?

**Ms Beauchamp**—We will be leveraging off, obviously, existing tertiary institutions, but part of the commitment was to have a presence in Canberra.

**Senator IAN MACDONALD**—And it will be administered by your department?

**Ms Beauchamp**—That is correct.

**Senator IAN MACDONALD**—Going back to the Regional Local Community Infrastructure Program, are there still projects that have been approved that remain to be funded?

**Ms Beauchamp**—Yes.

**Senator IAN MACDONALD**—Could you, perhaps, on notice, list those for me and advise me whether they are on schedule, are there any major delays to projects that you are aware of? Is that possible?

**Ms Beauchamp**—Yes.

**Senator IAN MACDONALD**—Do you know if any of the government's election commitments are to be funded out of the remaining funds in this program?

**Mr Carmichael**—Tony Carmichael, First Assistant Secretary, Program Delivery. The funds out of RLCIP are fully committed, so they are not available for other programs.

**Senator IAN MACDONALD**—So what has been approved but has not yet been funded? All those funds have been earmarked?

**Mr Carmichael**—They are all committed, yes.

**Senator IAN MACDONALD**—Okay.

**Senator ADAMS**—I would just like to ask some questions about the RDAs. I think I did hear you say there are 55 in existence now.

**Ms Beauchamp**—That is correct.

**Senator ADAMS**—Are those guidelines the same as they were originally before the election, when they were first set up?

**Mr Carmichael**—Yes, the same guidelines are in operation.

**Senator ADAMS**—I would just like to know how the board members were appointed, and specifically the chairs. Who actually made the appointments? Do people apply? What was the process?

**Mr Carmichael**—It was a bilateral arrangement between the federal minister and the relevant state minister. Expressions of interest were sought, and from those expressions of interest, the state minister, in concert with the federal minister, would decide on membership of those committees.

**Senator ADAMS**—And the chair? That was an appointment by the federal minister or—

**Mr Carmichael**—Federal, in concert with the relevant state minister.

**Senator ADAMS**—The reason I ask that question is that during the election cycle, a chair was actually appointed to South West Regional Development Australia in Western Australia, and that person actually happened to be the Labor candidate for the seat of Forrest. I wished to ask that particular question because there was quite some concern about that particular appointment. I attended several of the forums that were run by the consultants before these organisations or bodies were set up. Could you tell me how much money was spent on consultants for those forums, please?

**Ms Foster**—Senator, we do not have that detail with us. We will have to take that on notice.

**Senator ADAMS**—All right. If you could take that on notice, please, specifically for Western Australia.

**Ms Foster**—Senator, you are talking about the consultations prior to the committees being established?

**Senator ADAMS**—That is correct, yes.

**Ms Foster**—Yes, sure.

**Senator ADAMS**—As I said, I did attend two, and I just wondered just how much money was expended upon those particular groups, because I do not think that there was enough notice given or advertising for the rural ones. I thought that the community was really left out of it. So if you could just give me some info on that, that would be good. With these 55, they know what they are doing, do they? They know their role? They are all organised? Could you just fill me in on that?

**Mr Carmichael**—Yes. Almost all the RDA committees now have submitted their business and regional plans, and we are going through, analysing those plans now. I was just in Townsville yesterday with most of those RDAs. There is a regional conference there and they are looking at ways now that they can implement those plans.

**Senator ADAMS**—Right. Just a comment. This has come from the south-west in Western Australia: 'It is likely that the RDA will be tasked with prioritising regional funding initiatives, although any details have yet to be revealed, and we do not know yet what our full role will be under the new department.' So that was the reason for asking that question. When will they know what their role is?

**Ms Foster**—Senator, this relates to the agreements that we have been talking about in the commitment to regional Australia that was signed only last month, and so we are working through how those agreements might best be implemented to provide advice to the minister, and we will certainly consult with RDAs as we do that.

**Senator McGAURAN**—I only have one issue, and it probably requires a bit of backdrop, because I have been following it since the government was first elected, a government I noticed that Senator Macdonald claimed was the worst administrative government of all time, and—

**Senator SHERRY**—But I took issue with Senator Macdonald.

**Senator McGAURAN**—Did you?

**Senator SHERRY**—Of course, and I did point out that if there is going to be political commentary or observation as part of a question, well, obviously I have a right to respond to that, Senator McGauran. I know you are aware of that, given our previous exchanges at estimates committees, and I know that you would have no doubt that I would robustly respond to such accusations, because they are not true.

**Senator McGAURAN**—That may be the case—

**CHAIR**—Senator McGauran, you made your comment. The minister has responded. Your own opposition senators are drawing attention to the limited amount of time available. I think it would be a good idea if you moved to your question.

**Senator McGAURAN**—Okay. It relates to a Labor Party myth, if you like, built up around the—

**Senator SHERRY**—I do not know that the officers—

**CHAIR**—Order! Minister—

**Senator SHERRY**—can go to Labor Party ‘myths’, so-called—

**Senator McGAURAN**—Well, it is a myth.

**CHAIR**—Minister, could you please allow Senator McGauran to eventually get to his question, which will be coming very soon. Let us just move on.

**Senator McGAURAN**—You see, I have to raise this Labor Party myth because it received government money, and the thing about the Labor Party is that they cannot distinguish the taxpayers—

**Senator SHERRY**—What is the myth?

**Senator McGAURAN**—and the responsibility of the government—

**Senator SHERRY**—What is the myth you claim?

**CHAIR**—Order! Senator McGauran and the minister—

**Senator McGAURAN**—They just think the government—

**CHAIR**—Excuse me.

**Senator McGAURAN**—is the Labor Party and the Labor Party is the government. And when you are allocating money, you ought to keep them separate—like Judith Adams, my colleague here.

**CHAIR**—Senator McGauran, are you deliberately endeavouring to ignore my calling you to order?

**Senator McGAURAN**—No, sorry.

**CHAIR**—Actually, you have now had probably maybe three minutes or so, and you still have not asked a question. Could you actually ask a question, please.

**Senator McGAURAN**—The question I am going to ask is centred around the tree of Barcaldine. The Labor Party claim shearers sat under it and they pontificated and decided to form the Labor Party. Now, good for the Labor Party building up that little myth, but I am getting to the point of government funding of that myth. That is where I am heading with this. Historically, it was found to be a dud. That is a fact. The local council—

**Senator SHERRY**—Sorry, what is a fact?

**Senator McGAURAN**—That no shearer sat under that tree ever, not even for a smoko. So it is just utter mythology. That was even claimed by Labor Party historians. So the Labor Party covered up for years that that ghost gum was in fact the origins of the Labor Party. That did not deter them. That did not deter them from sending a bit of public funding down to a marginal seat to build a shrine around this. It is not a tree any more. It is a stump; it is a dead stump. They had to put artificial limbs on it.

**CHAIR**—Is there a question, Senator McGauran?

**Senator McGAURAN**—Yes, there is a question all right.



**Senator SHERRY**—I am not sure the officers are going to be able to respond to this so far.

**Senator McGAURAN**—This is the stump of Barcaldine and there is the aesthetically horrible box that they built—

**CHAIR**—Order!

**Senator SHERRY**—I cannot really see it. To be fair, I think we need it tabled.

**CHAIR**—Senator McGauran, we are here to deal with estimates. Senator McGauran, it is not appropriate, as you know. You have had many, many years of experience in this.

**Senator McGAURAN**—Many, many!

**Senator SHERRY**—More than anybody here, I think.

**CHAIR**—Many and in all sorts of different guises. If you wish to table a document or refer to a document, particularly that has photos in it, and you are expecting the minister and the witnesses to view that and you intend to ask questions regarding it, you should at least, as you would know, seek to table it and provide copies. I have said on a number of occasions, including at the outset of these proceedings yesterday, we have requested that senators who wish to table documentation that they are going to be referring to in questions, to bring along extra copies to streamline the process of providing those copies to the members of the committee and the witnesses. It is also disorderly, as you know, in committee and senate proceedings, to just hold up documents like that. Would you please get to your question.

**Senator McGAURAN**—To add to this farce, the National Heritage Trust listed this site and this stump as national heritage, all because it was the so-called place that the Labor Party was founded. Amongst the MCG, the Sydney Harbour, other magnificent sites around Australia, that stump gets national heritage. I wrote to the National Heritage Trust and told them to remove it. Historically, we have found out that there is no substance to the—

**Senator SHERRY**—Are we dealing with the National Heritage Trust here?

**Senator McGAURAN**—I am not sure. This all costs money.

**CHAIR**—Have you got a question? We appreciate that you need to provide some background to your question, but can we actually have a question that relates to the estimates?

**Senator McGAURAN**—I hope that at least the Hansard is recording or the officers who will answer this are listening. The picture I am painting is a farce, a falsehood, a cover-up, an aesthetic joke and a dud.

**CHAIR**—Senator McGauran, this is not the forum for you to paint pictures, point at pictures or conjure up pictures in your own mind. If you wish to debate these issues, you have another forum to do so. This is a forum for you primarily to ask questions and seek information from the minister and the witnesses at the table with regard to the estimates that we are dealing with and, in particular, given that these are supplementary estimates, to areas that have already been identified by senators and members of the committee. So we are dealing with that, dare I say, paradigm. Could you please get to the point and ask a question, otherwise I will move to another senator.

**Senator McGAURAN**—Funding was given to this stump of knowledge. They had the audacity to call it a tree of knowledge. It is a stump of knowledge. Federal funding was

directed towards the Barcaldine box. In the final wash-up, how much federal funding was contributed to the shrine? Now, the whole—

**CHAIR**—Senator, that is a question—

**Senator Sherry**—One of the officers will give you some information.

**CHAIR**—I think the officers should be given an opportunity to respond.

**Mr Wood**—The project was funded under the Better Regions Program and received \$2.6 million towards an overall project cost of \$6.8 million.

**Senator McGAURAN**—How much was given?

**Mr Wood**—The government provided \$2.6 million through the Better Regions Program.

**Senator McGAURAN**—\$2.6 million.

**Mr Wood**—The project as a whole was \$6.8 million.

**Senator McGAURAN**—Talk about Building the Education Revolution! If it cost \$6 million to build that, I ask my colleagues to have a look at that—\$6 million. The whole idea for the Barcaldine people—I believe the project was kicked along by the hotel across the road from it, whose proprietor, by the way, is the president of local Labor branch.

**Senator MOORE**—Chair, I wonder if I could make a point of order.

**Senator McGAURAN**—But it is true.

**Senator MOORE**—That is inaccurate. I have great knowledge of this—

**CHAIR**—Excuse me—

**Senator McGAURAN**—Correct me where I am wrong.

**CHAIR**—Excuse me. Order!

**Senator McGAURAN**—What is the proprietor?

**CHAIR**—Order, senators, please. Senator Moore, you have raised a point of order. It is not a point of order.

**Senator MOORE**—I know it is not strictly a point of order, Chair. I just wanted to stop him.

**CHAIR**—If you wish to seek to call—

**Senator MOORE**—I just think it is particularly—

**CHAIR**—Sorry, Senator; if you wish to seek the call to ask a question or to follow up, then I will give it to you.

**Senator MOORE**—I will follow up, Senator. I just do not think it is fair that he can actually impugn people's reputations.

**CHAIR**—Excuse me, Senator, please. Let us just have one person speaking at a time. Senator McGauran, can you continue with your questions.

**Senator McGAURAN**—I am happy to pause if Senator Moore wants to correct me on that.

**Senator MOORE**—Yes. You are inaccurate, Senator.

**CHAIR**—Excuse me. I am not happy about us getting to a debate amongst the senators on assertions that may be made, as to whether they are true or not true. I appreciate that it is important but I think there is a primary purpose here, and that is that we are conducting an estimates hearing. You continue with your questions, Senator McGauran, and I will give the call to Senator Moore at an appropriate time if she wishes to also ask questions of the witness.

**Senator McGAURAN**—As I say, I have been following this issue for years now and I know the excruciating detail but I will skip over a lot of it. After what was a farcical opening of the project—we will not go into those details—it was soon shut down for maintenance. It became a dangerous site. How much—

**Senator Sherry**—What, the tree or the building?

**Senator McGAURAN**—The building.

**Senator Sherry**—Okay. Through you, Chair, is there a question here, Senator—

**Senator McGAURAN**—Yes. How much did the federal—

**Senator Sherry**—that is relevant to the officers?

**Senator McGAURAN**—Yes, I am talking about ongoing costs. That is one question. The second question is, the reason it was built, so-called, besides trying to enshrine some mythology within the Labor Party, was to attract tourism to Barcaldine. No business plan was done, as I understood it, but surely now we can look back and see what business effect it has had, what tourism effect it has had.

**Senator Sherry**—Is there a question here?

**Senator McGAURAN**—Yes.

**Senator Sherry**—There are a range of assertions that I have heard. Surely after all these years—

**Senator McGAURAN**—The first one is on the maintenance project: how much did it cost to fix up? Have there been any ongoing maintenance problems? Because it looks like a very dangerous building to me with all those drop links.

**CHAIR**—Senator McGauran, I do not wish to keep interrupting.

**Senator McGAURAN**—It does look dangerous. This is going to be an ongoing cost to the federal government.

**CHAIR**—Excuse me, Senator McGauran. You need to ask questions and you cannot just sit there and start gesticulating with your hands, trying to give some visual description of the monument or the tree or whatever. Please, can you just ask your questions. I would appeal to you to do them succinctly rather than wandering off on flights of fancy and tangents.

**Senator McGAURAN**—What have been the ongoing maintenance costs? What has been the value-for-money, if you like, effect of the site in regard to attracting tourism to Barcaldine?

**Mr Wood**—Senator, there have been no ongoing maintenance costs to the Commonwealth. Our local regional council was the proponent for the project and has responsibility for

ongoing maintenance. The funding agreement that we have in place requires the project to be operational or open to the public for a period of time, which I believe would be five years. So the council are required to maintain the project, which I understand they are doing. I should say the project was completed some time ago, as you indicated. It was opened in May 2009. We received a final report on the project, I believe, in October last year—or at least the final payment, I think, was made in October and the final report was on that. That said, we will have some level of oversight to ensure that the project is viable over the next five years, in line with the funding agreement, but there is no maintenance cost to the Commonwealth.

**Senator McGAURAN**—But you are unaware of its current viability.

**Mr Wood**—We do not have officers on the ground in the area. We do in Townsville. We will, as part of our ongoing activities, keep an eye on all of our projects to make sure their ongoing contract obligations are met. However, as to its status today, I have not looked into that. We could find that out.

**Senator McGAURAN**—Given that it has been found that the history surrounding the building is fake—

**Senator Sherry**—That is your claim, Senator McGauran.

**Senator McGAURAN**—No, it is—

**Senator Sherry**—It is your claim.

**Senator McGAURAN**—No.

**CHAIR**—Senator. Minister, I think—

**Senator McGAURAN**—The minister is asking me a question. I can name two Labor Party historians that have come out and said, ‘Actually, it is true,’ and you would know their names.

**CHAIR**—Minister and Senator, I appreciate that people may wish to debate this but this is not the venue to do so.

**Senator McGAURAN**—I haven’t got them in front of me but you would know their names.

**Senator Sherry**—Chair, I am not seeking to debate this. I just want questions that are relevant for the officer or officers at the table.

**Senator McGAURAN**—When we give \$2 million, Minister, it ought to be scrutinised—

**CHAIR**—I understand, Minister, but I am trying to ensure that we get through this as quickly as possible, or as smoothly as possible at least, and I think—

**Senator McGAURAN**—Okay. This is the last question. We would have paid for the plaques, or someone would have paid for the plaques, describing the site for the tourists. What are on those plaques, now that we know the real history of the place? They are not still holding to the myth, are they? I think it is pretty important.

**CHAIR**—Order, Senator McGauran! It is not—

**Senator McGAURAN**—You do not give \$2 million for nothing.

**CHAIR**—Order, Senator McGauran! I do not think this issue about the historical accuracy or the debate or however you want to describe it—and I am making no comment about any of that—is an appropriate issue or question to be raising with the witnesses here from the department of regional Australia. They are here to answer your questions about expenditure on the project and so on, not to debate with you or discuss with you the accuracy or inaccuracy, or your interpretation or other people’s interpretations, of Labor Party history. I think you are drawing a long bow to try and do so. I will invite Mr Wood to comment but I think you are getting well away from what these estimates are about and particularly what the witnesses who are here are able to respond to or can be questioned on.

**Senator BERNARDI**—Chair, just as a point of order, notwithstanding the flamboyant nature of Senator McGauran’s presenting his case, he is entitled to establish whether the department has sought to account for the veracity of the claims made about this stuff, and I think that is what he is doing. I would suggest that Senator McGauran gets to that question and puts it succinctly, but he is entitled to ask it.

**Senator Sherry**—We know what the question is about the plaque, and if the officer has got anything he can provide on the plaque I am sure he will provide it.

**Senator McGAURAN**—I do thank Senator Bernardi. Perhaps I could put it less flamboyantly.

**Senator Sherry**—We have got a question.

**CHAIR**—We have got a question.

**Senator Sherry**—And I have indicated that the officer, if he has information, will respond, if he knows anything about the plaque.

**Senator McGAURAN**—Mr Chairman, I do not think I was wandering far and wide because the \$2 million plus was given on the grounds of its historical importance, so much so it was even put into the national heritage.

**CHAIR**—Senator McGauran, that may well be the case. I am not going to argue that point or even discuss it. The point is that if you wish to raise those issues there is another appropriate estimates committee where you could deal with them. We are not here dealing with the Heritage Commission, or the heritage listing directly or the reasons why certain sites were listed as heritage items. We are dealing here with the expenditure on this particular project. Mr Wood.

**Mr Wood**—Senator, the project that we funded consisted of two aspects: the preservation of a tree and the construction of a memorial. We did not specify the details of the memorial down to the contents of any plaques. We certainly have ordered statements to determine what the money was spent on, but I cannot provide advice on the contents of those plaques.

**Senator McGAURAN**—Could you supply me the basis on which the \$2.6 million was given in the first place?

**Mr Carmichael**—It was an election commitment, Senator. First government policy.

**Senator McGAURAN**—But beyond the commitment there was a reason why it was.

**Senator Sherry**—I will take it on notice for the minister.

**Senator McGAURAN**—Okay. I hope I am around because I know that in a letter I wrote to the Auditor-General in November—

**Senator Sherry**—Senator McGauran, given your obsession with this issue I will do my utmost to ensure that we get an answer to the questions on notice that I have taken and you put on notice before you leave this place on 30 June next year. It would be a great pleasure for me, frankly.

**Mr Carmichael**—It could be a parting gift.

**Senator McGAURAN**—Would you put a ribbon on it or something?

**Senator Sherry**—A parting gift to you, Senator McGauran.

**CHAIR**—Do you want your own plaque? Maybe you are a heritage listed item, or will be. Are they all the questions you have, Senator McGauran?

**Senator McGAURAN**—Yes.

**CHAIR**—Thank you. Senator Moore.

**Senator MOORE**—I encourage Senator McGauran to make a pilgrimage to Barcaldine, seeing as how he has not even been there to see this view. I am just interested to hear from one of the officers who could answer a question in terms of the negotiation on this project, who will receive the actual funding? In the exchange between the Commonwealth who was actually receiving the money on the other end?

**Mr Wood**—It was the Barcaldine Regional Council.

**Senator MOORE**—The council itself, which is the regional council around the area.

**Mr Wood**—That is right.

**Senator MOORE**—I was fascinated by your answers about the role of the Commonwealth after the project has been concluded. I can put this on notice, Mr Wood: what involvement does the government have with any of the projects? We will move away from focusing on one of my favourite places which happens to be Barcaldine. For any project that received funding under this round, what is the interaction that the department has with those projects once the final funding is made? If I could get something in writing about that on notice that would be really useful. And is there any difference with this project to any others that were funded in the general stream of funding?

**Mr Carmichael**—The quick answer to that, Senator, is that it is now known that there is an expectation that we will monitor these projects for five years. There is not an intensive monitoring of all of them because there are 5,000 projects, but there is some level of scrutiny of projects over the next five years just to ensure the continuity. Part of the condition of funding is the long-term viability, which is deemed to be at least five years, so we do some monitoring of all our projects into the future up to that five-year mark.

**Senator MOORE**—Can I get some information on notice about what that means when you say ‘monitoring’, because it has such a wide definition. I am very keen to see whether this particular project is different as opposed to the other 5,000, as well as what kind of form of monitoring takes place, and what you mean by viability? I know Senator McGauran and I will be able to read these papers together and see how it works but it would be useful to see

what defines viability, and in these projects—there was such a wide range of them—how you determine viability in that aspect. Thank you.

**Mr Carmichael**—Yes.

**CHAIR**—Could I just follow up with one question, and it goes back to Senator Macdonald's questions where he was asking about the amounts expended under the RCLIP. At one point, \$1 billion was the figure and then he was referring to the more recent amount of about \$800 million. Just to confirm, the RCLIP, Regional Community Local Infrastructure Programs. That was a program that was expanded over time, starting out with certain allocations of funds which were directed through councils. Then it picked up extra money through the stimulus package at a number of rounds, so it was not a \$1.1 billion announcement at the outset. That is my recollection. Is that correct?

**Ms Foster**—That is absolutely correct, Senator. The first announcement was actually a \$300 million program. That was then augmented with \$500 million as part of the stimulus.

**CHAIR**—Yes, and it had two parts. Every local government entity received an allocation and then there was a separate amount that could be applied for bigger projects. I wanted to establish that, because it is not comparing apples with apples in that respect.

**Senator Sherry**—I will not go over the issues around the financial crisis and the international recession, but, for the stimulus elements, the package of measures in the program would have been substantially smaller over that period.

**CHAIR**—Yes, exactly. Anyway, sorry, any further questions. Senator Adams, you have finished?

**Senator ADAMS**—No, I was not going to continue.

**Senator McGAURAN**—I have just found that piece about the historians if you would indulge me to read it now.

**CHAIR**—No, I will not indulge you. Senator McGauran, we are not here to have a sort of tutorial from you about Labor Party history. If I want to do that I can go elsewhere at another time. Senator Bernardi, you have the court.

**Senator BERNARDI**—I have some questions in regard to the local government aspect of your portfolio, Ms Beauchamp. Is the department able to outline the status of local government infrastructure projects that are partially or fully funded by the Commonwealth?

**Mr Carmichael**—Senator, there are 5,000 projects.

**Senator BERNARDI**—I do not have a specific project. I am just interested in whether you maintain a register or a catalogue of the projects that you make contributions to.

**Mr Carmichael**—All contracted projects are on our website.

**Senator BERNARDI**—On your website. Are they in a format that is easy for people to download and access or are they hidden all over the place?

**Ms Foster**—Yes, Senator, they are in a format which is accessible.

**Senator BERNARDI**—Like a downloadable format, like a spreadsheet?

**Ms Foster**—I think they are typically recorded by program.

**Mr Carmichael**—They are divided into states, so you get a list by state, project value, proponent. They are all on the website and I think you can print them off.

**Senator BERNARDI**—Whether that fits my needs or not I will have to establish and I can always get back to you in a couple of months time if that is the case. Can you advise me what percentage of local government infrastructure projects under the Nation Building Program have been completed?

**Ms Foster**—We can do that on a program basis. I was saying to Senator Macdonald earlier that the first round of RLCIP had two components. The component that was \$250 million worth, direct allocation, has been completed and that was about 3,213 projects.

**Senator BERNARDI**—So all of those projects have been completed?

**Ms Foster**—All of those have been completed and we are just wrapping up the final acquittals, but it is literally just a matter of finalising a bit of paperwork.

**Senator BERNARDI**—That is the fine print, is it?

**Ms Foster**—Then the second component of that first round of funding was the \$550 million competitive program.

**Mr Carmichael**—Yes, 15 of those have now completed.

**Senator BERNARDI**—How many. I am sorry; I did not hear that?

**Ms Foster**—So 134 have commenced and 15 have completed.

**Senator BERNARDI**—Fifteen. Out of how many total projects?

**Ms Foster**—That was 137 in that round.

**Senator BERNARDI**—Sorry, 134 have commenced, 15 have been completed.

**Ms Foster**—I am sorry, Senator?

**Senator BERNARDI**—So 134 have commenced, so there are three that have not started. Is that right?

**Ms Foster**—That is correct, Senator.

**Senator BERNARDI**—What projects are they?

**Ms Foster**—Senator, I have not got that readily to hand. Can I get back to you?

**Senator BERNARDI**—Okay, you can get back to me. Fifteen have been completed. I would be interested to know what those 15 are as well if you want to get back to me on that as well, please. In your analysis—or just wrapping up the paperwork, as you put it the other day—of the completed projects or even those that are partially completed, is the department aware of any slippages or cost overruns or project delivery issues in regard to these local government infrastructure projects funded by government?

**Ms Foster**—Senator, there are a range of issues which the local governments come up against as they deliver the projects. In some cases projects are delayed due to weather. We have had a fire in council offices that destroyed all the approvals and so there are a range of issues which delay projects. We manage those in conjunction with the councils where there is



a requirement for some kind of renegotiation, for example, so that the completion date can be accommodated some months later. Then we will renegotiate that with the council.

**Senator BERNARDI**—Could you indicate to me how many have been subject to such renegotiation?

**Ms Foster**—We do not have those sort of figures to hand with us, Senator, sorry.

**Senator BERNARDI**—You do have them available but just not to hand now.

**Ms Foster**—Yes. As I think one of the other officers said, in this series of programs there are 5,000 projects.

**Senator BERNARDI**—Yes. But are there hundreds of them that have been renegotiated?

**Ms Foster**—Senator, I would have to take that on notice.

**Senator BERNARDI**—Yes, okay. I would be interested in the number of them. If you can tell me which ones have been renegotiated, I would be interested in that too. How does the department assess the value or the merit of the infrastructure projects that are put forward to it?

**Ms Foster**—Senator, it depends on the guidelines of the program. So each program has guidelines which specify the criteria against which we assess the projects. And I am sure either Mr Carmichael or one of his colleagues could take you through specific aspects of the guidelines.

**Senator BERNARDI**—Just briefly.

**Mr Carmichael**—Senator, each of the stages of each of the streams of activity, whether it is the \$550 million—has its own set of guidelines. The \$250 million direct grants to local governments had different sets of guidelines, so they are all judged against the guidelines. But there are overarching things we look for in terms of value for money: we do a viability check and if they are significant projects—and most of, say, the \$550 million type projects are big projects—we send them out for independent viability checks through an accounting firm that has got experience in this. They give us advice on the viability, the business plan and its long-term viability.

Some of these projects are about commercial operations, so we need to check that—in terms of Senator Moore’s question earlier about their long-term viability—the business case is sound and that they have not overestimated the number of consumers who might participate in their projects. So that is the sort of work that happens. But it is dependent on the sorts of risks involved with the projects, so we do a risk analysis. The high risk projects, particularly, will go out for additional scrutiny. Sometimes if it is a big construction project we will also get a building surveyor or a quantity surveyor, to do a check on the costings. Sometimes in councils the submissions come in with a quote that might be a little bit old or it is a complicated project and we just need to assure ourselves that it has been appropriately costed. So we will send it out also for additional scrutiny.

**Ms Beauchamp**—Senator, can I also add those guidelines are actually available on the website as well.

**Senator BERNARDI**—Thanks, Ms Beauchamp. I will address this to you. Mr Carmichael has just detailed that there are viability checks, there are business plans, cost benefit analyses, that go into each one of these 5,000-odd projects. Do you not find it enormously frustrating that through the acquittal of a modest amount of money you have to go through all of these checks and yet the government's \$43 billion broadband proposal has not had a cost benefit analysis, it has not had a viability check or a business plan check or anything else? Do you not feel that you are being hemmed in by bureaucracy?

**Ms Foster**—Senator, each of the programs have guidelines tailored to its needs.

**Senator BERNARDI**—Clearly, but there is a higher level of accountability being placed on you. I am all for accountability and transparency, I support you in it, but I share your frustration. I can sense it coming across the table.

**Ms Beauchamp**—I am certainly not frustrated, Senator.

**Senator SHERRY**—Sensing does not appear in the *Hansard*. If it did it would be pretty damn dangerous for everyone in politics!

**Senator BERNARDI**—It is the vibe, Senator Sherry. It is the vibe. I have no further questions.

**Senator IAN MACDONALD**—Could I, on notice, get the 2010-11 grants for local governing bodies under the FAGs please? Or perhaps you could just direct us to where they are available. There is a list somewhere, is there?

**Ms Foster**—You are looking for the actual allocations to—

**Senator IAN MACDONALD**—To each council.

**Ms Foster**—each council.

**Senator IAN MACDONALD**—What is there now? There used to be 733.

**Ms Foster**—There are 565 plus the ACT.

**Senator IAN MACDONALD**—Yes. Is that available somewhere? Is there a website or something?

**Ms Foster**—Senator, certainly we will either get you a website or we will tell you where it is available.

**Senator IAN MACDONALD**—Okay. That is for the 2010-11 year. The Local Government Reform Fund; has any of that money been allocated?

**Ms Foster**—Yes, Senator.

**Senator IAN MACDONALD**—I think it is \$25 million, is it not?

**Mr Carmichael**—That is right.

**Ms Foster**—There was \$25 million set aside and we have announced funding of around \$16 million.

**Senator IAN MACDONALD**—What is that being spent on? Do you have a list of that?

**Ms Foster**—Senator, there is a range of approved programs. Most of them relate to asset management and financial management. You will recall that was the focus of the program. So

there is a local government asset management and financial management project the New South Wales government is undertaking. In the Northern Territory there is a local government capacity-building project being done in conjunction with the Local Government Association of Northern Territory. Similarly, a collaboration between Queensland government and the Local Government Association of Queensland has an advancing asset management in local government project. South Australia has a project to improve councils' asset and financial management practices in conjunction with the Local Government Association of South Australia. South Australia also has an integrated design strategy. So it is projects of that nature.

**Senator IAN MACDONALD**—Who administers that fund?

**Ms Foster**—That is administered by our department, Senator.

**Senator IAN MACDONALD**—Okay. Does money go to the—what is it called?—the local government institute?

**Ms Foster**—To the states, Senator.

**Senator IAN MACDONALD**—You do fund, do you not, the Local Government Training Institute? I forget its—

**Ms Foster**—Senator, I think you are thinking of the Centre of Excellence for Local Government.

**Senator IAN MACDONALD**—Yes.

**Ms Foster**—The government provided \$8 million funding for the establishment of that centre and for its running for a five-year period.

**Senator IAN MACDONALD**—Okay. Where does that funding come from?

**Ms Foster**—That funding was allocated to the department. I think that was announced in late 2008.

**Senator IAN MACDONALD**—Okay. Was it an election commitment or something, was it?

**Ms Foster**—No, it was not, Senator.

**Senator IAN MACDONALD**—Okay. That is the group that is chaired by former Townsville-based Labor senator Margaret Reynolds, now a resident of Tasmania, isn't it? Is that that one?

**Ms Foster**—Margaret Reynolds is the chair of the board of the centre.

**Senator IAN MACDONALD**—Yes, okay. Just on to the Australian Council of Local Government, is it the government's intention to continue to convene that annually, Ms Foster?

**Ms Foster**—We do not know what the government's intention is, moving forward.

**Senator IAN MACDONALD**—Okay. Minister, is it the government's intention to continue to convene the Australian Council of Local Government annually?

**Ms Foster**—I have just said we do not have an indication yet, Senator.

**Senator Sherry**—Yes. We are going to have to take that on notice for the minister to—

**Senator IAN MACDONALD**—The last plenary meeting was in June 2009; is that right?

**Ms Foster**—2010, Senator.

**Senator IAN MACDONALD**—2010?

**Ms Foster**—Yes.

**CHAIR**—That was held here—

**Senator Sherry**—It was here. I was—

**CHAIR**—following the conference of local government, wasn't it?

**Senator Sherry**—Yes. I was involved in the main session and also one of the side meetings.

**Senator IAN MACDONALD**—Okay. You will take on notice whether it is intended?

**Senator Sherry**—Yes, I will do that, Senator.

**Senator IAN MACDONALD**—That council steering committee met three times—or how many times did it meet over the previous 12 months? Perhaps I should ask that.

**Ms Foster**—I think you may be right that it is around three over the last 12 months. It met in total six times, including once as a joint meeting with the Local Government and Planning Ministers' Council.

**Senator IAN MACDONALD**—Okay. Moving on quickly to the constitutional recognition of local government, a formal agreement was signed on 1 September which committed to holding a referendum during this parliamentary term. What is the specific process in which constitutional recognition of local government will occur?

**Senator Sherry**—That is A-G's, Senator. This department is not able to respond to that question.

**Senator IAN MACDONALD**—What part does the department of local government play in the proposal for constitutional recognition?

**Mr Carmichael**—We have provided some funding to the Australian Local Government Association, an amount of about \$250,000 to support the Australian Local Government Association prosecuting and consulting with their communities about constitutional recognition.

**Senator IAN MACDONALD**—Excuse me for just a moment. Sorry, could you just say that again. I am sorry.

**Mr Carmichael**—The department provided \$250,000 to the Australian Local Government Association for consultation in the lead-up to support their aspirations for constitutional recognition of local government.

**Senator IAN MACDONALD**—And that is your only role?

**Ms Beauchamp**—Senator, we will also be working with the Department of the Prime Minister and Cabinet, Attorney-General's Department and FaHCSIA around these constitutional and referenda issues.

**Senator IAN MACDONALD**—You cannot tell me anything about it, though. I would have to refer it to A-G's—or perhaps the coordinating unit at your coordinating department can tell me.

**Ms Beauchamp**—We are jointly coming up with a process to address this and provide advice to government.

**Senator IAN MACDONALD**—Okay. Perhaps if I put that on notice you can tell me at your leisure what is proposed. I am just reminded that we are running out of time and I did want to move to the Northern Australian office.

**CHAIR**—Senator Macdonald, Senator Siewert does have a couple of questions—

**Senator IAN MACDONALD**—Yes, okay.

**CHAIR**—as I understand it, on outcomes 1 and 2, so—

**Senator IAN MACDONALD**—Yes.

**CHAIR**—if you are happy, we will go to Senator Siewert.

**Senator SIEWERT**—Thank you.

**CHAIR**—Yes, okay.

**Senator SIEWERT**—In this brave new world I do not know if I am asking the right question in the right area, so (1) I want to ask about Christmas Island—

**CHAIR**—Don't worry; he is not Robinson Crusoe!

**Senator SIEWERT**—Yes, exactly; I figured that—and the mine closure planning and the rehabilitation planning. I know it is a little while since I have asked about this but I have asked it in the past: what progress is being made there, particularly in light of the final decision from the Minister for Sustainability, Environment, Water, Population and Communities about not expanding the mine?

**Ms Foster**—Right. Certainly, Senator, and Mr Yates is the manager of our Territories Division.

**Senator SIEWERT**—Okay.

**Mr Yates**—If I understand your question, it is around the current operations in the mine within their existing lease?

**Senator SIEWERT**—Yes.

**Mr Yates**—We can respond to that. We are not able to respond to any questions regarding the new lease that they made, because that is a matter for the Environment portfolio.

**Senator SIEWERT**—Yes, I am aware of that. The decision has been made. I was reflecting on that in light of the future plans for mine closure planning et cetera.

**Mr Yates**—Okay. The mine at the moment has a lease that goes through to 2019. The mine is operating at the moment within that lease's provisions.

**Senator SIEWERT**—Yes.

**Mr Yates**—We are in a process of negotiating with the mine around some of the terminology on the lease, but it is purely around the existing operation of the lease; it is not about any sort of expansion of the lease area. So the mine at this stage can continue to operate to 2019. As we get closer to that date, there will be, of course, further negotiations with the mine and indeed the community regarding what happens in the post-mining environment.

**Senator SIEWERT**—Okay. Can I just go back to the comment you made about terminology. Are you able to expand on that a little bit so I understand what you mean?

**Mr Yates**—At this stage I would prefer not to because we are in discussion with the mine and I do not want to prejudge where that is going. What we are trying to achieve is clearer terminology in the lease—and it is a relatively old document—so that both parties have a better understanding, particularly of the mine’s obligations.

**Senator SIEWERT**—Okay. I may come back in February and ask you some more about that.

**Mr Yates**—Certainly.

**Senator SIEWERT**—Secondly, I appreciate that the mine has a lease until 2019; are you planning now for the closure process? When does that start?

**Mr Yates**—We are not specifically planning for the closure per se, but you may recall Minister O’Connor last year appointed a task force to look at the long-term economic and environmental sustainability of Christmas Island. One of the express parts of that is to look at the post-mining environment and how we transition the economy beyond that. That task force report has not yet been considered by government. We expect to be able to pass it to government in the very near future.

**Senator SIEWERT**—Okay. That was going to be my next question. It sounds like the task force has completed its—

**Mr Yates**—The task force’s work is largely completed and we have a draft report.

**Senator SIEWERT**—Okay. You are anticipating providing that to the minister shortly?

**Mr Yates**—In the very near future.

**Senator SIEWERT**—Okay. Then the minister will consider it and announce the decision in due course.

**Mr Yates**—That is correct. It will then be a matter for the government to consider.

**Senator SIEWERT**—Okay. Thank you. In terms of the rehabilitation, I asked in Environment estimates yesterday about how the process was going and what was happening with the areas that were the subject of the application previously. Is there any further work that needs to be done on those sites in terms of rehabilitation?

**Mr Yates**—I just need to clarify: when you say the sites previously, are they the sites that the park has been previously working on or are they mine sites that the mine is working on?

**Senator SIEWERT**—I mean mine sites that the mine was working on that were subject to the applications for expanding mining. Some of those already had regrowth on them, as I

recall, and I am wondering if there are any other of those areas that need further rehabilitation work.

**Mr Yates**—I think the best way I can answer that at this point, Senator, is that there are a series of high priority sites that have been identified and that Parks Australia or Environment is best placed to answer that, as they actually run the rehabilitation program.

**Senator SIEWERT**—I might put some questions on notice, because they told me to come and ask you.

**Mr Yates**—We certainly provide funding but they work through the program. We can certainly take it on notice and develop that answer with them, yes.

**Senator SIEWERT**—If you could, about what areas and are there any other areas within that that are the high-priority sites? Without trying to be judgmental, we also talked about the relatively slow pace of the rehabilitation process in terms of funding. As I understand from what they said last night, and I hope I am not misinterpreting their words, they are working to the pace for which the funding is available. I am aware, having talked to them in the past, it is fairly slow.

**Ms Beauchamp**—We will see if we get some more information.

**Senator SIEWERT**—That would be appreciated, thank you. I have another set of questions and, again, I am not sure if I am asking in the right area. With the process of development in the Kimberley, I am aware that there has been a social impact study done by the Kimberley Land Council that has been provided to the state government and I am wondering (a) if you are aware of that study and (b) whether you have been given a copy of that study.

**Ms Fleming**—I think we would have to take that on notice because the Kimberley Land Council has been concerned about a number of issues in the Kimberley, so it depends whether you are talking about James Price Point or you are talking about some other elements of the Kimberley development.

**Senator SIEWERT**—No, it is the element of James Price Point, but I must say I do not know if it expands. I know it has considered the issues around James Price Point. I do not know the extent to which it actually looks at other issues, particularly in the West Kimberley.

**Ms Fleming**—It is my understanding that the two issues are quite separate, but we would need to take that on notice because James Price Point is an issue for the WA state government at this stage.

**Senator SIEWERT**—Can I explore that a little bit. I interpret that to mean that if the social impact study just applies to the James Price Point development—and, as I say, I do not know the exact terms of reference—you will not have seen it.

**Ms Fleming**—At this stage, no. The East Kimberley development package is in the vicinity of the Kununurra area up to Wyndham and down to Warnham, and James Price Point is a bit to the left. The Kimberley Land Council of course covers both.

**Senator SIEWERT**—Yes.

**Ms Fleming**—But at this stage we understand they are seeing them as two separate exercises.

**Senator SIEWERT**—There is, of course, Commonwealth involvement in the James Price Point and the West Kimberley developments and there will be requirements for approvals.

**Ms Fleming**—We would be happy to take the question on notice, but at this stage they are separate.

**Senator SIEWERT**—Yes, I understand that; I understand they are being dealt with. So I was misinterpreting what you said earlier. I misunderstood that you were talking about the East Kimberley.

**Ms Fleming**—The West Kimberley?

**Senator SIEWERT**—I was talking about the West Kimberley, and there are other development proposals, as you will be aware, in West Kimberley.

**Ms Fleming**—Yes.

**Senator SIEWERT**—What I was referring to is I was not sure if the social impact study just considers James Price Point, or some of the other development proposals in West Kimberley.

**Ms Fleming**—The West Kimberley package that was announced, I think, in the media a week or so ago, about potential future agriculture: we are still seeking information around the WA government's perspective on that, so we would need to take questions on that on notice.

**Senator SIEWERT**—Okay, so could you take on notice whether you have seen the social impact statement—well, it is not just the statement, sorry; it is a pretty thorough study, as I understand it.

**Ms Fleming**—Yes, happy to take that on notice.

**Senator SIEWERT**—That would be appreciated, thank you. As promised, short.

**CHAIR**—Thank you very much, Senator Siewert. I understand we are now going to move to the Office of Northern Australia. Is that correct, Senator Macdonald?

**Senator IAN MACDONALD**—Thank you.

[2.54 pm]

**Ms Foster**—Ms Fleming is the head of our Office of Northern Australia, so we can move straight in.

**CHAIR**—Thank you. Senator Macdonald.

**Senator IAN MACDONALD**—Thank you, Mr Chairman. These are made a fraction more difficult because we still have not got the answers to all the questions we asked last time. Just going back to that, you have indicated the department has finished with the answers and you accept them shortly. I do not want to be here at the next estimates and still not have the answers to those, or have answers that say, 'We talked about that at the October session, so we decided not to answer it.' I want them all answered. Is that clear?

**Senator Sherry**—That is clear and it will be done.



**Senator IAN MACDONALD**—Minister, the officials told me they have finished their work; it remains for their minister.

**Senator Sherry**—Yes.

**Senator IAN MACDONALD**—Could you just give us a guesstimate of when the minister might be able to—

**Senator Sherry**—If those answers are in by the end of this week, in the next couple of days, I have already talked to a staff member of the minister and stressed the urgency. I cannot give you an estimated time, but I have followed it up personally and I will be endeavouring to get it to you in the next week or two at the outside.

**Senator IAN MACDONALD**—Thank you.

**Senator Sherry**—I have stressed the importance of that.

**Senator IAN MACDONALD**—Thank you, Minister, I appreciate that. I was told at the last estimates that the principal roles for the Office of Northern Australia were to assist the parliamentary secretary in coordinating responses on Northern Australia and also supporting the Northern Australia Land and Water Task Force. Neither of those two things exist. What is the office going to do?

**Ms Fleming**—The policy responsibility for the Office of Northern Australia is retained and, in fact, there is a commitment by the government to strengthen the Office of Northern Australia in the agreement with the Independents, and that policy responsibility resides with Minister Crean, the Minister for Regional Australia, Regional Development and Local Government. So those functions remain as valid, if not stronger, than they were previously. The task force has concluded its report, as you indicated, but we are working across the Commonwealth to develop a response to the task force.

**Senator IAN MACDONALD**—The task force report came out in January or February.

**Ms Fleming**—In February 2010, and the government, as an election commitment, announced a first-stage response to the Northern Australia Land and Water Task Force report, a commitment to the Northern Australia Sustainable Futures Program of \$6 million. That is an election commitment that will be worked through the budget process. But there are some eight projects contained within that commitment, so we will be working to develop those.

**Senator IAN MACDONALD**—Have we seen them, apart from newspaper reports or media releases during the election campaign? Could you make those available to the committee?

**Ms Foster**—There was a very comprehensive statement by then Parliamentary Secretary Gray which outlined that program. That is yet to go through the budget process and therefore we are as yet unable to give you details of how that will be rolled out.

**Senator IAN MACDONALD**—How it will be rolled out or how it will be funded; is that what you are saying?

**Ms Beauchamp**—The government on 15 August outlined that \$6 million would be provided to implement, as Ms Fleming said, this first instalment in terms the response to the task force report. So there is a commitment there to do that.

**Senator IAN MACDONALD**—Where does the \$6 million come from?

**Ms Beauchamp**—That will be sorted out through the budget process.

**Senator IAN MACDONALD**—So it is not going to happen until 1 July next year?

**Ms Beauchamp**—I am not too sure when the start date might be, but that is currently going through the budget process now.

**Senator IAN MACDONALD**—Can you start before you have got money for it, or do you just sort of mix it around the departmental funds and hope that you get it back in the budget?

**Ms Beauchamp**—In terms of the commitments that were made, we are certainly looking at how they might be rolled out.

**Senator IAN MACDONALD**—And funded?

**Ms Beauchamp**—And funded.

**Senator IAN MACDONALD**—These were questions taken on notice, but no doubt, as you have done the work, you would be able to tell me off the top of your head now. Can you tell me the position regarding the staffing of the Office of Northern Australia?

**Ms Beauchamp**—Yes, I can, and I will hand over to Ms Fleming. My understanding is we have 27—21 officers allocated to the Office of Northern Australia.

**Senator IAN MACDONALD**—Is that 21 or 27?

**Ms Beauchamp**—Twenty-one.

**Senator IAN MACDONALD**—And based where?

**Ms Beauchamp**—I think there are a number in Townsville and 14 here in Canberra.

**Ms Fleming**—There are 14 in Canberra, five in Townsville, one in Darwin and one in Kununurra.

**Senator IAN MACDONALD**—Is the one in Kununurra now full time or is it only part time?

**Ms Fleming**—No, still part time.

**Senator IAN MACDONALD**—The Townsville numbers have come down from eight to five?

**Ms Fleming**—No, they have been five for some time. They were originally seven a couple of years ago, but they have been five for some time.

**Senator IAN MACDONALD**—In that case—on notice today but complementing the question on notice from last time, which we have not yet got the answers to—could you give me the staffing levels across the last three years in the office and in each part of the office, please.

**Ms Fleming**—Yes.

**Senator IAN MACDONALD**—The office in Townsville is part of a general departmental office as well, is it? It does other things besides—

**Ms Fleming**—The office does provide some support to the regional grants projects and manages some contracts within the Queensland jurisdiction as well as undertaking work for the Office of Northern Australia.

**Senator IAN MACDONALD**—What interaction does the office have with the Regional Development Australia groups across the north of Australia?

**Ms Fleming**—The office has quite a strong contract. The office is taking the lead in the development of the Cairns plan—I think we raised this at the last estimates with you—and they have been working with the RDAs of Townsville and Cairns to assist Advance Australia, which is the lead agency in the development of that plan. In fact, we have provided \$30,000 to assist Advance Cairns and the councils and regions to strengthen the development of that plan and bring the thoughts of the region together.

**Senator IAN MACDONALD**—You told me at the last estimates that the Cairns plan was due to be released in October or November. Could you update that?

**Ms Fleming**—That is still a matter of consideration for government—the response to the task force. The Cairns plan? Sorry—the Cairns plan is now scheduled for release in January. The councils have a broader remit of consultations and they sought additional time and that was agreed.

**Senator IAN MACDONALD**—Would either the office or your minister, who is now Melbourne-based Mr Crean, have a role in the allocation of fundings from various government programs to recipients in Northern Australia?

**Ms Foster**—I think there are two parts to that. The first is the program that Ms Fleming has already referred to, the \$6 million Sustainable Futures program, which incorporates some funding from CSIRO and some funding from the department of agriculture.

**Senator IAN MACDONALD**—Sorry to interrupt, but I meant in a more general way. Mr Gray, as parliamentary secretary with particular responsibilities for Northern Australia, was a sort of advocate for Northern Australia. Is that role going to continue with Mr Crean? Is he going to be pushing for benefits for Northern Australia as opposed to southern Australia, where he lives and where he is elected from?

**Ms Beauchamp**—Mr Crean will be pushing for transparency in government investment and effort right across regional Australia, and I think that is a commitment that has been made through the commitment to regional Australia—finding out the level of effort of Commonwealth investment and effort right across Australia, which of course would include Northern Australia.

**Senator IAN MACDONALD**—I wonder what Mr Gray would have said, had he still had a role in the north, to the revelations about the first Gillard government allocation of funds, which was snuck out yesterday for the Caring for our Country program, to those groups and programs that cover more than half of the continent of Australia—remembering that this is a program that deals with country, not with people. The Northern Australian groups and projects got a total of 12 per cent of the total funding, and even if you add in Reef Rescue it is 22 per cent for half of Australia. I wonder if the office or Mr Gray's replacement, who you tell me is

Mr Crean, would be concerned that Northern Australia appears to have been victimised for the fabulous result it had at the election for coalition parties.

**Senator Sherry**—That is not a matter for the officers. I will take it on notice, and I do not accept the polemic and accusation of victimisation. I just do not accept it, but I will take it on notice for the minister.

**Senator IAN MACDONALD**—Can I leave out the polemic at the end and say: is it something that would concern the office or the minister taking on Mr Gray's role of advocacy for Northern Australia to find that a mere 12 per cent of the total funds for Caring for our Country has gone to Northern Australia, which constitutes half of the continent, and the balance has gone to the southern part of Australia?

**Senator Sherry**—You are asking the officers for a policy political observation in view of the allocation of funds based on a minister's decision. I will take it on notice for the minister.

**Senator IAN MACDONALD**—Okay. Is it legitimate to ask the office if it has some concerns with that sort of approach?

**Senator Sherry**—I take it on notice.

**CHAIR**—The minister has taken it on notice.

**Senator IAN MACDONALD**—Minister, you might also ask Mr Crean what intervention he made with the agriculture and environment ministers—whatever their long titles are nowadays—who made the decisions on Caring for our Country, to argue the case for Northern Australia, which constitutes, as I say, half the landmass of this continent. Would you take that on notice too?

**Senator Sherry**—I will take it on notice, but as you know cabinet discussions and discussions with ministers et cetera are confidential. But I will take it on notice and see what I can provide you.

**Senator IAN MACDONALD**—Is the office aware that it appears from material given to us in the Caring for our Country program—and I am taking your coordinating role across the regional subcommittee of cabinet and the other units that we were talking about before—that the Caring for our Country grants released yesterday do not appear to contain any funding at all for that part of Western Australia north of the Tropic of Capricorn? Is that something that the office is aware of and, if so, could they explain why that might be? Perhaps it was a mistake.

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

**Senator IAN MACDONALD**—I know Senator Siewert raised that yesterday, because they were just flicked to us as we were having the estimates committee, and she did raise that it could not possibly be right that the north of Western Australia was left out, but perhaps you could check it out through Mr Crean, as I am sure he would be very concerned. At the last estimates you indicated to Senator Heffernan that the tender for the Kununurra education precinct had been advertised, and you took on notice whether you could provide the tender. Do you know if that tender is coming to us in the answers to those questions yet unanswered? Could you tell us if the tender has been let, who got it and what the details are.

**Ms Fleming**—As I indicated before to Senator Back, the WA government is in consultation with John Holland, who was the preferred tenderer for the education and health precinct. That is yet to be finalised, so that is still a matter of commercial negotiation between the WA government and John Holland.

**Senator IAN MACDONALD**—What is the Western Australian government's role in this? It is being funded by the Commonwealth, I understand.

**Ms Fleming**—The East Kimberley Development Package has three components. The major funding is under a national partnership agreement with WA—\$177 million to provide community and social infrastructure. There are four streams: health, education, transport and social housing. The education and health projects are the subject of the tender which John Holland is the preferred provider for.

**Senator IAN MACDONALD**—So the work has not started yet. You are saying the state government are doing the design and project management. The federal government is funding that as part of the social and educational package of the East Kimberley package. Is that right?

**Ms Fleming**—That is correct, Senator.

**CHAIR**—Senator Macdonald, could I just indicate that we were scheduled to have a break at 3.15, but I think we will just continue on with northern Australia, because there will be a change of minister at the end of this session.

**Senator IAN MACDONALD**—I am going to be finished by 3.14.

**CHAIR**—Okay. Well, just in case you needed to carry on.

**Senator IAN MACDONALD**—Thank you, Mr Chairman, for your courtesy there. Do you have before you the payments that were made to members of the Northern Australia Land and Water Taskforce, recognising that several of the members of the task force refused any payments? We did ask that on notice before. I am just wondering if you have those here now.

**Ms Beauchamp**—Senator, I have not got them here now. I understand it was asked at the last estimates and we will provide that in the next couple of days through the minister.

**Senator IAN MACDONALD**—But you cannot tell me off the material you have in front of you?

**Ms Beauchamp**—I have not got that material in front of me, no, sorry.

**Senator IAN MACDONALD**—I know, from media reports and conversations I have had, that Mr Gray, as parliamentary secretary, was very keen on some water storage projects in northern Australia which, no doubt, would have featured in discussions which the Prime Minister would have had with Mr Katter and other independents. Can you update me on any work being done by the office or the department on water projects, say, on the Gilbert River or the Flinders River?

**Ms Fleming**—No, Senator, there is no work being done on that at this stage. Under the election commitment there is a project to look at water management across the north in terms of Indigenous communities and water use and to look at more sustainable agriculture through water work with CSIRO, but there are no projects in the vicinity that you have spoken about.

**Senator IAN MACDONALD**—So neither the office nor the department has been doing any work on proposals for a major water storage on the Gilbert and/or the Flinders rivers?

**Ms Fleming**—We have no major work. We have not been commissioned to do any work in that area.

**Senator IAN MACDONALD**—Some people will be interested to hear that. That is all I have, thanks very much. We look forward to getting those answers. And, Mr Chairman, there are some questions on the broader portfolio that I will put on notice as well.

**CHAIR**—Thank you, Senator Macdonald. Are there any other questions from the senators for regional Australia, regional development and local government? If not then I thank the minister and the officers for their attendance. We will now have a break for 15 minutes. Thank you.

**Proceedings suspended from 3.14 pm to 3.32 pm**

---

**FINANCE AND DEREGULATION PORTFOLIO****In Attendance**

Senator Wong, Minister for Finance and Deregulation

**Department of Finance and Deregulation****Executive**

Mr David Tune, Secretary

**General questions**

Ms Jan Mason, Deputy Secretary, Asset Management and Parliamentary Services

Ms Jenet Connell, Deputy Secretary/Chief Operating Officer, Chief Operating Officer Group

Mr Colin Plowman, First Assistant Secretary, Corporate Services

Mr David Yarra, Chief Audit Executive

Mr Michael Burton, First Assistant Secretary, Chief Financial Officer Division

Mr Graham Fry, First Assistant Secretary, Chief Information Officer Division

**Outcome 1—Budget, FMG, Deregulation**

Mr David Martine, Deputy Secretary, Budget Group

Mr David Nicol, First Assistant Secretary, Budget Policy and Coordination Division

Mr Peter Saunders, First Assistant Secretary, Strategic Policy Division

Mr David Weiss, First Assistant Secretary, Industry, Education and Infrastructure Division

Mr David de Carvalho, First Assistant Secretary, Social Policy Division

Mr Stephen Clively, First Assistant Secretary, Government and Defence Division

Mr Stein Helgeby, Deputy Secretary, Financial Management Group

Mr Tim Youngberry, First Assistant Secretary, Financial Reporting and Cash Management Division

Mr Marc Mowbray-d'Arbela, Assistant Secretary, Legislative Review Branch

Mr Alan Greenslade, First Assistant Secretary, Funds and Superannuation Division

Mr George Sotiropoulos, Assistant Secretary, Superannuation Branch

Mr Jonathan Hutson, First Assistant Secretary, Superannuation Administration Reform Project

Dr Tom Ioannou, Acting First Assistant Secretary, Financial Framework Division

Ms Susan Page, Deputy Secretary, Deregulation Policy Division

Mr Peter McCray, First Assistant Secretary, Deregulation Policy Division

Mr Jason McNamara, Executive Director, Office of Best Practice Regulation

**Outcome 2—AMPS, FMG, AGIMO**

Ms Jan Mason, Deputy Secretary, Asset Management and Parliamentary Services

Mr Rick Scott-Murphy, First Assistant Secretary, Property and Construction Division

Mr John Edge, First Assistant Secretary, Government Business, Special Claims and Land Policy

Ms Stacie Hall, Assistant Secretary, Government Businesses Advice Branch

Dr Guy Verney, Assistant Secretary, Special Claims and Land Policy

Mr Phil Smith, Assistant Secretary, Insurance and Risk Management

Mr Andrew Smith, Assistant Secretary, Property Branch

---

Mr Stein Helgeby, Deputy Secretary, Financial Management Group  
Mr John Grant, First Assistant Secretary, Procurement Division  
Ms Laurie Van Veen, Assistant Secretary, Communications Advice Branch  
Ms Ann Steward, Deputy Secretary, AGIMO  
Mr John Sheridan, First Assistant Secretary, Agency Services Division  
Mr Glenn Archer, First Assistant Secretary, Policy and Planning Division

**Outcome 3—AMPS, AGIMO**

Ms Jan Mason, Deputy Secretary, Asset Management and Parliamentary Services  
Ms Carolyn Hughes, Acting First Assistant Secretary, Ministerial and Parliamentary Services  
Mr Keven Whitton, Acting Assistant Secretary, Entitlements Policy  
Mr Greg Miles, Assistant Secretary, Entitlements Management  
Mrs Kim Baker, Assistant Secretary, Client Services  
Ms Maree Faulkner, National Manager, COMCAR  
Mr Stephen Taylor, Assistant Secretary, Legal Services  
Ms Ann Steward, Deputy Secretary, AGIMO  
Mr John Sheridan, Acting Deputy Secretary, Agency Services Division

**Australian Electoral Commission**

Mr Ed Killesteyn, Electoral Commissioner  
Mr Paul Dacey, Deputy Electoral Commissioner  
Ms Barbara Davis, First Assistant Commissioner  
Mr Kevin Kitson, First Assistant Commissioner  
Mr Paul Pirani, Chief Legal Officer  
Mr Pablo Carpay, Assistant Commissioner, Roll Management Branch  
Ms Marie Neilson, Assistant Commissioner, Elections Branch  
Ms Kathy Mitchell, Assistant Commissioner, Education and Communications Branch

**ComSuper**

Mr Peter Cormack, Chief Executive Officer  
Mr Marcus Markovic, Deputy Chief Executive Officer  
Mr Chris Ramsden, Chief Financial Officer

**Australian Reward Investment Alliance**

Mr Peter Carrigy-Ryan, Acting Chief Executive Officer

**Future Fund Management Agency**

Mr Paul Costello, General Manager, Future Fund Management Agency

**Medibank Private Ltd**

Mr George Savvides, Managing Director  
Ms Catherine McGovern, Group Manager, Government and Public Affairs

[3.32 pm]

**Medibank Private Ltd**

**CHAIR**—I welcome the Minister for Finance and Deregulation, Senator the Hon. Penny Wong, Mr George Savvides from Medibank Private and other officers, and Ms Mason from the department. Just to recap on a couple of things, you, of course, are familiar with the rules of the Senate governing estimates hearings. I just draw attention, firstly, to the decision of the committee that Friday, 3 December has been set as the date by which answers to questions on



notice are to be returned. I draw your attention to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised. Does anyone have an opening statement?

**Senator Wong**—No, thank you, Chair. Mr Savvides may have, but I do not.

**Mr Savvides**—No, I do not.

**CHAIR**—We are dealing specifically with Medibank Private at this stage. So, Senator Cormann, it is over to you.

**Senator CORMANN**—Thank you, Mr Chairman. Welcome back, Mr Savvides. I note Medibank Private made a nice profit of just over \$300 million in the most recent financial year. That is right, isn't it? That is about triple the result of the previous year. What has been causing that change in performance from the previous year?

**Mr Savvides**—Yes, it has been a very strong result for the financial year to 2010. The result is very strong for several reasons. The fund continues to grow its membership, which is important in terms of our commercial objectives—renewing the younger membership. It also has had a significant turnaround in its investment performance, from a negative result in the prior year to a positive result. The overall turnaround has been \$188 million in just investment performance. The underwriting profit continues to grow. That is the core profit out of health insurance. The key reason why that has grown is that we have had two years of working on our management expense costs. We have come down almost two percentage points, from 10.5 per cent to about 8.7 for our core private health business. That is around a \$70 million to \$80 million a year saving in overheads. That contributes to the underwriting as well. Along with our procurement capability, we are the largest health fund, so we purchase a little better than most, we hope, and that also finds its way into the underwriting margin. All of those contributing factors landed into a quadrupling of our profit result this year.

**Senator CORMANN**—You have only recently become a for-profit organisation. Have you got a profit target? How do you set your target for the financial year and your budget in terms of what you are aiming for?

**Mr Savvides**—We have a process with our shareholder department. It is called our corporate planning process. Every year we refresh the corporate plan, and there is a rolling three-year plan that is refreshed annually. Within that process, and also in that conversation with our shareholder department, we determine the ongoing objectives. They are not all fiscal. That is how we end up driving our financial results.

**Senator CORMANN**—What is your current profit target?

**Mr Savvides**—We do not reveal our forward view. We are a competitive commercial entity and we do not like to signal—

**Senator CORMANN**—So the \$300 million-odd in the most recent financial year, was that better or worse than your profit target at that time?

**Mr Savvides**—It did exceed our goal and target, yes.

**Senator CORMANN**—The government have announced that they will instruct Medibank Private to pay a special one-off dividend of \$300 million in 2010-2011. Has that happened? Have you paid?

**Mr Savvides**—No, we have not paid.

**Senator CORMANN**—When do you expect that you will have to pay that special dividend?

**Mr Savvides**—When that is confirmed from our shareholder, we will take that to the board and the board will review and make its call and it will be paid, as requested, assuming it meets the appropriate criteria.

**Senator CORMANN**—You have not been formally requested yet?

**Mr Savvides**—No, we have not.

**Senator CORMANN**—How did you find out about it?

**Mr Savvides**—With everyone else who found out about it, on the same day, in the public announcement during the election campaign.

**Senator CORMANN**—The government in the election made a public announcement that it would take a special dividend out of Medibank Private of \$300 million, and that was the first you heard of it?

**Mr Savvides**—Yes, agreed.

**Senator CORMANN**—There was no prior consultation?

**Mr Savvides**—No.

**Senator CORMANN**—That seems like an odd way for a government to deal with its asset.

**Mr Savvides**—It is not for me to make an assessment of that.

**Senator CORMANN**—That is okay. Is the special one-off dividend on top of regular dividend payments that have been agreed with the government?

**Mr Savvides**—I believe that is correct, yes.

**Senator CORMANN**—What regular dividend payments have been agreed to so far?

**Mr Savvides**—In the prior year, we paid around \$80 million worth of dividends.

**Senator CORMANN**—Is that eight zero?

**Mr Savvides**—Yes.

**Senator CORMANN**—That was eight zero over what period of time?

**Mr Savvides**—Eighty-three million dollars, to be precise.

**Senator CORMANN**—So you have paid \$83 million since the conversion to a for-profit company?

**Mr Savvides**—Yes, that is the first- and the second-half dividends for the financial year to 2010, our first year of dividend paying.

**Senator CORMANN**—How were those dividends set? Is there a formula? We have had this discussion in the past, before it happened, as to how you might engage in those discussions with the government. But now that it has happened and you have a regular dividend payment set up, what is the formula you use to determine the dividend?

**Mr Savvides**—You can see in hindsight—it is in our annual report that was distributed a few weeks ago—that the post-tax result dividend is set aside at \$83 million and the balance was retained in profits, along with the tax payment.

**Senator CORMANN**—But how did you come up with the \$83 million?

**Mr Savvides**—It is roughly about a third, a third, a third. It is not a strict formula, but that is very similar to what you see on the ASX as well.

**Senator CORMANN**—So, moving forward, is that going to continue to be roughly a third, a third, a third, like the regular dividend payments?

**Mr Savvides**—Roughly, that is the basis that we plan on the future, yes.

**Senator CORMANN**—That is your expectation. But would you expect there to be further one-off special dividends?

**Mr Savvides**—I do not think we have an expectation. Also, I think the point to be made is that you do not pay dividends unless you make a profit. We can have targets to make profits but, unless you realise them, you cannot pay them.

**Senator CORMANN**—If Medibank has a bad year over the period, you would not be expected to pay dividends in the bad year?

**Mr Savvides**—The shareholder can make a call. It is their company. If they believe, along with the board, agreeing that the capital in the business is more than is required to meet its corporate plan and strategic objectives, it can make a decision.

**Senator CORMANN**—But that is exactly the point, though, isn't it? And we have had this discussion in the past too. You can refresh me on the numbers, but in a past discussion you mentioned that your capital reserves on top of the minimum required by PHIAC were about \$800 million. That was it roughly?

**Mr Savvides**—That is correct, yes.

**Senator CORMANN**—So where is that figure at the moment?

**Mr Savvides**—It is a little higher than that, obviously, as a result of the improved financial year.

**Senator CORMANN**—So, what, just over \$1 billion roughly?

**Mr Savvides**—Over \$1 billion, yes.

**Senator CORMANN**—And so \$300 million is coming out. Given the government's justification—they said that your capital reserves are well in excess of your prudential requirements—there is still a bit of money that the government could target, is there not?

**Mr Savvides**—I think you should ask the government that.

**Senator CORMANN**—I will. Let me just ask you, though, in your discussions with the government or your shareholder minister has there been any agreement on what would happen if you did not make a profit? Would still be expected to pay a dividend from your reserves if the reserves are down?

**Mr Savvides**—Yes.

**Senator CORMANN**—In a bad year would you be paying a dividend?

**Mr Savvides**—I have not had that conversation.

**Senator CORMANN**—So how many months of reserves does Medibank currently hold?

**Mr Savvides**—I have not got that figure in months. I could take that on notice.

**Senator CORMANN**—That would be great. And the anticipated dividend, like we noted, would reduce your reserves by about 30 per cent. If it is about \$1 billion it would be \$300 million down.

**Mr Savvides**—There is a prudential capital requirement of the fund and then there are the general reserves beyond prudential. So it depends on how you classify reserves.

**Senator CORMANN**—It will reduce your above minimum prudential requirement reserves by about 30 per cent.

**Mr Savvides**—No, the minimum prudential requirement does not get touched at all.

**Senator CORMANN**—This is what I am saying.

**Mr Savvides**—So it is general reserves beyond that.

**Senator CORMANN**—It will reduce the share that is above your minimum prudential requirements. It will reduce that by about 30 per cent.

**Mr Savvides**—So, in excess of our minimum prudential reserves, the board sets a buffer, which is a risk-rated buffer. In excess of that are general reserves where the organisation over-performs beyond its prudential requirement, and it is in that area that the special dividend will be taken from.

**Senator CORMANN**—So the government takes \$300 million out of your reserves. That is capital that has been accumulated courtesy of your members?

**Mr Savvides**—No, it does not operate that way. As you saw in the result this year, a very substantial part of the financial result came from the \$188 million turnaround in investment performance.

**Senator CORMANN**—So where do your investments originally come from? The capital that you are investing has been accumulated by your members, hasn't it?

**Mr Savvides**—Medibank Private is a company that sells an insurance product, and the way it manages the sale of that product creates a commercial result. And, as it does that over many years, that commercial result accumulates. But given that up until last year we were a not-for-profit, non-tax-paying, non-dividend-paying entity, the company today is very different from its original form. Fifty per cent of our employees do not even participate in health insurance at all. They provide health services across Australia and in New Zealand and those other parts of

the business produce profits. The group profit is the result that we talked about earlier—and it is out of the group result, which is way beyond private health.

**Senator CORMANN**—So you are running a diversified business now which goes well beyond private health.

**Mr Savvides**—Yes, that is correct.

**Senator CORMANN**—It really makes one wonder why you should still be in government ownership.

**Mr Savvides**—It is not for me to make that—

**Senator CORMANN**—I did not expect you to comment on that. I am just making the observation. You could have charged significantly lower premiums or been even more competitive in your premiums if you did not have to pay so much out of your reserves. You would have been able to keep premiums lower if you did not have to pay to us \$383 million, wouldn't you?

**Mr Savvides**—No, that is not correct.

**Senator CORMANN**—So you would just continue to accumulate those reserves internally at that level?

**Mr Savvides**—No, what is not correct is that you are connecting the setting of premiums with the payment of a dividend. Those two things are not connected in the way we go about preparing our case for a premium adjustment.

**Senator CORMANN**—It is connected to a certain degree, though. As a for-profit company, some of your profit is based on your operating performance, so year after year you are building up your reserves. You have built reserves up significantly higher than what the minimum prudential requirements are. Minister Roxon, at various times, has said that the premium increases that she approves will not go beyond the minimum prudential—to cover the minimum prudential requirements—so you would actually have been able to offer lower premium increases to your members if you did not have to feed that profit into dividends. That is just a matter of logic.

**Mr Savvides**—The way I think is a more balanced way of seeing it in terms of a broader lens is that the most important thing we do when we set premiums is an actuarial process and a projection. We determine the claims requirements for our four million customers not only one year out but several years out. We extrapolate that into the multiple-year framework as the regulator PHIAC requires us to do. The most important thing we do, therefore, is cover the projected requirements of our members. The board confirms its position on premium submissions to the department of health and the minister of health, and that is a risk based assessment. I know you understand that.

**Senator CORMANN**—Sure.

**Mr Savvides**—So we do that in a way that we are, As you would expect, as an insurer we do that in a conservative way. We also try to make sure that we are competitive, so it is no surprise to find that we have achieved that as well. In the last four years our premium increases have been below the industry average, and we have strived very hard to do that. On

top of that, we work hard to be efficient. And, as I said earlier, we have taken our management expense cost ratio down by almost 20 per cent in the last three years.

**Senator CORMANN**—That is all great and as it should be. You should be keeping your management expense ratio low so you can have downward pressure on your premiums. And being efficient is fantastic. But the truth still is, though, that some of the profit that you make has been generated courtesy of the surplus operating profits from your health insurance business.

**Mr Savvides**—That is correct.

**Senator CORMANN**—That means your members are effectively helping to fund government spending, which would not have been the case before Medibank became for profit.

**Mr Savvides**—I think 50 per cent of Australians have private health and 70 per cent of them buy their health insurance from tax-paying entities who have dividend policies themselves.

**Senator CORMANN**—Sure.

**Mr Savvides**—The owner of this health fund, the government in this case, is entitled to a dividend as well, I would have thought.

**Senator CORMANN**—Was the possibility of a one-off special dividend discussed when the discussions with government happened around the conversion to a for-profit company?

**Mr Savvides**—No, the first we heard of the special dividend was when it was announced.

**Senator CORMANN**—So it was not even raised conceptually as something that—

**Mr Savvides**—No, the more general conversations at conversion were around our ability to maintain competitive premiums. As we have already stated, we strive to be below average in premium adjustments. The important thing is our ability to cover the health costs of our four million customers and also our capital structure as a for-profit company. They are the macro-issues that the shareholder department was concerned to make sure were embedded in our corporate plan, so we went through that process in a planning sense.

**Senator CORMANN**—But the bottom line, though, is that all of the efficiencies you have achieved and all of the surpluses that are generated from your health insurance business are now going into building up reserves which are then potentially the target of one-off special dividends to government. We have seen that happen once as a special dividend. What would stop government from doing it in the future?

**Senator Wong**—You are asking Mr Savvides to comment on what a government might do.

**Senator CORMANN**—No, I am not really asking him to comment on what the government—

**Senator Wong**—Yes, I think you are, when it is both future—

**Senator CORMANN**—I am asking questions about what the government has done.

**Senator Wong**—It is both in the future and also hypothetical. It is not really an issue for Mr Savvides to comment on.

**Senator CORMANN**—Minister, with all due respect, there is a very specific announcement by the government which was made without consultation—

**Senator Wong**—Yes, and I am happy for you to ask questions about that. I have not intervened in relation to that.

**Senator CORMANN**—Well, it stands to reason that if it happened once it can happen again.

**CHAIR**—Senator and Minister, it would be appreciated, please, for Hansard's benefit, if people do not talk at the same time.

**Senator Wong**—Sure. What I was saying was I am happy for you to ask questions about that. I have not intervened in relation to those questions.

**Senator CORMANN**—Mr Savvides, all other things being equal, if the government did not charge a \$300 million special dividend these capital reserves would generate income for Medibank, wouldn't they?

**Mr Savvides**—The size of the balance sheet generates either cash interest rate or equity based returns. Most of our investments are in cash. Almost three-quarters are now in cash.

**Senator CORMANN**—Have you assessed the impact on Medibank of the dividend so far in terms of reduced revenue?

**Mr Savvides**—Basically, I think your point is, is it constraining the organisation? Is value being denied the customer? I am not sure if that is implied. I think, just on reflection, in the last 18 months the shareholder has been supportive of the company expanding into health services. We are certainly not constrained as a result of being a for-profit dividend-paying entity. The business has doubled in employment size in those 18 months. We have one of the largest health service businesses in Australia now. It is not an independent activity, in one sense, in that we bought a series of businesses that, in their own rights, provide health services, but they also help the health fund manage its most significant health costs—its members that have chronic disease. So there is a strategic intent there: to make sure that what we do with our balance sheet—in the case that I am referring to, very significant acquisitions—benefits all of our customers, including health fund members. And I think we have proven that that is, in fact, what we are doing.

**Senator CORMANN**—I understand all of that, but the reality is, though: you would be doing all of that even if you did not have to pay \$383 million worth of dividends. So I say, all other things being equal, if you had those \$383 million in capital still available, and you would be doing all the fantastic things you are doing, you would be in a better position in terms of your revenue, wouldn't you?

**Mr Savvides**—Having run an ASX-listed company in the past, to do what I have just described and not reward the shareholder during that process would have been a very difficult thing to do.

**Senator CORMANN**—It is a government shareholder, of course. This is a bit different from a normal ASX—

**Senator Wong**—But you were drawing the analogy, Senator.

---

**Senator CORMANN**—No, but you have made it a for-profit company.

**Senator Wong**—But you have drawn the analogy with a private company, or publicly listed company.

**Senator CORMANN**—I haven't at all. No. I haven't at all. You are a for-profit company with one shareholder, who happens to be the government.

**Senator Wong**—True.

**Senator CORMANN**—And the government happens to have decided to take—

**Senator Wong**—But public companies also have shareholders.

**Senator CORMANN**—\$383 million of dividends out of it. I think you have already answered the question. Clearly, if those reserves were still with Medibank Private you would draw revenue from those reserves either because they invested in cash or because they invested in other—that was your answer, wasn't it?

**Mr Savvides**—No. My answer was that, in the context of a rapidly expanding business, shareholders normally get a reward for funding expansion. And that is what is happening in this equation.

**Senator CORMANN**—So, Mr Savvides, you would not be drawing any revenue if you had \$383 million with you rather than with the government from that increased capital reserve?

**Mr Savvides**—The six per cent interest that that generates, we pay that out in two or three days worth of claiming.

**Senator CORMANN**—Sure, but it is all cumulative, isn't it? So in your forecasting, when you put your forecast together for your premiums, do you take your investment income into account as part of what your expectations are in the year ahead?

**Mr Savvides**—We take all of our financial assets into account. We extrapolate them forward; it is not just one year.

**Senator CORMANN**—Yes.

**Mr Savvides**—But the real science is in the actuary's ability to understand what four million Australians are likely to consume in health dollars and what the health inflation component of those dollars is doing in the forward outlook, and then out of that comes our estimate for what we need as a premium to cover that expectation. We are conservative by nature. I came into Medibank in 2001 when it was in a somewhat distressed state, so we are conservative in the way that we go about running our business these days.

**Senator CORMANN**—In May 2009 when we discussed this—and this is a direct quote—you said:

If any health fund had its reserves substantially changed, it would have a flow-on effect in terms of volatility of rate.

I assume you stand by that statement.

**Mr Savvides**—Yes. The emphasis being 'substantially'. Yes.



**Senator CORMANN**—Hence my next question: a \$383 million dividend, including a \$3½ million dollar special dividend—does that qualify, from your point of view, as a substantial change in your capital reserves?

**Mr Savvides**—Yes. The quote you have drawn—I am referring to the prudential capital, and the prudential capital has not been touched in this exercise at all.

**Senator CORMANN**—The discussion we had at the time is that your board—and I am sure you remember this—had taken the view that it was prudent to have reserves over and above the prudential capital required, and that if there was a significant reduction in that it would—the reason you have that is so that you have less volatility.

**Mr Savvides**—Yes, we do. Let me just clarify it. So there is the prudential reserve, cap ad of 1.0, then there is the buffer.

**Senator CORMANN**—Of course.

**Mr Savvides**—And then beyond the buffer there are general reserves. I am saying that the 300 that you are referring to is coming out of general. It is nowhere near the board risk assessment and then nowhere near the prudential.

**Senator CORMANN**—So what you are saying is: from your point of view, it is not a substantial change. When would it become a substantial change?

**Mr Savvides**—It is a sort of what-if.

**Senator CORMANN**—No. No. It is not a what-if. You must have a clear assessment as to how far your company—I mean, what is the buffer of both the prudential reserves?

**Mr Savvides**—I think it is \$300 million to \$400 million above cap ad.

**Senator CORMANN**—So you are \$1 billion above at the moment minus \$300 million; that takes it to \$700 million. So if you went down another \$400 million, that is when you would start getting concerned.

**Mr Savvides**—It would be something of that order. Yes.

**Senator CORMANN**—Yes. Okay. That is what I was keen to find out. You mentioned just now how you have had below industry standards average increases in your rates over the past three years, but what matters of course is not what happened over the past three years, is it. What matters is what is going to happen in the next three to five years. Can you put your hand on your heart and tell the committee that this special dividend, and other regular dividend payments, will not have any impact on your premium increases moving forward?

**Mr Savvides**—Absolutely. Our intent, going forward, remains unchanged whether the dividend was to be paid or not, and that is that we want to be competitive. And we have seen as the measure for that to be below industry average. We cannot absolutely guarantee that, because it is a bidding process and we do not know what the other health funds are bidding.

**Senator CORMANN**—So you cannot absolutely rule it out.

**Mr Savvides**—But we have been pretty good at targeting for the last few years and, also, we are absolutely committed to making sure that what we sell in the product is value. So it is one thing to talk about premiums per se and the size of the increase—

**Senator CORMANN**—You have got a better product than everybody else. Yes.

**Mr Savvides**—but what is in the product, the value that has been restored, is absolutely critical. And not every product that is compared to the other is of the same value.

**Senator CORMANN**—That is where it becomes very complicated, though, doesn't it?

**Mr Savvides**—It does.

**Senator CORMANN**—Because, quite frankly, the level of increase does not really matter either. What matters is the actual price for what you get.

**Mr Savvides**—That is a good line of thinking. Yes.

**Senator CORMANN**—Yes. So you are confident that, in terms of price charged, with what you are offering, you will continue to be more competitive than anybody else, irrespective of having to pay these dividends?

**Mr Savvides**—That is why you have given me a wonderful segue there, because as to the businesses that we have acquired—in Health Services Australia, in AHM and the total health arm, and in the McKesson Asia-Pacific business—those services are the very services we want to share and impact in terms of the value and the product we offer our health insurance customers. We are working on that right as we speak. And as to the fact that we can have nurses through telephonic triage and the fact that we can provide clinics around Australia to service the needs of our customers—two years ago we did not have any of that capability, but our members and our customer base needs that.

**Senator CORMANN**—Sure.

**Mr Savvides**—And if we can influence the rest of the sector to do something similar then we are creating value in the sector. That is the reason why we have invested in these new assets.

**Senator CORMANN**—Very good, and you have given me a bit of leeway. Medibank has, of course, made a number of acquisitions in the past years. You have purchased AHM in 2008 and Carepoint in Western Australia, and various other organisations more recently. Have you got other acquisitions on the books that you can share with us?

**Mr Savvides**—No. I cannot share with you.

**Senator CORMANN**—So you have got other acquisitions on the books. You just cannot share them.

**Mr Savvides**—I cannot share that either. No.

**Senator CORMANN**—I take that as a 'yes'!

**Mr Savvides**—I did not say that, Senator; I just said I would not share it.

**Senator CORMANN**—No, I am not saying that you said that; I am just saying to you how I have taken it.

**Mr Savvides**—I do not know how you took it.

**Senator CORMANN**—I am not verballing you, believe you me. When you make these acquisitions, is that a decision for Medibank on its own or do you have to get approval from the finance department?

**Mr Savvides**—We have a materiality rule. I do not actually know what the number is today, but I can get that on notice. But there is a threshold and beyond the threshold we have to get approval. They are the rules that we have got between shareholder and GBE. But we have always said at Medibank, irrespective of whether it is below or above the threshold, we will go and share our ideas and our intent with our shareholder minister in our department because we have got a very strong relationship and we work together on these issues.

**Senator CORMANN**—Your core business, though, still, remains—like the provision of health insurance—under relevant federal legislation, doesn't it?

**Mr Savvides**—It does, and what we are doing as we acquire these other businesses is to make our core business more sustainable and more value-adding for the customers that are within its portfolio.

**Senator CORMANN**—So when you say 'make your core business more sustainable', your core business being health insurance, all the other things you are doing are in order to be able to be more competitive in your product offering—

**Mr Savvides**—That is the principal reason why we acquired those other assets. They had businesses in their own right to pursue, beyond private health; many of them are government public health contracts that they pursue. But the reason why we decided to invest in them is that we needed the health capability to make Medibank more capable of impacting the health of its own customer base. What we say, in our phrase, is that we had to medicate Medibank to make it more sustainable for the needs of its customers.

**Senator CORMANN**—Sure. Essentially, what you are saying is that all these acquisitions, these diversified business ventures, are justified as part of your public mission because they help you achieve your core business.

**Mr Savvides**—Yes.

**Senator CORMANN**—If the government then is taking capital away from you, that makes it harder for you to achieve exactly that, doesn't it?

**Mr Savvides**—It might, but it has not been the case in the last 18 months to two years.

**Senator CORMANN**—Because you have such a huge buffer. If the government continued to draw down on your capital reserves through special dividends—

**Mr Savvides**—The profit that has come out of this year's result has benefited from the investments we have made. The profit we have reported did not only come from health insurance; it came from the acquisitions.

**Senator CORMANN**—So, in terms of the capital that you currently hold, how much of it is generated through your members, how much of it is generated through investment revenue over the years and how much of it is generated through revenue from your diversified business stream?

**Mr Savvides**—The details are in the annual accounts that were distributed, Senator.

**Senator CORMANN**—That is in terms of the last year but not in terms of over your history, though.

**Mr Savvides**—Of our history?

**Senator CORMANN**—Yes. Everything gets lost in a big bucket, doesn't it, at some point? You now call this revenue from your investments, but the capital that you are using for that was capital accumulated by your members at some point. It has to be, because you started off as just a health insurance business.

**Mr Savvides**—Yes, but, when I started at Medibank in 2001, there was not a significant inheritance there. It was quite —

**Senator CORMANN**—There was not what?

**Mr Savvides**—There was not a significant inheritance there in terms of capital for members. We got the business trading properly and profitably, and profit accumulated over the years because we were not—

**Senator CORMANN**—From your health insurance business initially.

**Mr Savvides**—tax paying and dividend paying. But obviously it is now beyond the needs of the threshold requirements of prudential reserves, and the shareholders are taking a view about what appropriate capital structure should look like.

**Senator CORMANN**—Since we last met, have there been any discussions with the government about a possible future privatisation of Medibank?

**Mr Savvides**—No, there have not been.

**Senator CORMANN**—So that is not on the books at all, as far as you are aware?

**Mr Savvides**—As far as I am aware, yes.

**Senator CORMANN**—Is there anything that the government has got in mind that you want to share with us, Minister?

**Senator Wong**—I think the government's policy is quite clear on this, Senator.

**Senator CORMANN**—Well, the government's policy is always clear until it changes, and I just thought—

**Senator Wong**—I have nothing that I can share with you or wish to share with you, Senator, and the government's policy is very clear on that.

**Senator CORMANN**—So, Mr Savvides—and I will just finish off on this—you mentioned you had worked in an ASX 200 company. If Medibank Private were a publicly listed company, where would you rank on the Stock Exchange?

**Mr Savvides**—Where would it sit?

**Senator CORMANN**—Where would it sit? Would you be in the ASX top—

**Mr Savvides**—Analysts have said it is a top 100 company. It would sit around 60 or 70, something like that.

**Senator CORMANN**—Thank you for that. That is it from my point of view for Medibank.

**CHAIR**—Thank you. Any further questions on Medibank Private? If not, then thank you, Mr Savvides, for your attendance, and we will now move to the Department of Finance and Deregulation.

[4.04 pm]

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

**CHAIR**—I welcome Mr David Tune, secretary of the department. I believe were you in the audience when I made my earlier opening comments.

**Senator Wong**—Was I?

**CHAIR**—I am asking Mr Tune if he was here. You were here, Minister.

**Senator FAULKNER**—Because there was standing room only!

**CHAIR**—There was. It was fascinating and riveting! It was just in relation to the closing date for answers to questions on notice et cetera. Did you wish to make an opening statement?

**Mr Tune**—No, I do not, Chair.

**CHAIR**—Minister?

**Senator Wong**—No.

**CHAIR**—If not then we will go to Senator Bernardi.

**Senator BERNARDI**—Thank you, Chair. Mr Tune, I have got a page from the red book which was given to the government. Do you have it in front of you, the red book?

**Mr Tune**—I do.

**Senator BERNARDI**—In the first paragraph under the ‘Policy Opportunities and Challenges’ key points on page 1.1 of the brief for the Department of Finance and Deregulation, it says:

As Finance Minister you have a key role in each of these, including through improving the effective use of Commonwealth resources and in ensuring the quality, rigour and evidence-base of decision making.

Could you explain what you mean in that sentence and perhaps give some examples of where the improvement could be made.

**Mr Tune**—That is really just a job description for a finance minister, regardless of the point in time. Obviously, a finance minister has a key role in terms of resource allocation across government. It is one of the key things we do on the spending side of the budget, for example, and the vast majority of government decisions involve money of some kind, either additional money or re-allocation of money. So a key role for a finance minister is to have a role in those sorts of things. There is also a stewardship role around many aspects of government activity, particularly financial management, the Financial Management and Accountability Act, issues relating to the financial management act—how to control effective and ethical use of public moneys—issues around procurement and so forth. So that sentence is meant to be an introductory sentence for a new finance minister. It gives a very broad description of the sorts of roles that a finance minister would undertake.

**Senator BERNARDI**—It also suggests very strongly that there is a need to improve the effective use of Commonwealth resources and the quality, rigor and evidence base of decision making. Any reasonable reading of it would lead to that conclusion.

**Mr Tune**—And the brief goes on, further in, Senator, to talk about some of the issues that have been around, particularly through ANAO reports in recent times; so, yes, we acknowledge that.

**Senator BERNARDI**—One could draw a conclusion that there is an implied criticism of the previous finance minister, that he has not fulfilled the role and set a sufficient standard.

**Mr Tune**—I think it is in a timeless context, quite frankly, that that applies probably. There is always continuous improvement that can be made around the allocation of resources, and, as I said, that sentence would probably appear in every incoming government brief that has been provided to a finance minister over a very long period of time, probably since 1977.

**Senator BERNARDI**—So it is a standard—

**Mr Tune**—The sentiment would be the same, I suspect, rather than the words.

**Senator BERNARDI**—So that particular paragraph was not directed towards any of the specific programs that were overseen?

**Mr Tune**—As I said, we acknowledge further on in the brief where we talk about some of these things that there probably is a need for improvement around some of the issues that the Audit Office has been examining in recent times.

**Senator BERNARDI**—Okay. What about the next paragraph? The first sentence talks about ‘more efficient infrastructure investment’. Is that just another generic term or is there some suggestion that there are specific examples?

**Mr Tune**—Not necessarily. I think this is an issue that, once again, is expanded on in the body of the brief. But the critical point is that, if you are going to enhance productivity, infrastructure investment can be a very important component of that and it is important that that be as efficient as possible. So that is once again a generic point saying not all infrastructure is good infrastructure; and, if you want to maximise the impact on productivity, you want to make it as efficient as you possibly can.

**Senator BERNARDI**—Did the department assess the quality of the infrastructure investment by the previous government?

**Mr Tune**—No, we have not. We would have input into the decision-making, of course, that the government made around those areas. But the assessment of infrastructure proposals in the main was made through the boards or the managing bodies that relate to the three funds that the government set up—the Health and Hospitals Fund, the Education Investment Fund and the Building Australia Fund. Each of those has its own body that assesses proposals and applications that come before it and provides advice to the government. As part of the government forming decisions on those particular issues, Finance would have a role in providing policy advice to government. With the Building Australia Fund, Infrastructure Australia is the body that provides advice on those proposals.

**Senator BERNARDI**—Then what is the role of the Department of Finance and Deregulation in assessing efficient infrastructure investment if you are not involved in the assessment of the particular project?

**Mr Tune**—There is a set of guidelines around the cost-benefit analysis which are somewhat old now and which we probably need to update. We refer to that in the body as well. That does not mean we actually do the cost-benefit analysis, but it provides a set of principles and an approach that you might apply to cost-benefit analyses. So that is there as a Finance product that is meant to assist agencies that are doing the actual cost-benefit analysis about how to go about them. But we do not actually do them ourselves.

**Senator BERNARDI**—But would it then concern the department if the infrastructure projects were undertaken without an appropriate cost-benefit analysis?

**Mr Tune**—Sorry—I missed that.

**Senator BERNARDI**—Would it concern the department if agencies were undertaking the infrastructure projects without an appropriate cost-benefit analysis?

**Mr Tune**—We have a view that it would be preferable to do so—either that or some thorough assessment of the costs of a particular infrastructure project, such as the implementation study for the NBN.

**Senator BERNARDI**—So they know, for example, the assessment of the costs of a project, but you do not know about what the benefits are.

**Mr Tune**—Often the benefits are very hard to quantify, of course. But, if you do a thorough analysis of the implementation and the costs involved in that implementation, that is getting you a fair way down the track.

**Senator BERNARDI**—Was a cost-benefit analysis of the NBN undertaken?

**Mr Tune**—It is quite clear that, no, it was not. The government has made that clear many times.

**Senator BERNARDI**—Doesn't that strike you as an inefficient way of assessing an infrastructure investment?

**Mr Tune**—No, only if it was possible to do an absolutely thorough assessment of what the benefits might be and then relate them back to the costs. In this instance, it is very difficult to quantify those. There are clearly benefits to be had in terms of productivity and benefits to society in general from the NBN, but being able to put a number on them that you can feed into a cost-benefit analysis in a numerical way is a very difficult thing to do, if not impossible to do. Therefore, the best you can hope for in those sorts of situations is that you do a thorough assessment of the costs of implementation.

**Senator BERNARDI**—I just note that it has not stopped any number of modeling exercises that have been undertaken in other departments that are based on speculation. On the same page, it says that the government will need to find additional savings and restrict new savings once its election commitments are provided for. Does this mean that the government's claim that it will return the budget to surplus in 2012-13 is at risk or is not achievable?

**Mr Tune**—The brief says that it will be necessary to offset new spending. Yes, that is correct: that is government policy and the government has said it will do that, and that is obviously what needs to be done. So that is almost stating the obvious, in a way.

**Senator BERNARDI**—Yes, I understand that. Has the department assessed how much new government expenditure has taken place as yet?

**Mr Tune**—Sorry, I missed that.

**Senator BERNARDI**—Has the department assessed the new level of government expenditure that was not accounted for during the election?

**Mr Tune**—Yes, the department did an assessment after the election in response to permission by the government to assess the fiscal impact of its election commitments. It did that. That was provided as an input into discussions with the Independents, as you will probably know, and that was made public. In that piece of paper the Department of Finance and Deregulation and the Department of the Treasury, combined, assessed that the government's election commitments or the ALP's election commitments would add \$106 million to the budget balance over the course of the forward estimates. So we assessed it as being \$106 million in front over four years.

**Senator BERNARDI**—Does that include any additional promises made subject to the election date?

**Mr Tune**—No, all it did was assess the election commitments.

**Senator BERNARDI**—Minister, have you quantified the amount of post-election commitments?

**Senator Wong**—Yes, but most of that has been made public.

**Senator BERNARDI**—Yes. I do not have it in front of me; that is all.

**Mr Tune**—In net terms it is probably about \$2.4 billion over four years.

**Senator Wong**—I think the Prime Minister, in fact, released some costings at the time that the agreements with the Independents were released.

**Mr Tune**—It is actually 'up to' \$2.4 billion.

**Senator Wong**—Depending on how much expenditure occurs in relation to the Health and Hospitals Fund, for example—what projects the board signs off on.

**Senator BERNARDI**—Sure. In the document again—I will just go back to it—it says in the penultimate paragraph on that page:

... policy priorities will require effective and efficient program design and delivery. Improvements are needed both in government decision-making processes and in program delivery. Procedures for evaluation and review also need to be reinvigorated.

I will ask again: is this a standard-type paragraph that appears in the red book for incoming governments, or is this specifically directed at the present government?

**Mr Tune**—It is a reasonably standard thought, I suggest to you, and there is nothing all that radical in it. Clearly it would be desirable for all spending to be effective and efficient and for design and delivery to be effective and efficient. As I mentioned earlier, issues that the



ANAO have raised around a number of programs clearly lead to a conclusion that there is probably a need for improvement, at least in some respects, around program delivery, and Finance, as a department, sees that as a priority. The issue around evaluation that is also mentioned in that paragraph, perhaps, is a bit of a bee in my bonnet in that—

**Senator BERNARDI**—Excuse me, I just missed that.

**Mr Tune**—Evaluation is probably a bit of a bee in my bonnet in that I have been involved in this over many years. I think there were periods back in the eighties when evaluation had a very high profile. Over the last 20 years or so, perhaps evaluation has gone down the agenda a bit, and I think it would be useful, at least from my point of view and from the finance department's point of view, if perhaps we could get that back to the level of importance that it had in the 1980s—the importance of evaluation, or the evaluation of programs to measure their effectiveness and efficiency after the event, because they become important inputs into rethinking and thinking about policy and thinking about design. So there is a continuous cycle of policy design, implementation, delivery and evaluation, and you feed that back into policy design again, which is a standard way of thinking about public administration.

**Senator BERNARDI**—And it is a sensible way in which things should be conducted. But what concerns me is that, going through this, you have suggested to me that a lot of these are common to incoming briefs and they are generalised paragraphs and idealised statements, yet we have seen in the last few years some programs that have been terribly mismanaged. The ANAO report suggested that as well. Is it gilding the lily a little bit to just use generalised statements about aspirations rather than identifying some specific issues?

**Mr Tune**—This particular page that you are referring to is headed 'Key Points', so it is a bit of a summary of the whole document in a way, so we were trying to compress quite a bit of detail that was in there into the one page. So the detail that you are looking for is probably in the body of the document, rather than just these fairly generalised statements that exist here.

**Senator BERNARDI**—Yes, but a lot of people will look at the generalised statements and the key points and assess it as if this would be an assessment of where the government's, or the previous government's position, has been and as some suggestions for the new finance minister. But you are telling me that there is no real criticism in this document. There is no real criticism of the previous government, even though there has been this mismanagement of programs of public moneys.

**Mr Tune**—I think it is fair to say that in the main we would support the conclusions that the ANAO have drawn in the general sense around some of the things that have happened in some of these programs, and we would strongly support recommendations or measures that may improve that over a period of time. We talk about specific examples in the body. We talk about Green Loans and the Home Insulation Program as being areas that, once again, the ANAO have highlighted as well. Yes, we, the Public Service, can do better.

**Senator BERNARDI**—Given that you have identified them in general terms here, that these are the specific responsibilities of the finance minister to opt for continual improvement, it is hard not to draw a conclusion that there is a thinly veiled criticism of the previous finance minister.

**Mr Tune**—I think we are trying to suggest that there needs to be a reinvigorated effort on top of what has been done to date; that we have another look at this and reassess and go forward. We talk about something around what is loosely called ‘better government’ and improving government administration in this brief. That was the position we were coming from—that we can do better; that we are always on a continuous improvement curve and that there was scope here to do better.

**Senator BERNARDI**—A ‘reinvigorated effort’ is quite a telling phrase because it suggests that the efforts previously were not vigorous enough.

**Mr Tune**—I think these things wax and wane, quite frankly.

**Senator BERNARDI**—Were we waxing or waning? Which one is waxing?

**Mr Tune**—I think there are examples there where it was waxing, yes—waning, sorry, I should say. There are other examples where it was waxing.

**Senator BERNARDI**—Wax on and wax off.

**Senator Wong**—Thank you for loading me up with that image!

**Senator BERNARDI**—Nothing further from me, Chair, for the moment.

**CHAIR**—Thank you. Who is next? Senator Cormann. Waxing lyrical?

**Senator CORMANN**—Thank you, Mr Chairman. Talking about the red book I just first want to congratulate on your decision to release it. I assume that that followed an FOI request, did it?

**Mr Tune**—Yes, it did. We had three FOI requests for our red book—well, we had three FOI requests for the book that we provided to the incoming government. As you know, we do two books.

**Senator CORMANN**—Are you able to tell us when you received those requests?

**Mr Tune**—I could get those for you on notice, but certainly the first one appeared on the Monday after the election.

**Senator CORMANN**—The Monday after the election?

**Mr Tune**—Yes. They were from journalists, all three of them.

**Senator CORMANN**—When did you make a decision? How long did it take you to release?

**Mr Tune**—You have got the standard FOI time to have a look at those. There was some discussions with the applicants around the terms of their requests, and the clock started ticking. We came to a conclusion around the time that we would have had to make a decision on the first of those at least, and given that we were looking at these together, that rather than just issue them to a small number of people it would be better to actually utilise the FOI principles and release them in the public arena.

**Senator CORMANN**—So you released them to everybody at the same time?

**Mr Tune**—We did, yes.

**Senator CORMANN**—And in the end you decided not to charge for the FOI requests from those that made the applications?

**Mr Tune**—I will confirm this with you, but I think we refunded their fees.

**Senator CORMANN**—I understand that you sent people back cheques, which must be a pretty novel experience to get cheques back from the finance department.

**Mr Tune**—Sorry, I do have the requests here: 23 August was the first, 15 September was the second and 18 September was the third—as I said, all from journalists.

**Senator CORMANN**—You are happy to share with us who made those requests?

**Mr Tune**—Yes, I can. The 23 August one was from Michael McKinnon at Channel 7. The 15 September one was from Sean Parnell, I think, of the *Australian*. The 18 September one was from Shane Wright of the *West Australian* newspaper.

**Senator CORMANN**—And you made the decision to release it publicly to everyone on which day?

**Mr Tune**—It was the Friday, 1 October.

**Senator CORMANN**—That is pretty good. Did you have any conversations with the Prime Minister's department before making the decision to release it to everybody at the same time, or was that a completely autonomous decision?

**Mr Tune**—I informed the Prime Minister's department.

**Senator CORMANN**—You informed the Prime Minister's department. Thank you very much. If I can just take you to table 1 at the back of Budget Paper No. 1 for the 2010 budget. Would you have the budget papers with you?

**Mr Tune**—We can get that easily.

**Senator CORMANN**—It is just going through some numbers and, take my word for it, I am reading. In 2007-08—this is in table 1, page 10.6—receipts were \$294 billion and in 2009-10 receipts were \$285 billion, which is the reduction of less than \$10 billion in revenue. Are you with me?

**Senator Wong**—Senator, can you just reference the table again.

**Senator CORMANN**—It is table 1, page 10.6, 'Statement 10, Historical Australian government data'.

**Mr Tune**—And we are looking at 2007-08—was that the first year?

**Senator CORMANN**—That is \$294,970,000,000 receipts, yes.

**Mr Tune**—Yes.

**Senator CORMANN**—And it went to \$285,201,000,000 in 2009-10.

**Mr Tune**—Correct.

**Senator CORMANN**—So annual revenues reduced by less than \$10 billion in the context of the global financial crisis—that is right, isn't it?

**Senator Wong**—No.

---

**Senator CORMANN**—That is a mathematical—

**Mr Tune**—Sorry, what are you trying to say here?

**Senator CORMANN**—What I am trying to say is that your annual receipts in 07-08 were \$294,970,000,000.

**Mr Tune**—Yes.

**Senator CORMANN**—In 09-10 the equivalent annual receipts were \$285,201,000,000.

**Mr Tune**—Yes. That was the estimate. That was the estimate at the time, so that would be—

**Senator CORMANN**—The estimate which would have been written then, okay, but this is what is there.

**Mr Tune**—It was slightly lower than that when you actually looked at the final budget outcome.

**Senator CORMANN**—So it was slightly lower, was it?

**Mr Tune**—It was, yes.

**Senator CORMANN**—Okay, so the estimated reduction. Essentially, over the same period, payments increased from \$272 billion to \$339 billion, which is an increase of \$67 billion. So the largest part of the deficit was actually based on increased spending rather than on a significant reduction in tax revenue.

**Mr Tune**—Yes, so that is largely the stimulus—

**Senator CORMANN**—Yes.

**Mr Tune**—the economic stimulus package.

**Senator CORMANN**—In this financial year—this is looking at PEFO now—you are actually expecting record revenues of \$322 billion, or \$321,800,000,000.

**Senator Wong**—Senator, in relation to 09-10, probably the better figures would be the FBO figures.

**Senator CORMANN**—It would be the what?

**Senator Wong**—The FBO figures that the government released.

**Senator CORMANN**—Let us go to the PEFO figures.

**Senator Wong**—But your previous question was in relation to the 09-10 table at statement 10 and I am suggesting that the Treasurer and I released the Final Budget Outcome, if I recall, two weeks ago.

**Senator CORMANN**—So what is your updated figure there?

**Mr Martine**—The 2009-10 total receipts reported in the Final Budget Outcome, which is page 92, is \$284.7 billion.

**Senator CORMANN**—For all intents and purposes, the same. It is \$284.7 billion rather than—

**Mr Martine**—It has come down slightly.

**Senator CORMANN**—By \$300 million. But, essentially, the argument still stands—the fall in annual revenue is less than \$10 billion.

**Senator Wong**—Senator, hang on. I might let Mr Martine speak to this, but perhaps a more appropriate figure might be to look at the downward revision in revenue that was undertaken.

**Senator CORMANN**—More appropriate than the budget papers?

**Senator Wong**—Pointing to what was expected and therefore what then occurred.

**Mr Martine**—Senator, in the Final Budget Outcome, page 1, there is reference to what the minister was just talking about, which is the change in 2009-10 tax receipts as a result of the GFC. For 2009-10, in the 2008-09 budget they were forecast to be in the order of \$310 billion, but they actually came in at \$260 billion—and this is the budget just prior to the 2009-10 financial year.

**Senator CORMANN**—So you are comparing to what you had hoped would happen. I am comparing to what happened the year before.

**Senator Wong**—Could Mr Martine finish. I understand where you are going, Senator, but if we can just do it sequentially.

**Mr Martine**—So just in terms of the 2009-10 budget, which is two months prior to the start of the financial year, we were anticipating tax receipts of \$310 billion. When we got to the end of the financial year, and that was during the height of the GFC, tax receipts came in at around \$260 billion. So there was about a \$50 billion difference, which we make reference to on page 1 of the FBO.

**Senator CORMANN**—Sure. So compared to what you had hoped for, there is a more significant reduction, compared to when I am comparing the 07-08 actuals with the 09-10 actuals, which you have now just talked about.

**Mr Martine**—Correct me if I am wrong, Senator, but in the context of your question you made reference to the impact of the GFC on receipts.

**Senator CORMANN**—Yes.

**Mr Martine**—The better way to look at it is, in fact, to compare what you anticipated to get for that year versus what you actually got, not so much a comparison between years because there are other things that can affect between years.

**Senator CORMANN**—You may well say that, but the way I am looking at it is the way you are presenting it as the Australian government general government sector receipts and payments.

**Senator Wong**—Senator, he may well say that; that is the position he is putting to you. You may not agree with that for your political purposes. I understand you do not, but that is the advice he is giving.

**Senator CORMANN**—It is always interesting when people become very helpful with providing additional information in answering questions that were not actually asked. The question I asked very specifically was in terms of the general government sector receipts, payments and underlying cash balances. I am not inventing this information. This is information which you publish, and I grant you that for 2009-10 it is an estimate in the budget

papers but you have now got the proper data for that. Between 2007-08, according to your figures, the government sector receipts have reduced from \$294 billion to about \$284.7 billion, which is just over \$10 billion. That is the mathematical figure.

**Mr Martine**—Over the two years.

**Senator CORMANN**—Over the two years, yes. That is right.

**Ms MARINO**—The numbers are \$10 billion different according to—

**Senator CORMANN**—And according to PEFO you are now expecting records revenues of \$321.8 billion—that is a \$7.4 billion improvement in revenue this financial year—but the deficit has not actually moved at all.

**Mr Tune**—What are you comparing it with when you say it—

**Senator CORMANN**—In your budget your estimate was for \$314.470 billion in revenue.

**Mr Tune**—Yes.

**Senator CORMANN**—Your PEFO update of that is \$321.800 billion yet your estimated deficit between the budget and PEFO has not changed even though you anticipate increased revenues of \$7.4 billion.

**Mr Tune**—In the budget for 2010-11?

**Senator CORMANN**—Yes.

**Mr Tune**—Yes, that is true. It is not much different. We were estimating a deficit of \$40.756 billion for 2010-11.

**Senator CORMANN**—Yes, and now?

**Mr Tune**—And now in PEFO we are saying \$40.689 billion was the estimate then.

**Senator CORMANN**—So 99 per cent of the additional revenue that you have estimated since the budget has gone into spending rather than into reducing the deficit.

**Mr Martine**—No, Senator.

**Senator CORMANN**—Where has it gone?

**Mr Martine**—If you look at page 6 of the PEFO there is a reconciliation table. This is on an underlying cash basis.

**Senator CORMANN**—Yes.

**Mr Martine**—There is a reconciliation table on page 6 which takes you from what we were forecasting at budget to what forecast in PEFO. So for 2010-11 at budget we were forecasting \$40.756 billion and in PEFO we are forecasting \$40.689 billion. So there is there is \$100 million, roughly, change.

**Senator CORMANN**—Yes, okay. \$100 million change. So you have increased revenues of \$7.4 billion and a reduction in the deficit of about \$100 million, so that means \$7.3 billion is going into additional spending. Again, that must be a mile off.

**Mr Martine**—Senator, if you turn to page 8 where there is a reconciliation table in fiscal balance terms—this is accrual terms but it will give you the same sort of order of

magnitude—you will see for 2010-11 the movement from the budget estimate of \$39.598 billion to the PEFO estimate of \$39.422 billion. It breaks down in a bit more detail than in the cash reconciliation table. You will see towards the bottom of that table, effect of parameter revisions of \$321 million on revenue.

**Senator CORMANN**—Rather than going on, can I just ask you some simple questions and I just want some simple answers. In the budget papers you estimated revenue to be for 2010-11, \$314.417 billion; that is right, is it not? That comes straight from the table.

**Mr Tune**—Yes, that is right. Yes.

**Mr Martine**—Total receipts.

**Senator CORMANN**—That is right. Total receipts: \$340 billion. Those total receipts went up to \$321.8 billion in PEFO; that is right, isn't it?

**Mr Martine**—Not quite, Senator. The \$321.8 billion you are quoting is an accrual number.

**Senator CORMANN**—Are you saying the figures are not comparable?

**Mr Martine**—The first number you quoted was a cash number. I am just trying to find the equivalent cash number for total receipts in the PEFO.

**Senator CORMANN**—Maybe while you are doing that—and we might get back to it rather than to waste time—

**Senator Wong**—Give him a minute. You have got plenty of time, Senator.

**Senator CORMAN**—No, we do not really.

**Mr Martine**—Yes. I do not know, Senator, whether in the PEFO we actually have the total receipts.

**Senator CORMANN**—It makes it very difficult to compare performance though, doesn't it? Can you please provide that to us on notice?

**Mr Martine**—Yes.

**Senator CORMANN**—What I am keen to get on notice is the equivalent number for receipts as well as payments. I refer to the department's red book. It says:

To maintain the government's fiscal strategy offsets in the order of \$2.4 billion would need to be found over the forward estimates.

Minister, can you outline for us all the commitments and their costs which make up \$2.4 billion in spending.

**Senator Wong**—I think Senator Bernardi went to this. My recollection is that the Prime Minister released those costings and the commitments in the context of the agreement with the Independents being released, Senator.

**Senator CORMANN**—That was \$1.8 billion for the Health and Hospitals Fund. What are the other commitments and their costs?

**Senator Wong**—They are, from memory, attached to the Prime Minister's press release.

**Senator CORMANN**—Can officers at the table help us?

**Mr Tune**—The \$2.4 billion that we have put in our *Incoming Government Brief* was the up to \$1.8 million that the minister mentioned for the Health and Hospitals Fund, the up to \$500 million for the Education Investment Fund and there is a commitment in there to do two referenda. We broadly costed those at about \$50 million each, so about \$100 million gets you to \$2.4 billion.

**Senator CORMANN**—So, given that you need to now find offsetting savings in the order of \$2.4 billion to maintain the government's fiscal strategy, have you identified those savings, Minister?

**Senator Wong**—The government will comply with its fiscal rules including the offsetting of new spendings, Senator.

**Senator CORMANN**—Have you identified those savings yet?

**Senator Wong**—That is part of the process of government—the identification of savings to deliver policies which have been agreed—and the government will go through its normal processes.

**Senator CORMANN**—When will the process of government come to its conclusion as far as identifying \$2.4 billion in savings are concerned?

**Senator Wong**—In terms of the normal processes, you would be aware, there is a MYEFO which the Treasurer has indicated obviously is due prior to the end of the year. Then obviously there is also a budget next year and the government will go through its normal processes in terms of its policies and election commitments consistent with the fiscal rules which, as you know, will deliver a very significant fiscal consolidation.

**Senator CORMANN**—So, \$2.4 billion in additional spending and in offsetting savings will be published in MYEFO?

**Senator Wong**—Senator, you are asking me to give you an indication of decisions and announcements which lie ahead. I have outlined to you the normal process and the government will be following it.

**Senator CORMANN**—Has the government made a decision on how much of the \$2.4 billion will be expended in each year over the forward estimates?

**Senator Wong**—That is the same question, Senator.

**Senator CORMANN**—It is not, really.

**Senator Wong**—You can ask the question. I have outlined to you that the government will consider these and any other policy commitments or policies consistent with its fiscal rules in the normal process of developing the budget.

**Senator CORMANN**—I will take you to page 3.4 of the *Incoming Government Brief*, and I quote your department:

On current policy settings, there will be a long-term structural deterioration in the budget ... Net debt is projected to rise to 20 per cent of GDP by 2049-50 compared with 5.7 per cent of GDP in 2010 11.

Do you agree with that assessment by your—



**Senator Wong**—These reflect some similar advice, as I recall, that was given to Mr Costello when he was Treasurer.

**Senator CORMANN**—Was similar advice given to Mr Costello?

**Senator Wong**—Yes.

**Mr Tune**—Absolutely. Yes. Those numbers were straight out of—

**Senator CORMANN**—So, you have got a template—

**Senator Wong**—Senator, he had not finished.

**Mr Tune**—Those numbers were taken straight out the 2010 *Intergenerational Report*, Senator. That was the third intergenerational report that has been done. The first two were done under the previous government and the numbers may have changed somewhat but they pointed out exactly the same issue: there is long-term fiscal pressure as a result of the ageing of the population in particular.

**Senator CORMANN**—The numbers may have changed somewhat. So what you are saying is there is long-term physical pressure, but the numbers have changed somewhat. Can you just become a bit more specific about how those numbers have changed somewhat?

**Senator Wong**—I am certainly happy for Mr Tune to answer the question but my recollection is—and I was obviously in opposition then—that the former Treasurer commissioned the *Intergenerational report No. 1*. When was that?

**Mr Tune**—2001.

**Senator Wong**—2001.

**Mr Tune**—No. That is not right.

**Senator Wong**—No. That cannot be right. Anyway, when we were in opposition—you were in government—we looked at a range of issues. One of the issues that I can recall being part of the public discussion in that context, and subsequently, has been the effect on Commonwealth outlays of the ageing in the population and increasing demand for health services. That observation has been an issue in discussion, in terms of the federal budget, for some years. I do not know if Mr Tune has anything to add.

**Mr Tune**—No. I think that is correct. As I said, the tenor of what has been said in these intergenerational reports has not really changed.

**Senator CORMANN**—Has the outlook here worsened over the last three years, and how much?

**Mr Tune**—I would have to take that on notice and have a look.

**Senator CORMANN**—I understand about the broader, long-term physical challenge, of course. The question is: to what degree have recent spending decisions of the government either worsened or not helped resolve or address the challenge? Minister, what are you doing to address net debt reaching 20 per cent of GDP—because the current government policy is not fixing it.

**Senator Wong**—Frankly, previous government policy was not going to fix it and probably made it worse too. I think there are three issues here. The first issue is bringing the budget

back to surplus in the time frame we have announced. The second, which obviously is related to that but will also require spending, is the two per cent cap on real growth and expenditure. The third is keeping an eye to the longer pressures on the budget—and I have made some public statements in the brief time that I have been finance minister to date about the importance of trying to keep an eye on those longer term pressures. These are not new issues; these are issues which have been identified at a federal level for some years.

**Senator CORMANN**—Yes. Of course, we did not have any net debt when we lost; we had a surplus, which you do not.

**Senator Wong**—Again, it has been some time since I looked at Treasurer Costello's IGRs, but I think you would find that the dynamics that I have referenced did lead to a significant deterioration in the budget position by mid-century.

**Senator CORMANN**—So what do you consider to be a sustainable level of debt moving forward?

**Senator Wong**—I am of the view that the government made very clear commitments which were sensible and economically responsible to bring the budget back to surplus and to impose a spending cap, and we will deliver on that. I would remind you that your party, despite your protestations today, did in fact put forward election costings which worsened the underlying cash balance—

**Senator CORMANN**—We will go to that.

**Senator Wong**—and added a \$10.6 billion black hole in them.

**Senator CORMANN**—We will go to that in a moment.

**Senator Wong**—You can come in here and proclaim your—

**Senator CORMANN**—I am happy to come and sit there and answer your questions, Minister.

**Senator Wong**—fiscal responsibility but the proof is in the pudding.

**Senator CORMANN**—We will get to that, Minister. We will get to that. In the incoming government brief on page 1.3, one of the strongest and earlier warnings from the department was:

The persistent threat of a double-dip global downturn strengthens the case for rapid fiscal consolidation to build a fiscal buffer in the event of a further negative economic shock.

What data did the department specifically draw upon to come to that conclusion?

**Mr Tune**—That was based on our assessment of where the global economy was heading. It was partly informed by an analysis by the IMF, the OECD and those sorts of organisations. As you know, unemployment in the US has remained stubbornly high, at around the 10 per cent mark, and growth is pretty slow. That has an impact on the world economy. There is also financial instability in Europe, which also has a big impact. So whilst it is not clear cut that that will be the case, what we were trying to highlight there is that there are downside risks. They are similar to the downside risks which I think were identified in the PEFO. We talked about them briefly there as well. Whilst the Australian economy is very strong at the moment, there are downside risks which any reasonable assessment should take account of.

**Senator CORMANN**—But this is not one of your standard inclusions into regular incoming—

**Mr Tune**—No, it just reflects the state of play at the moment.

**Senator CORMANN**—Yes. And, considering the department's advice of the importance of continued fiscal consolidation, I assume you are saying that our economy is at greater risk from a double-dip global economic downturn than from a position of debt and deficit.

**Mr Tune**—No. No. It is not referring to debt and deficit in particular, it is referring to the state of the economy.

**Senator CORMANN**—So what is rapid fiscal consolidation?

**Mr Tune**—It is just saying that if you had a double-dip downturn—a big if—it may, as it did in the first downturn, impact on the terms of trade, which may impact on revenue, which creates fiscal issues. That is all it is saying.

**Senator CORMANN**—Another way of saying that is that we had a strong fiscal position—that is, a strong budget position—when we faced the challenge of the first global economic downturn and if we want to successfully face any double-dip recession we have got to rapidly get our spending and revenue equation back into a balance.

**Mr Tune**—The better off your budget position at the start of such an event, the better off you are going to be. Yes, that is quite true.

**Senator CORMANN**—So, because we were well off at the start of the last one, that helped. We have got to get ourselves into the best possible budget position as quickly as possible in order to face—

**Mr Tune**—And that is what the government is, in effect, saying: that they want to get back to surplus by 2012-13—doing it very rapidly.

**Senator CORMANN**—It is what the government is saying, but the interesting thing, of course, is what the government is doing. Minister, a budget bulletin released recently by Macroeconomics states:

By our reckoning, in two and a half budget runs since coming to office new net discretionary spending, including fixed asset purchases, totals 113 billion, including temporary global financial crisis stimulus spending worth around 70 billion.

Is that figure correct?

**Senator Wong**—I did not understand what you read out. I am sorry, I could not hear some of it and I did not hear the reference. Access Economics, did you say?

**Senator CORMANN**—No, Macroeconomics.

**Senator Wong**—Macroeconomics.

**Senator CORMANN**—Do you know Macroeconomics?

**Senator Wong**—The topic?

**Senator CORMANN**—No, the bulletin.

**Senator Wong**—The topic or the consultancy?

**Senator CORMANN**—The bulletin. The bulletin that is released by the firm Macroeconomics. Essentially, what they are saying is that new net discretionary spending, including fixed asset purchases, totals \$113 billion. That is in 2 ½ budget runs under your government, including temporary global financial crisis stimulus spending worth around \$70 billion. Do you agree with that?

**Senator Wong**—The government's expenditure is shown in great detail in the budget papers and the like. I think what underlies your question is the position the opposition seemed to hold that there was no global financial crisis and that the government did not need to engage in stimulus. There are many people who disagree with you and we can have that very lengthy discussion if you wish. The government's view was that supporting jobs, supporting the economy, was the right decision. We stand by that decision. Equally, we are also engaging in the fastest fiscal consolidation since the 1960s and we will deliver on that as we have committed to do.

**Senator CORMANN**—Minister, you have made a series of assertions there and I guess I cannot leave them uncorrected. We obviously understand that there was a global economic downturn, we just do not agree with the way that you have handled it. It is mostly through wasteful and mismanaged, excessive spending.

**Senator Wong**—That is not true, and if you had had your way we would have had—

**CHAIR**—Order!

**Senator CORMANN**—So—

**CHAIR**—Excuse me. Prior to the start of that exchange, I think the minister was actually answering the question. If you have not finished minister, please proceed.

**Senator Wong**—This is probably a discussion we can have when Treasury is here.

**Senator CORMANN**—Yes, I think we can.

**Senator Wong**—But, as you know, there is a significant amount of data which suggests that, had we followed your advice, we would be seeing much higher levels of unemployment in this country. You may wish to assert that as an indicator of economic responsibility; the government does not share that view.

**Senator CORMANN**—It really goes to this question: are we facing a structural deficit at the moment? You would have read the *AFR* today, Mr Tune?

**Mr Tune**—I have read it, yes.

**Senator CORMANN**—And you would know Mr Stephen Anthony, a former Treasury and Finance official, who is now a director at Macroeconomics?

**Mr Tune**—I have heard of him.

**Senator CORMANN**—You have heard of him. You have never come across him?

**Mr Tune**—I may have but it is not ringing a bell.

**Senator CORMANN**—In any case, he makes a number of very critical observations today about the state of the Commonwealth budget, and I think he said it is in 'quite a mess'. I am enabling you to either correct some of the assertions or have a discussion about them. He

contends that the budget this year is in a massive structural deficit of four per cent of GDP or \$58 billion. Moreover, that structural deficit will remain at about three per cent of GDP for the rest of the forward estimates and the rest of the decade. What is your comment on that?

**Mr Tune**—We do not actually do any calculations on the structural—

**Senator CORMANN**—So I should talk to Treasury about this?

**Mr Tune**—Yes, that would be best.

**Senator CORMANN**—Going to the conservative bias allowance issue, it was reported in the *Australian* on 7 September that the Rudd government booked a \$4.6 billion fiscal improvement in the 2009-10 budget as a result of its own decision to reduce a conservative bias allowance over the following three years. Is this an accurate characterisation of what happened? Can you confirm that the government took a policy decision to adjust the allowance?

**Mr Tune**—Yes, there was an adjustment to the allowance in the conservative bias allowance in the 2009-10 budget. That followed a review of the allowance that was done by us and Treasury, which provided advice to the government that suggested that it was appropriate for there to be a reduction.

**Senator CORMANN**—It was based on advice from Finance and Treasury that it was appropriate that there be a reduction?

**Mr Tune**—Correct.

**Senator CORMANN**—Did you also provide advice on the appropriate level of reduction?

**Mr Tune**—Yes, I think we did.

**Senator CORMANN**—Did the government follow your advice on your recommended reduction?

**Mr Tune**—Yes, it did.

**Senator CORMANN**—But it was also reported in advice to the Independents that was subsequently released publicly:

The officials—

from Treasury and Finance

conceded ... that it was an option for government to prepare their budget papers on the basis of a lower percentage allowance.

“The secretaries accepted that an incoming government might wish to do so as a policy measure.”

Based on this, is it accurate to say that, while the department at times may not necessarily agree with the government decision to adjust the conservative bias allowance, you accept that it is within their right to do so?

**Mr Tune**—That is what the document says, yes.

**Senator CORMANN**—So when the current government made a decision in 2009-10 you did not express any concerns then?

**Mr Tune**—No.

**Senator CORMANN**—But you did express concerns about what the opposition was proposing to do?

**Mr Tune**—We did, on the basis that what we had put into PEFO was our best professional opinion of the appropriate level for the conservative bias allowance, so that was what we had.

**Senator CORMANN**—Based on the performance of this current government?

**Mr Tune**—Our view was that that did not need to be and should not be changed, in fact.

**Senator CORMANN**—Has that review which you conducted in the lead up to the 2009-10 budget ever been publicly released?

**Mr Tune**—I do not think so. I will take it on notice.

**Senator CORMANN**—Could I ask you to consider tabling that document and, if you decide not to table it, to give us a statement of reasons as to why it is not in the public interest

**Mr Tune**—I will take the question on notice.

**Senator CORMANN**—Thank you. I am just anticipating that, if you were of a mind not to release it, I would be asking formally for a statement of reasons as to why it would not be in the public interest. In terms of cost-benefit analysis, I refer the minister to her comments last week during a speech at the Australian Institute of Company Directors. You would remember that speech, Minister:

By its very nature, economic infrastructure, whether privately or publicly funded, is a long term investment; it is putting in place the building blocks for future growth. For this reason it is essential we get it right.

And then I emphasise this:

This is why we established Infrastructure Australia to identify priority areas of investment and to provide rigorous evaluation of investment proposals. We have provided significant funding for crucial nation-building infrastructure, including the National Broadband Network.

Minister, what role did Infrastructure Australia play in identifying the need for a National Broadband Network?

**Senator Wong**—I think those two propositions were sequential.

**Senator CORMANN**—They were sequential, indeed.

**Senator Wong**—I mean separate. I was not asserting that the NBN went through Infrastructure Australia.

**Senator CORMANN**—I am not suggesting that you were asserting it, but what I am saying is that you talk about the need for economic infrastructure, whether privately or publicly funded, because it is a long-term investment to be properly and rigorously evaluated, and you said that you established Infrastructure Australia to do exactly that: to identify priority areas. Given that and given the fact that the National Broadband Network is a significant infrastructure investment, I assume that by your own test you would want it to be evaluated by Infrastructure Australia.

**Senator Wong**—The NBN issue was canvassed to some extent by Senator Bernardi with Mr Tune. Obviously the government undertook a very comprehensive implementation study

and the minister has made it clear we will respond to it. I am not sure what you are seeking to assert here. I note that some statements have been made by your spokesperson which would suggest that, even were the government to do the cost-benefit analysis that you have been calling for, that would not necessarily alter your position of opposition in any event, which seems to be a somewhat odd position: you are champing at the bit and demanding a cost-benefit analysis that you have, by your own words, suggested you are likely to avoid.

**Senator CORMANN**—You are the incoming finance minister. I am celebrating every single word that you have said in your speech at the company directors meeting.

**Senator Wong**—Celebrating?

**Senator CORMANN**—I am trying to understand whether you are going to bring a new era of rigour in evaluation of investment proposals to this government and whether, given your statements—and I am taking your statements—you think it is important to properly evaluate and prioritise investments in economic infrastructure. I am just wondering whether you therefore think that Infrastructure Australia, which you have singled out as playing that role, should play a role in assessing and evaluating the National Broadband Network proposal.

**Senator Wong**—Senator, I think you are drawing a long bow. What I do think, and I think all of us would agree with this—I suspect the policy mechanisms for achieving it might be a point of disagreement, but I think all of us would agree with this—is that investment in long-lived assets, such as infrastructure in particular, should be sensible and value for money, particularly understanding their longer term impact. The government does have a view about the NBN. The government has engaged in a very substantial implementation study which you know about, and Minister Conroy has indicated that we would be responding to it. So I think the NBN will be well and truly canvassed and its merits well and truly discussed in the public debate. We do take the view—and on this we differ from you—that we regard the provision of this new infrastructure as being of significant importance for the nation in the decades ahead.

**Senator CORMANN**—Yes, the NBN is potentially the largest infrastructure project in our nation's history, yet Infrastructure Australia has no role at all in evaluating the project. You really wonder why it was set up. But I refer to page 1.8 of the Finance red book in relation to Infrastructure Australia, where it states:

There would be benefit in expanding and strengthening the established Infrastructure Australia (IA) processes, and in making its assessments public.

Minister, do you agree with this advice?

**Senator Wong**—Look, I am not going to engage in portfolio decision by estimate Q and A, so I want to make that—

**Senator CORMANN**—So you have not yet made a decision whether—

**Senator Wong**—No, hang on. There are a great many things in this incoming government brief which has been released, and I think its release has been of benefit to the public debate around some of the issues that not just the government but the parliament have to grapple with. There are a great many issues raised in here. It is all advice that I have looked at and that the government will consider, but what the government does in relation to that advice is obviously something the government will determine and announce in due course. I am not

going to go through an estimates hearing where every paragraph of the IGB ends up with you demanding to know what I am doing about it now. You can do that, but I will give you a very small answer.

**CHAIR**—Senator Cormann, sorry to interrupt, but I just want to alert you to a situation. As I understand it, we are in program 1.1 of outcome 1. I am happy for it to run on, but at some point in time I think you are going to need to determine where you are in relation to the rest of the program, particularly after dinner. I know there are other senators who have indicated they will have questions on superannuation, on Future Fund management and also on the Australian Electoral Commission.

**Senator CORMANN**—Sorry, Senator and Chair, is there a change to the timetable?

**CHAIR**—No, there is no change to the timetable. I am just getting in early in terms of it because there are other senators who are also—

**Senator Wong**—I do not mind. It is the various agencies for whom it would be useful to know.

**CHAIR**—That is true, and also that there are other senators who have expressed an interest in wanting to come for later progress. Thank you.

**Senator CORMANN**—Mr Tune, where do you think the established Infrastructure Australia processes need to be expanded and strengthened?

**Mr Tune**—I think, and it is alluded to further down in the text, some of the cases that have been brought to Infrastructure Australia by other bodies, in particular, the states, have probably been lacking a little bit; and it would be useful to be able to increase the detail and the rigour of those particular cases so that Infrastructure Australia is then in a better position to make the assessments. That is not true across the board, but there have been instances where that was the case.

**Senator CORMANN**—I am quoting here from the Finance red book, and this is what you were just saying:

There is also a strong case for Finance to play a stronger role in this area through updating its Guidelines on Cost Benefit Analysis and managing cost benefit analyses of major projects across government ...

The biggest project across government at the moment is the NBN. Minister, why wouldn't you, as a first act demonstrating your commitment to fiscal responsibility, ask for Infrastructure Australia to conduct a cost-benefit analysis?

**Senator Wong**—I have already answered that question, and so has Mr Tune, when Senator Bernardi asked it. There is an implementation study that has been done that has been quite comprehensive. The government will respond to that. And Senator Conroy has outlined the process forward.

**Senator CORMANN**—Yes, presumably if the NBN was subject to a conventional cost-benefit analysis, it would probably fail. That is the problem, isn't it?

**Senator Wong**—If you want to ask a great deal of detail on the NBN, it might be better for you to engage with Senator Conroy, if you haven't already.



**Senator CORMANN**—Sure. Now, I am reading further in the red book. It says, ‘continuing levels of Commonwealth infrastructure—

**Senator Wong**—Sorry, which page of the red book?

**Senator CORMANN**—This is in that same area.

**Senator Wong**—Can you just take me to it?

**Senator CORMANN**—Page 1.8.

**Senator Wong**—Thank you.

**Senator CORMANN**—It says:

Continuing levels of Commonwealth infrastructure funding should be contingent on all significant projects being independently assessed, with public reporting of at least the high level results ...

So that is not something that you are going to apply across the board, are you?

**Senator Wong**—Is that a question to me?

**Senator CORMANN**—Yes, it is.

**Senator Wong**—We are back to the portfolio decision by Q&A in estimates again.

**Senator CORMANN**—All right.

**Senator Wong**—This is advice to me. Obviously, the government has taken a view; and, I must say, if Mr Albanese were here, he would give you a very long lecture about how much more rigorous on infrastructure we have been than the coalition previously, primarily in relation to National Party regional infrastructure. But I am not Mr Albanese so I am not going to do that. But this is advice to government. A range of options or a range of suggestions have been made, obviously ensuring value for money and trying to ensure that you have a rigorous process, such as the ones the government has laid out in relation to the infrastructure funds, has merit.

**Senator CORMANN**—Mr Tune, just moving on to the bond rate assumptions, what is the most accurate and credible assumption to use when calculating either interest earnings or savings associated with government investments or borrowings and why?

**Mr Tune**—That is an issue you should raise with the Treasury. They look after the public debt interest calculations.

**Senator CORMANN**—You do not look after this at all?

**Mr Tune**—No, we feed it into the budget numbers, obviously, but they do the calculations of what is called PDI.

**Senator CORMANN**—Okay, that saved us a bit of time. I turn to claimed savings by the government. Minister Wong, on a number of occasions, you have made the point and it was quoted in the *Australian* on 2 October again, that in the past three budgets ‘the government have made savings of \$83.6 billion to meet the costs of key reforms and intend to continue that discipline’. Can you detail these savings for us?

**Senator Wong**—Yes, I will take that on notice.

**Senator CORMANN**—You do not know what those \$83.6 billion savings are?

**Senator Wong**—Do I have in my head the \$83 billion worth of savings over three budgets? I am afraid not. You might be that good.

**Senator CORMANN**—So how many years are they spread over? Are they spread over—

**Senator Wong**—It is the last three budgets.

**Senator CORMANN**—Yes, but is it the last three budgets over four years each time or is it over the last three years? So you are talking about \$83.6 billion dollars, essentially. Is there somebody who can assist us?

**Mr Tune**—Yes, it is over the forward estimates each time—each budget in the forward estimates.

**Senator CORMANN**—So it is each time for—

**Mr Tune**—Moving forward, as you do another budget, you add another year, obviously.

**Senator CORMANN**—So a lot of it is estimated savings, rather than actually realised savings.

**Senator Wong**—Senator, if you want to take that approach, that is precisely the way in which your costings were done too.

**Senator CORMANN**—We are going to go to that.

**Senator Wong**—What is the hit or the save to the forward estimates. It is a normal way of looking at it.

**Senator CORMANN**—So you are going to provide me on notice—

**Senator Wong**—I can give you what occurred in each budget, but you are asking for something more detailed than that, aren't you?

**Senator CORMANN**—Yes, I am.

**Senator Wong**—You want to know the components of each.

**Senator CORMANN**—I would like to know the components, what years they are spread over, what departments were included. Essentially, I want the breakdown, yes.

**Senator Wong**—Yes, I will take that on notice. I can give you some key savings now if you want me to read them out.

**Senator CORMANN**—Okay, give us some key savings, yes. Will they add up to \$83.6 billion, though?

**Senator Wong**—It says over \$80 billion in the list given to me. In the 2008-09 budget, there was \$33.3 billion over four years, including \$7.3 billion in 2008-09, which more than offset measures for that budget. In the 2009-10 budget, there was \$22.6 billion over four years. This immediately followed the Nation Building and Jobs Plan stimulation package in February 2009.

**Senator CORMANN**—And you are going to give us a breakdown of all of that?

**Senator Wong**—Yes. There was \$27.7 billion over four years in the 2010-11 budget.

**Senator CORMANN**—During the campaign you announced 28 savings or revenue measures, 12 of which included savings in this current financial year—programs like the solar hot water initiative, the low emissions technology demonstration fund, removing funding, quarantining for ACT spending, et cetera, et cetera. Can you provide us an update as to whether these measures have already been implemented?

**Senator Wong**—Have already been implemented?

**Senator CORMANN**—Because 12 of the 28 savings measures were supposed to be this financial year.

**Senator Wong**—The normal process is that election commitments are considered by government and given effect as measures either through budget or my MYEFO, and that process—

**Senator CORMANN**—So you have not made these decisions yet?

**Senator Wong**—No, that is not what I said. That process will be followed on this occasion.

**Senator CORMANN**—Mr Tune, have you been asked to implement any of these savings measures yet?

**Mr Tune**—No, we have costed these savings as per the charter of budget honesty.

**Senator CORMANN**—Yes.

**Mr Tune**—And the process that proceeded after the election in the context of briefing the Independents. But that is where it stands at the moment.

**Senator CORMANN**—Are you anticipating any job losses as a result of those savings that were announced during the campaign?

**Senator Wong**—Job losses?

**Senator CORMANN**—Will there be redundancies?

**Senator Wong**—Which savings are you referring to?

**Senator CORMANN**—There is 28 of them.

**Senator Wong**—I know there are. Which savings are you stating there are job losses for?

**Senator CORMANN**—I am asking you across the board.

**Senator Wong**—No, for which savings do you assert there are job losses?

**Senator CORMANN**—I am not asserting anything. I am asking whether you have done any—

**Senator Wong**—Remind me again one of your savings measures.

**Senator CORMANN**—I am just asking you—

**Senator Wong**—Well how many—was it 12,000 public servants?

**Senator CORMANN**—I am asking you whether you have identified that, and whether you can share it with us.

**Senator Wong**—How many public servants were you going to sack?

**Senator CORMANN**—I am asking you a question, and I can understand why you are trying to avoid answering it.

**Senator Wong**—I am just making the point that I think it is interesting to be asked about job losses by a member of a party whose savings measures included the termination of employment or a loss of public service numbers of quite a substantial amount. But anyway, I suppose that is ironic.

**Senator CORMANN**—So in your \$83.6 billion in savings, I am just thinking through it, that included both revenue and spending cuts, didn't it?

**Mr Tune**—Yes, I think it is both revenue measures and expense measures.

**Senator CORMANN**—For you, a saving is if you actually increase your revenue?

**Mr Tune**—It is a policy change to change revenue. It is not a parameter variation. It is a measure.

**Senator CORMANN**—Sure, but it is an increase in revenue rather than a spending cut.

**Mr Tune**—That is true, but it is a measure.

**Senator CORMANN**—Sure, I grant you that. It is a measure, and you might describe it as a savings measure, but I am now talking about the way the average Australian would understand it. This \$83.6 billion in savings includes both spending cuts as well as increases in revenue.

**Mr Tune**—I will double-check that, but I think that is the case. We will take it on notice.

**Senator Wong**—My recollection is it was described as reprioritisation of existing expenditure, Senator. I am not sure there are revenue measures. But, as I said to you, I have taken on notice—

**Senator CORMANN**—Can you please have a look at this—

**Senator Wong**—Senator, let me finish. I have taken on notice to come back to you with the details of the \$83.6 billion, and I will do so.

**Senator CORMANN**—I think Mr Tune started off by saying that, yes, it does, so—

**Mr Tune**—I am just checking, Senator. I will have to take it on notice. I will have to confirm on notice.

**Senator CORMANN**—But you think it does?

**Mr Tune**—I thought it did, but I cannot find evidence in this piece of paper here.

**Senator CORMANN**—I am just going to quickly go to the nation-building funds, conscious that—

**CHAIR**—Just before you do, I can indicate, Minister and officers, that we will not require the officers for ComSuper. I am advised that Senator Xenophon will put his questions on notice. There are no other senators wishing to ask questions, so ComSuper may be excused.

**Mr Tune**—Excuse me, Chair. The questions that Senator Xenophon is going to ask—do you know what they related to?

**CHAIR**—I understand that they may relate to issues that he has raised in the past, but do not ask me what they are because I—

**Senator Wong**—I was not here then.

**Mr Tune**—The one that he raised at the last estimates was known as the Cornwall case, which is a compensation situation. He was asking about ABC employees in the past. It may be an update on that, which we can take on notice.

**Senator Wong**—So no ComSuper, but the Future Fund, yes?

**CHAIR**—Future Fund, yes. It is proposed that they be brought on at 6 pm and finish by the dinner break at 6.30, because I understand they have to catch planes back to Melbourne. Is that right?

**Senator BERNARDI**—Yes, that is correct, Chair, but one condition that we would like is that we may need to return to this outcome after dinner with the department.

**CHAIR**—Yes, that is understood. We are interrupting normal progress to deal with that. So, ComSuper, thank you very much for your attendance, and we will keep going. Senator Cormann.

**Senator CORMANN**—Yes, thank you. I am just still intrigued about the \$83.6 billion. The \$300 million special dividend from Medibank, is that a saving or is that—

**Mr Tune**—That is a receipt.

**Senator CORMANN**—How do you qualify that? How would that be categorised? Would that be part of the—

**Mr Tune**—That is an offset to spending.

**Senator CORMANN**—So that is a saving.

**Mr Tune**—Yes.

**Senator CORMANN**—Even though some people would say it is an increase in revenue for the government, you understand that.

**Mr Tune**—Yes, I understand.

**Senator CORMANN**—Indexation of passport fees: is that a saving or is that—

**Mr Tune**—Yes.

**Senator CORMANN**—It is. So that would be part of the 83.6—

**Senator Wong**—No, hang on. You are mixing—

**Mr Tune**—The \$83.6 billion refers to budgets.

**Senator CORMANN**—Okay.

**Senator Wong**—Sorry. Senator, let us be clear, the \$83.6 billion is the budgets. I think the two things you have referenced were election policies.

**Senator CORMANN**—So these are part of your 28 measures that you have announced during the campaign, so part of your savings is the \$300 million special dividend from Medibank, yes. So that is right.

**Senator Wong**—Yes.

**Senator CORMANN**—And you think the indexation of passports is a saving, even though some people would look at it as increasing revenue for the government?

**Senator Wong**—Well, Senator—

**Mr Martine**—Senator, can I just point that, in the budget papers and examples probably on page 3-7, we categorise all policy decisions as either spends or saves. Everything has to fall into one of those two categories. If it is obviously a spending decision, that falls into the spending line, and effectively everything else falls into the saving line. A reduction in spending, an increase in non-tax revenue like a passport fee or a special dividend from Medibank Private would be in the saves line.

**Senator CORMANN**—Yes.

**Mr Tune**—And it has always been thus.

**Senator CORMANN**—Yes, understood, but—

**Senator Wong**—It was under you as well, Senator.

**Senator CORMANN**—Okay. You have made a claim of \$83.6 billion of savings over three budgets. I just want to clarify that that \$83.6 billion in savings in government language, in effect, is a combination of increased revenue for the government as well as spending cuts.

**Senator Wong**—In relation to the \$83.6 million, in the previous budgets, under the last government, I have taken on notice the content of that. I do not want to traverse it again, Senator. I have taken that on notice. If you are asking about during the election, in relation to the election commitments, we have answered some questions about that. What was your third point?

**Mr Tune**—I was going to take on notice what—

**Senator Wong**—That is right.

**Senator CORMANN**—I understand why you are taking it on notice. But we have now come to the point where all of you have said it has always been thus, that both revenue increases as a result of, what, policy change, as well as spending cuts as a result of policy change, are both qualified as savings measures. That is a generic question.

**Mr Tune**—No, that is just accepted budget practice.

**Senator CORMANN**—So that is accepted budget practice.

**Mr Tune**—Ever since I have been doing budgets, which is a long, long time, Senator, that has been the way it operates.

**Senator CORMANN**—Indeed, and I am not criticising you for it; I am just observing the facts. What I want to know is whether that \$83.6 billion of savings is consistent with the government's language or whether that is consistent with the way the public would understand what a saving is.

**Mr Tune**—I cannot comment on what the public might think a saving might be, Senator.

**Senator Wong**—Senator, can I just—

**Senator CORMANN**—Yes. Let me rephrase.

**Senator Wong**—No, if I could respond to—

*Senator Cormann interjecting—*

**CHAIR**—Order, Senator Cormann! Minister.

**Senator Wong**—Senator, if you have concerns about revenue measures being included as part of savings, you should probably talk to Mr Robb and Mr Hockey, because not only did they get their figures wrong but they also included revenue measures in things that were described as your savings. So what is—

*Senator Cormann interjecting—*

**Senator Wong**—No, I have not finished. What is good for the goose et cetera, Senator. You cannot make that criticism when, on your side of politics, not only did you have a worse position in terms of the underlying cash balance and a \$10.6 billion black hole in your savings but you included—

**Senator CORMANN**—I do not accept that assertion.

**Senator Wong**—I am sorry, Senator, but I think a lot of people have. You also included revenue measures in your so-called savings table.

**Senator CORMANN**—Can I please get a breakdown on notice then, just to clarify what I am looking for, of how much out of the \$83.6 billion in savings is made up of revenue increases and how much of it is made up on spending cuts, and a proper breakdown of what those revenue increases and spending cuts are, so we can properly scrutinise it.

**Senator Wong**—We will do that. And why don't we do the same for the opposition's election policies too!

**Senator CORMANN**—Minister, you are the government. You made some assertions about your performance over the last three years, and we will ask questions of your performance; and when we are the government you can ask us questions about our performance.

**Senator Wong**—Yes, I am unsurprised, Senator, that you do not wish to discuss the costings from the election.

**Senator CORMANN**—I am very happy to sit there if you want to come and sit here for a couple of hours.

**Senator Wong**—As I said, I am unsurprised you do not wish to discuss the opposition policy. It is quite embarrassing, I know, for the coalition.

**Senator CORMANN**—The way the system works is that the opposition scrutinises the government.

**Senator FIERRAVANTI-WELLS**—Yes, yes, but you cannot—

**Senator CORMANN**—Mr Tune, can you just assist me perhaps—

**CHAIR**—It is bad enough trying to listen to two, but trying to listen to three or four at the same time—

**Senator CORMANN**—Can you explain to me what features of the nation-building funds make them different from a normal government program?

**Mr Tune**—I can give you a generic sort of description, if that is what you are after?

**Senator CORMANN**—Yes, please.

**Mr Tune**—What happened with the nation-building funds was that the government allocated moneys to those funds and set them up in legislation so they are dedicated to particular purposes. The BAF, for example, the Building Australia Fund, has a set of objectives and purposes to which money can be taken out of the fund to spend on particular sorts of infrastructure. They have governance structures around them, each one. As we were talking about, there is Infrastructure Australia in relation to the BAF. There are boards in relation to the Education Investment Fund and also the Health and Hospitals Fund. Those boards make recommendations to government, which then makes decisions. Money is then drawn down from those statutory funds over a period of time to fund those particular projects. Meanwhile, the money that sits inside the funds is invested with the Future Fund—we use the Future Fund as our investment vehicle—and that money is then invested, generally in the short to medium term, and that earns a bit of interest for the funds as well, as you move forward.

**Senator CORMANN**—So there was an upfront capital investment, which then was drawn down following certain processes with separate—

**Mr Tune**—Governance arrangements and the government positions around that.

**Senator CORMANN**—So the Regional Infrastructure Fund is different, isn't it?

**Mr Tune**—No, that is not part of it. No. They are three I have mentioned.

**Senator CORMANN**—Can you explain to me, then, how the structure of the Regional Infrastructure Fund will be different from the structure—

**Mr Tune**—The Regional Infrastructure Fund, as I understand it, will be drawn down from government general revenue to a spend. I should say, any spending that comes out of the funds—the funds with a capital F: the BAF or the HEEF or the EIF—is also a spend—

**Senator CORMANN**—I guess another difference is that there is not going to be an upfront capital injection. It is essentially over 10 years. The \$6 billion is going to be provided over 10 years, isn't it?

**Mr Tune**—I think that is right, yes.

**Mr Martine**—Yes, Senator. It starts in 2012-13.

**Senator CORMANN**—And is over 10 years?

**Mr Martine**—Yes.

**Senator CORMANN**—Is there a separate governance structure proposed for the Regional Infrastructure Fund?

**Mr Tune**—I am not aware of that. It is probably best to ask the infrastructure department.

**Mr Martine**—Yes. Or the regional affairs department, maybe.



**Mr Tune**—No, I think it is the infrastructure department.

**Senator CORMANN**—And there is not going to be any funding from the Regional Infrastructure Fund that is going to be invested with the Future Fund?

**Mr Tune**—No.

**Senator CORMANN**—So, in a sense, the Regional Infrastructure Fund is much more like a government program, and it is not set up like these other three nation-building funds.

**Mr Tune**—Yes. That is correct, yes.

**Senator CORMANN**—When these three nation-building funds were created, the total sums of each fund did not reduce the underlying cash balance over the forward estimates, did it?

**Mr Tune**—No, it did not. No. It was an asset—investment and asset.

**Senator CORMANN**—So, in other words, money attributed to each fund was an expense before the money had been allocated to particular projects.

**Mr Tune**—Sorry, I missed that.

**Senator CORMANN**—The money that was attributed to each fund was not an expended before the money was actually attributed to specific projects. I see somebody nodding.

**Mr Martine**—That is correct.

**Mr Tune**—Yes, that is right.

**Senator CORMANN**—How much has been expended from the Building Australia Fund, the Hospital Fund and the Cash Investment fund since the 2008-09 budget to 2013-14?

**Mr Tune**—I might get Dr Helgeby, who looks after it. I am sure Mr Greenslade at the end there could go through the detail of it.

**Dr Helgeby**—I can give you the uncommitted balances at the present time for each of the funds. They are \$1 billion for the Building Australia Fund, \$2.8 billion for the EIF and \$2.1 billion for the Health Fund.

**Senator CORMANN**—Sorry, say that again?

**Dr Helgeby**—That was \$2.1 billion dollars for the Health and Hospitals Fund.

**Senator CORMANN**—Has been actually allocated?

**Dr Helgeby**—It is uncommitted. That is the uncommitted from the total of \$22.4 billion.

**Senator CORMANN**—Can you please outline how much you have expended?

**Senator Wong**—Expended or committed?

**Senator CORMANN**—As I understand it, you are treating it as expended as soon as the money has been allocated to particular projects. So I suspect you would know now how much you have expended up to 2013-14. I saw you nod, so that is right, isn't it?

**Dr Helgeby**—Yes. As at 30 June, \$3.5 billion has been paid from the nation-building funds, \$1.7 billion from the Building Australia Fund, \$1.3 billion from the Education Investment Fund and half a billion from the Health and Hospitals Fund.

**Senator CORMANN**—So that has been factored into the budget bottom line over these years?

**Dr Helgeby**—Yes.

**Mr Tune**—There is more than that factored into it.

**Dr Helgeby**—In the spend to date.

**Mr Tune**—Those figures are just what has actually been spent. What has been allocated is different—it is a much larger number.

**Senator CORMANN**—But it is impacting your underlying cash balance over the forward estimates, though.

**Mr Tune**—What is being committed, in effect, has gone into the budget bottom line.

**Senator CORMANN**—So has there been—

**Mr Tune**—They are estimates, admittedly, but they go into the budget bottom line as being commitments.

**Senator CORMANN**—Is there something beyond that? What has been committed is essentially that of when you have got a specific project and you have signed a contract.

**Mr Tune**—Yes. As government has made decisions on allocations of funds to projects under the three funds, it has gone into the budget numbers. Often that spreads over a number of years. It does not all occur in one hit, which might be reflected in milestone payments that you pay over a period of time. As you would appreciate, it takes a while to put together some of these projects, but they are all factored into the budget bottom line at that point in time.

**Senator CORMANN**—You mentioned before, I think, the answer to a question that I had not asked, really. Are the figures that I saw on the finance website in relation to these funds the uncommitted balances of \$895 million, \$2.7 billion and \$2.06 billion, respectively, for the BAF, the EIF and the HHF. Is that broadly right?

**Dr Helgeby**—Broadly right. I think that—

**Senator CORMANN**—Apart from a couple of dollars here or there. But these figures now include net investment earnings as well, do they?

**Dr Helgeby**—The uncommitted balance includes the earnings to date.

**Senator CORMANN**—And obviously these moneys have not been expended on the forward estimates. If they were to be expended on things like the \$1.8 billion new round of Health and Hospital Fund projects, would that increase the budget deficit or decrease the underlying budget surplus?

**Mr Martine**—That is correct.

**Senator CORMANN**—Where can we find money from the investment funds included in the Australian government sector balance sheet?

**Dr Helgeby**—Senator, I think you will find most of the funds accounted for in investments, loans and placements.

**Senator CORMANN**—Sorry?

**Mr Martine**—Senator, the funds are at page 15 on the general government sector balance sheet. As Dr Helgeby mentioned, the investment loans and placements line would pick up the large bulk of the balance of uncommitted funding in the nation-building funds.

**Senator CORMANN**—Sorry, which figure am I—

**Mr Martine**—It is just under investments, loans and placements.

**Senator CORMANN**—So the \$101 billion essentially includes the balances of these various funds, does it?

**Dr Helgeby**—Yes. In fact, a better reference might be the finance PBS. On page 53 of that there is a table, 3.1.2.1, and two subsequent tables that provide opening balances, earnings and expenses for the BAF, the EIF and the Health and Hospitals funds, respectively.

**Senator CORMANN**—But the drawing down of each fund then increases the net debt position of the Commonwealth. I think we have already established that.

**Mr Tune**—Sorry?

**Senator CORMANN**—So the drawing down of each fund increases the net debt position of the Commonwealth.

**Mr Tune**—It impacts on the budget bottom line.

**Senator CORMANN**—If the fund is drawn down—

**Mr Martine**—Yes, it increases—

**Mr Tune**—Yes.

**Mr Martine**—When you spend from the fund, it hits your budget bottom line, and then, by definition, your net debt is affected as well.

**Senator CORMANN**—If you spend down it increases.

**Mr Tune**—Yes. That is right. You have run down an asset.

**Senator CORMANN**—Yes. I find it very hard to understand the naming of the Regional Infrastructure Fund. By naming it as a fund, given that we have got the Health and Hospital Fund and the Education Investment Fund and the Building Australia Fund, it really creates the impression that it is another fund in that same vein, but it is not. It is a bit misleading, isn't it?

**Mr Tune**—I would not say it is misleading. It is just a way of describing it. There are two sorts of funds. In my mind, I use the capital F, like in Future Fund or Building Australia Fund, and then there are other sorts of funds which have been around a while.

**Senator CORMANN**—My sense is that the government wants to create the impression that the mining tax would feed into a capital F fund like the Future Fund and other funds but in fact it is just really a vehicle to get a very small proportion of the mining tax revenue to go through and be expended straightaway.

**Mr Tune**—I think what the government has been saying is that the revenue from the tax enables it to have the wherewithal to be able to afford some of these things.

**Senator Wong**—Senator, I am sure that if you said to us you would be supportive of the mining tax if we instituted that kind of governance arrangement for the fund—

**Senator CORMANN**—It is a very bad deal.

**Senator Wong**—that is something that the government will be quite happy to listen to your ideas on.

**Senator CORMANN**—It is a very bad deal. You talk about a \$6 billion fund which is essentially over 10 years, so about \$600 million a year, yet you want to hit one of the most important industries of Australia to the tune of six to ten billion dollars a year. I think that it is a very, very bad deal.

**Senator Wong**—We know what your views are on that, Senator. Do you want to have the discussion about that today or shall we have a discussion tomorrow in Treasury about that policy?

**Senator CORMANN**—We will have a discussion over a very long time, Minister. The government made a number of Regional Infrastructure Fund related spending commitments during the campaign. Have they been accounted for in spending—

**Mr Tune**—Yes, they have. All announcements have been included.

**Senator CORMANN**—In terms of the current budget position, all of these spending commitments that were made related to the Regional Infrastructure Fund are accounted for?

**Mr Tune**—Yes, they are.

**Senator CORMANN**—I might leave it at that and pass on to my colleague.

**CHAIR**—Senator Fierravanti-Wells.

**Senator FIERRAVANTI-WELLS**—Can I just follow up on some questions. Last time in relation to social policy, Mr Tune, we were discussing the National Funding Authority, which was one of the authorities that was part of the health reform package. We were in discussion on 26 May. It was quite spectacularly dumped shortly thereafter. On 26 May, when you and Mr de Carvalho gave evidence about it, were you aware that the authority was about to be dumped?

**Mr de Carvalho**—No, I was not aware at that stage.

**Senator FIERRAVANTI-WELLS**—Mr Tune, was anyone else in your department aware of this? Were you aware of it?

**Mr Tune**—No, I was not.

**Senator FIERRAVANTI-WELLS**—When did Finance first become aware that the authority was to be dumped?

**Mr de Carvalho**—It would have been shortly after that. I would have been in conversation with colleagues in other agencies who advised me that there were some subsequent conversations with the states following COAG that may have led to a new arrangement.

**Senator FIERRAVANTI-WELLS**—We know that yesterday in evidence given to PM&C Mr Rimmer informed that the Prime Minister had made the decision. Mr de Carvalho, could you please take on notice: when Finance was first informed, who informed Finance and whether it was, as I would assume, the Prime Minister's office or the Prime Minister's department. Could you provide details in relation to that and whether at that time, once you

became aware of the decision, Finance was actually consulted on the consequences of the dumping of that authority.

**Mr de Carvalho**—I am happy to take those on notice.

**Senator FIERRAVANTI-WELLS**—Mr Tune, what I am concerned about is that the National Funding Authority was billed and certainly that the ambit of the discussion—without traversing the evidence that was given on the last occasion—was that the Funding Authority was supposed to be an important component of the health reform. I am very conscious that Finance was not consulted in relation to its dumping and the reasons for that. When Finance became aware of that decision, did you raise any concerns or issues in relation to it? Are you aware?

**Mr Tune**—I understand the concern, and we will check the timelines and let you know. We will take it on notice.

**Senator FIERRAVANTI-WELLS**—We were informed of that decision through the COAG health reform process. That information came through an answer to a question on notice from PM&C on 16 June. The reason I ask is that there is not much time between 26 May and 16 June, when that occurred. Thank you.

It is clear from the answers that you have given, specifically 13(a) to (f), that there were merely contributions made to various activities. On the last occasion, we discussed calculations in relation to those 1,316 beds and the \$800 million. I will not go over that evidence. It does not actually reflect, if I understand those answers correctly, that you took into account the actual cost of acute beds in the various states. You have just simply made a contribution to the states. Is that correct?

**Mr de Carvalho**—That is correct. It is answer (c).

**Senator FIERRAVANTI-WELLS**—Yes.

**Mr de Carvalho**—It says:

The amounts represented a Commonwealth contribution to increasing sub-acute activities that were to be negotiated at COAG and the calculation does not have a specific component for variations between .....

**Senator FIERRAVANTI-WELLS**—It follows then that it is really a discretion for the states as to how they use those moneys in relation to the subacute services. They are specified for subacute services, but based on that it is a contribution. So it is really a matter, I would assume, for the states as to what flexibility they have in relation to usage of those funds.

**Senator Wong**—Senator, much of this really falls within a different portfolio's responsibility, I think. I do not know. Mr de Carvalho, did I get it right?

**Mr de Carvalho**—Very good, Senator.

**Senator Wong**—If you are going to go into significant detail here this might be better dealt with in a different committee.

**Senator FIERRAVANTI-WELLS**—Perhaps I can ask this question: as far as Finance is concerned, who determined, and what criteria were used to determine, what each state received as part of those various packages?

**Mr de Carvalho**—That was part of the COAG negotiations.

**Senator FIERRAVANTI-WELLS**—Notwithstanding the evidence that was given on the last occasion, it is within the purview of Health and Ageing. I do not want to go to Health and Ageing, Mr Tune, and then have them say, ‘No, this is a matter for Finance.’

**Mr Tune**—No, it was definitely not a mainstream matter for Finance.

**Senator FIERRAVANTI-WELLS**—I am covering my bases here, Minister, because I have—

**Senator Wong**—It is all right. I actually have some sympathy for that. It may be, if it is COAG, that Health could also. I do not know to what extent PM&C might be—

**Senator FIERRAVANTI-WELLS**—We have traversed this, Minister. I am not going to there. I am conscious of the time also. In relation to question 14—same concept in relation to the criteria. I notice that it is partly building, and the rest of the cost of implementing the measure I assume is for the bureaucratic support for those measures. How did you come to the \$1.4 million and how did you come to the \$1.9 million that are referred to there? Did Finance have a role in relation to that \$1.4 and that \$1.9 million?

**Mr de Carvalho**—My memory is unclear. Departmental costs of this nature are normally very much within our purview, so my expectation is that we would have applied a standard formula for the application.

**Senator FIERRAVANTI-WELLS**—Could you take that on notice and tell me how you came to the \$1.4 and \$1.9. Also—this is a lovely phraseology—‘facilitation and rewards payments’. It is a bit novel. I have not seen that.

**Mr Tune**—I can explain that. I may have had a role in inventing those terms, actually, in a previous life.

**Senator FIERRAVANTI-WELLS**—You could copyright that, Mr Tune

**Mr Tune**—They are written into the COAG agreements. They are a standard definition. A facilitation payment is basically an upfront payment that is provided to the states and territories to implement—

**Senator FIERRAVANTI-WELLS**—To get the states off their backsides to do the work.

**Mr Tune**—To get them up and running.

**Senator FIERRAVANTI-WELLS**—Right.

**Mr Tune**—A reward payment is a payment that is paid on the basis of milestones achieved, so it is a second post. There is an assessment done by the COAG Reform Council, an independent council which provides advice to the government about how successful the achievement of milestones has been. The government then makes a decision on whether it allocates the reward—

**Senator FIERRAVANTI-WELLS**—And Finance monitors those?

**Mr Tune**—We would monitor some, but not all. But, certainly, when it comes to the point at which governments are to make decisions based on the monitoring by the COAG Reform Council we would have a view.

**Senator FIERRAVANTI-WELLS**—Could you take on notice, just by way of background, the process of the monitoring, if you do not mind.

**Mr Tune**—We can do that. The monitoring is larger than what PM&C—

**Senator FIERRAVANTI-WELLS**—Can I take you in the time available to the red book. In relation to page 1.4, you refer to ageing under the title of Fiscal Challenges Ahead. Of course, the issue of ageing is something that is always referred to by this government, and by this Prime Minister and the previous Prime Minister, in rather challenging terms rather than positive. You refer there to addressing the specific pressures associated with ageing. You then go on to say there it requires a re-evaluation of who pays for health and aged care services and whether more of the burden should fall on the comfortably off in the community and their inheritors. Could you tell me what you mean by ‘comfortably off’?

**Mr Tune**—Those who are on a higher income and asset base.

**Senator FIERRAVANTI-WELLS**—Obviously there has been a fair bit of work done on this already. Could you tell me what the cut-off level is of comfortably off?

**Mr Tune**—No, we do not have a level in mind. It depends on the circumstances. This is a general statement about whether you should apply that. Obviously, if the government was inclined to do something, it would choose an appropriate level.

**Senator FIERRAVANTI-WELLS**—You have just put that in as a descriptor. Have you done any work in relation to who you perceive to be comfortably off for the purposes of—

**Mr Tune**—No, we have not.

**Senator FIERRAVANTI-WELLS**—clearly here opening up the whole issue of who pays for health and aged care services?

**Mr Tune**—I do not think we have opened it up. I think it has been a question for a long, long time.

**Senator FIERRAVANTI-WELLS**—But you are opening up the potential cuts. I will not traverse word for word there, but it is very clear that you are softening up the situation for cutting health services and aged care services.

**Mr Tune**—No, I do not think that is softening things up for anybody actually. This is a piece of advice from the Department of Finance to the government. It is obviously for the government to decide what it wants to do. We are saying, as a general position, that the ageing of the population creates challenges for fiscal sustainability. That is not new. That has been said many, many times by the previous government and this government over the last decade or more. So that is not a revelation. We are saying to address that. It does not necessarily have to be now, but over time if you think medium to long term about your fiscal policy you need to address that. And one of the options that is available is to change the mix of public and private funding around some of these issues. That is really what we are saying. We are not going any further than that. We are not suggesting specific policy options. It is an issue for government.

**Senator FIERRAVANTI-WELLS**—And that is the same thing with tightening eligibility for the pension?

**Mr Tune**—Correct.

**Senator FIERRAVANTI-WELLS**—Increasing the superannuation preservation age?

**Mr Tune**—Yes.

**Senator FIERRAVANTI-WELLS**—And then you say that a substantial program of structural and other savings will be required. You then go on to say you have listed possible saving options for your early consideration and then you say, ‘It would be desirable to initiate action on some of these as soon as possible.’ One would assume from the wording that you have used that you have done, at least, some modelling.

**Mr Tune**—No.

**Senator FIERRAVANTI-WELLS**—Or, at least, you have in mind some list of options.

**Mr Tune**—We have thought about some options, yes.

**Senator FIERRAVANTI-WELLS**—It is very clear from the amount that you have blacked out that there is quite a list there of savings options. Of course, I can ask you for them, but you are not prepared to tell me what they are. But you have obviously given it considerable thought.

**Mr Tune**—We gave it some thought. Yes, that is true.

**Senator FIERRAVANTI-WELLS**—You have obviously done some work on it, because you are recommending, or at least you are suggesting or you are flagging with your new minister, that it would be desirable to initiate action on some of these as soon as possible. For it to be under consideration as soon as possible presupposes that you must have done quite a bit of work

**Mr Tune**—It depends what you mean by ‘as soon as possible’.

**Senator FIERRAVANTI-WELLS**—Mr Tune, let us not play with words. You have obviously—

**Mr Tune**—If you were going to do things in this area, our view would be that they would need to be done over a longish time frame. You just do not plonk yourself in these areas. So if you are wanting to start addressing the medium- and long-term fiscal imbalances it is desirable that you start looking at these things over the next few years. I guess that is what we are trying to say here. The longer you leave looking at some of these options and starting to address some of these things, the bigger the problem becomes because of the ageing of the population, which is incessant. You cannot stop it. It is happening. You can try and counteract it through increased birth rates and so forth or through increased migration. The latter is more immediate in its impact, but still it does not actually overcome it. So there is a structural issue here that over time IGR, inter-government generational reports, have highlighted for consecutive governments.

**Senator FIERRAVANTI-WELLS**—Mr Tune, my concern is in the context of comments which were reported in the press in late July, leaks at the time when lots of things were leaking, and comments by the now Prime Minister arguing in cabinet that the big rise in the pension was excessive because ‘old people never vote for us.’

**Mr Tune**—I cannot comment on that.



**Senator Wong**—I am going to comment. I am going to respond.

**Senator FIERRAVANTI-WELLS**—I am putting this question to the minister. Because in the context of those sort of sentiments emanating from the now Prime Minister, this sort of stuff sitting in the red book makes me wonder about what is in store for older Australians as soon as possible or in the relatively near future. I am giving you the opportunity to tell us. Have you got something in mind or is this just words?

**Senator Wong**—Have you finished?

**Senator FIERRAVANTI-WELLS**—Yes, I have.

**Senator Wong**—Thank you. Well, Senator, I have a number of things I would like to respond to. The first is: you reference some media reports in the campaign. The Prime Minister responded comprehensively to those issues. I also would remind you that this government, in its previous term, has delivered one of the largest, if not the largest, increases in pension, certainly in decades.

**Senator FIERRAVANTI-WELLS**—Yes, we will not traverse—

**CHAIR**—Order, Senators. The minister has the call.

**Senator Wong**—I listened quite patiently to quite a long diatribe from you, Senator. And I think the fact that the government has delivered and funded that increase in the pension demonstrates our understanding of the concern of the situation for older Australians. But I will make a broader point, Senator, about the way in which you are approaching this questioning. These are difficult issues and the issue around the longer term position of the federal budget is something that Treasurer Costello raised and that has consistently been advised to you when in government and to us. Part of the difficulty in addressing the issue is that the debate becomes, as you have just made it, an attempt to run a political scare campaign on very little evidence.

I hope that there would come a time when we could actually have a discussion in this country about the longer term equity issues, the importance of ensuring that not only we, but our children and our grandchildren, have good health services, a good age pension and good social security measures that are sustainable. That could only happen if we had a different way of discussing this and a little bit more, if I may say—

**Senator FIERRAVANTI-WELLS**—Chair, can I just say, I have got until 6 o'clock.

**Senator Wong**—And I have been very quiet, Senator. I have been very quiet for most of the time.

**Senator FIERRAVANTI-WELLS**—I would just like the opportunity to ask questions.

**CHAIR**—Well, certainly, Senator. You have the opportunity, but it was not a question. You actually made a rather lengthy comment and the minister, I believe, is entitled to respond to that. We have 10 minutes to go until we will call the Future Fund, but if we need to return after dinner time we can.

**Senator Wong**—The government's commitment to older Australians is demonstrated by our record, which includes a very substantial increase in the pension. I simply say, Senator, if

you are serious about some of these issues of fiscal finance sustainability that you raise you would take a more constructive approach to the political discussions.

**Senator FIERRAVANTI-WELLS**—But, Minister, I am questioning on the wording at page 1.4 of your red book. That is what is written here. I am just asking questions in relation to what is written in the red book. I am not making the words up. They are there written.

**Senator Wong**—Yes, they are, Senator.

**Senator FIERRAVANTI-WELLS**—And perhaps in the dinner break you might take some time to refresh your memory on them.

**Senator Wong**—I have read the entire brief.

**Senator FIERRAVANTI-WELLS**—Good. I am pleased to hear that.

**Senator Wong**—I was making the comment about the way—

**Senator FIERRAVANTI-WELLS**—You might want to go and read it again.

**Senator Wong**—Yes, so might you, Senator. It might mean that you might actually have a more sensible policy debate in this area.

**CHAIR**—Order. Excuse me. We are not progressing anywhere. Can we return to questions, please?

**Senator FIERRAVANTI-WELLS**—I am just going off to another area. Mr Tune, can you just clarify for me the access to the red book? I understand that the FOI requests were made during that 17-day period before the government was formed.

**Mr Tune**—Yes.

**Senator FIERRAVANTI-WELLS**—Normally access to the red books—as I understand it, they go to cabinet and, as such, they have a different protection afforded to them when the government is informed immediately, and there was some speculation in the press. Could you just clarify that point for me, please?

**Mr Tune**—I will run through what happened in our case, but every department, I think, was probably different. We had three FOI requests from journalists for our incoming government brief for the party that formed government. As you know, we do two books—

**Senator FIERRAVANTI-WELLS**—Yes.

**Mr Tune**—and only one of them is provided to the party that forms government. The first one of those requests was on 23 August, which was the Monday after the election, from Michael McKinnon, from Channel 7. The second one was from Sean Parnell, from the *Australian*, on 15 September. The third one was from Shane Wright, from the *West Australian* newspaper, on 18 September. So we received those three requests. We were in the process of processing them and, as I explained to Senator Cormann, I think, earlier on, we came to the view that rather than just respond to these three requests it was preferable to still treat them as FOI requests but to release it ourselves to the general public. So we put out a press release on 1 October, which provided that.

**Senator FIERRAVANTI-WELLS**—So those comments that were in the press in relation to had the government been formed—I think you know that various press reports—

**Mr Tune**—I am struggling a bit to remember that.

**Senator FIERRAVANTI-WELLS**—In other words, it just happened to be the particular circumstances—what I want clarified is that it just happened to be the particular circumstances of where we were with the 17-day delay in relation to the government being formed.

**Mr Tune**—Yes.

**Senator FIERRAVANTI-WELLS**—That enabled access to them this time, but normally there is no access to them. There has not been access to them in the past.

**Mr Tune**—Definitely not from Finance, no.

**Senator FIERRAVANTI-WELLS**—Thank you. Can I just go on in relation to the red book, at page 3.6. On that page, under ‘Aged Care’, it talks about a significant long-term fiscal risk to the budget. Have you undertaken a risk analysis in relation to those costs?

**Mr Tune**—Yes. The most recent assessment was done in the *Intergenerational report of 2010*, which breaks it down by components of spending, of which aged care was one. I do not have the IGR with me at the moment, but aged care is one of those pressure points.

**Mr Martine**—If I can just add to Mr Tune’s answer, on page 1.5 of the incoming government brief there is a chart in box No. 1 that shows the change in some of the components of the budget over the long term.

**Senator FIERRAVANTI-WELLS**—Yes, okay.

**Mr Tune**—That is coming from the last *Intergenerational report*.

**Senator FIERRAVANTI-WELLS**—Okay. You talk about users of aged-care services and a fair contribution in relation to their accommodation. Now, I gather that is in parlance foreshadowing the option of bonds across all areas of aged care or some sort of accommodation contribution. Is that what you are flagging there?

**Mr Tune**—It is the same point I made earlier. That is a general point about the capacity to pay. As to the detail, that is obviously for the government to make decisions about whether it wants to take that up and, if it does, in which form it takes it up.

**Senator Wong**—Senator, given the way in which you are asking the question, I think it is again worth emphasising that this is advice that Finance has included in its incoming government brief. It is not a government policy.

**Senator FIERRAVANTI-WELLS**—I appreciate that. The Productivity Commission inquiry that is now being held in relation to aged care is the context in which I asked it, and one assumes that there has been probably some work done there. Can I just then go on to 3.7, to health reform and the National Health and Hospitals Network. The fifth paragraph begins, ‘The Prime Minister has committed \$100 million for Royal Hobart Hospital and \$120 million for the Tamworth Hospital redevelopment,’ and then there is a semicolon. I assume that \$100 million and \$120 million come from one pot. Is my reading correct?

**Senator Wong**—That is right.

**Mr Tune**—That is correct, yes.

**Senator FIERRAVANTI-WELLS**—And that comes from offset against existing measures.

**Mr Tune**—There is a specific offset for that and other measures that were announced by the government in relation to the agreement with the Independents.

**Senator FIERRAVANTI-WELLS**—Okay.

**Mr Tune**—And you can see the break-up. There is a table in there, or perhaps in the press releases.

**Senator FIERRAVANTI-WELLS**—That is in the press releases, okay. I treat them separately?

**Mr Tune**—Yes.

**Senator FIERRAVANTI-WELLS**—So then the next category where it says:

The regionally focused funding round for health ... hospital will open in October, expected to result in further expenditure in the order of \$1.8 billion over the forward estimates.

We know where that is. That is where the \$75 million and \$240 million for Hobart is coming from.

**Mr Tune**—Correct.

**Senator FIERRAVANTI-WELLS**—And they are offset. Then it says, ‘For which offsets have yet to be identified.’

**Mr Tune**—That is correct.

**Senator FIERRAVANTI-WELLS**—All right. Has that now been done?

**Mr Tune**—No. The government are in the process of examining that. As you know, they have announced a regional funding round. We went through this earlier with Senator Cormann about it being an issue that is under consideration.

**Senator FIERRAVANTI-WELLS**—Sure. I will look at that previous evidence. I want to look at action required in 2010, if I may. It refers to the ‘establishment of ongoing work of the independent hospital’. It refers to the Independent Hospital Pricing Authority and then it refers to ‘several of Finance’s business groups, including financial frameworks area, will need to be involved if the authorities are to be established on a sound footing.’ Do I presuppose or infer from that comment that Finance has not been involved in relation to that authority previously?

**Mr Tune**—No, I do not think so. I think this is something that is evolving around how the Independent Hospital Pricing Authority will be set up, the structure and so forth. There will ultimately be a piece of legislation put before parliament on that. There are issues around which act this authority might fall under. As you know, we have the FMA Act and we have the CAC Act.

**Senator FIERRAVANTI-WELLS**—Yes.

**Mr Tune**—Which one is it going to be? So there are issues of governance that need to be sorted, so that is the reference to the financial frameworks area, which one of my groups looks after. There are issues around the role of IT in all of this, which is very important, of course,

because in a pricing area we need a lot of IT input. And, as you know, the Australian Government Information Management Office can provide assistance and advice on that. So all we are alerting the minister to is that we have an interest in these things and we have some expertise that needs to be fitted into a much broader process.

**Senator FIERRAVANTI-WELLS**—Of course that goes with the next paragraph as well. It is a separate point about ‘engagement about the strategic review of the Health and Ageing portfolio administration’. You note there the significant additional resources that have been given and that the review is an opportunity for you to achieve efficiencies. That begs the question that it is perhaps not as efficient as it could be, but I am particularly conscious about the next line which says, ‘Ensure the portfolio is able to deliver on the government’s commitments.’ Is there a concern in Finance that there is an inability at this point to deliver on those commitments?

**Mr Tune**—No, there is not.

**Senator FIERRAVANTI-WELLS**—You have no concerns?

**Mr Tune**—No.

**Senator FIERRAVANTI-WELLS**—All right.

**Mr Tune**—I will say this: obviously during the election campaign, which went on longer than we all anticipated—or wanted, I am sure—there was a bit of a hiatus in the implementation of the health and hospitals reform program, so that has had a bit of an impact, but that is really what it amounts to.

**Senator FIERRAVANTI-WELLS**—Is this going to be a whole-of-government approach?

**Senator Wong**—Is this the strategic review of—

**Senator FIERRAVANTI-WELLS**—Yes, of Health and Ageing. Do I infer that this is whole of government?

**Mr Tune**—Cross-portfolio? Is that what you mean?

**Senator FIERRAVANTI-WELLS**—Yes.

**Mr Tune**—No, it is not.

**Senator FIERRAVANTI-WELLS**—Okay.

**CHAIR**—Senator Fierravanti-Wells, we did agree that we would move to the Future Fund at 6 o’clock.

**Senator FIERRAVANTI-WELLS**—Yes, I am aware of that. Do you want to do that now?

**CHAIR**—I think we should start that now.

[6.01 pm]

#### **Future Fund Management Agency**

**CHAIR**—I welcome officers, Mr Costello and Mr Helgeby and Mr Greenslade to the table. Did you wish to make an opening statement before we proceed to questions?

**Mr Costello**—I did.

**CHAIR**—If you can do so, and conscious that we have half-an-hour.

**Mr Costello**—No. I appreciate that. I have taken into account the precedent of some previous appearances before this committee where there has been a lot of interest in the Future Fund's Telstra holding, and we canvassed a number of issues and, specifically, we canvassed the issue of whether there has been any activity in that holding. And so, balancing that interest in this forum against the fund's disclosure obligations to the ASX, we have elected to use this opportunity to make a statement about some recent activity on that portfolio. We are issuing the statement on our website simultaneously for the benefit of the market and we have got some copies of the statement just being distributed to you now. So, given the interest in the exhibits, if it is okay with your permission, I would quickly read it through for the record.

**CHAIR**—Thank you. Proceed.

**Mr Costello**—Thank you. This is an opportunity for the Future Fund board of guardians to advise that it sold 109.9 million Telstra shares on market as part of its long stated objective or re-balancing the portfolio by reducing its holding in Telstra in an orderly manner over the medium term.

**CHAIR**—I apologise for interrupting, but the document that I have says 113.6 million. You have said 109.

**Mr Costello**—Let me progress with an updated version. The previous statement was as at the close of business yesterday. At the close of business today, it was 113.6 million Telstra shares. That sell-down reduces the board's holding on Telstra from 10.9 per cent to 10 per cent. The board notes the on-market sale was conducted smoothly and in an orderly manner to avoid untoward market impact, and the board's selling activity has averaged less than 14 per cent of the volume of Telstra shares traded over the period. Importantly, proceeds from the sale will be integrated into the broader portfolio as the board continually assesses its overall portfolio and took the view that conditions were appropriate for it to reduce its overweight Telstra holding by selling on market. So relevant conditions included the expiry of the February 2010 self-imposed board lock-up following our first transaction, equity market conditions, and the assessment of alternative investment opportunities.

**Senator Wong**—I think the statement you are reading and the one we have are marginally different.

**Mr Costello**— There was a version prepared as at the close of business yesterday and I wasn't sure whether I would be able to get you an updated one.

**CHAIR**—Which is the correct one?

**Senator Wong**—The one that is 113.6 million.

**CHAIR**—Thank you. That is the one that you will be incorporating.

**Mr Costello**—I am sorry about that. The board intends to continue re-balancing its portfolio by reducing its Telstra holding in an orderly manner and, importantly, that any further public disclosures will be made in line with the board's substantial shareholder notice obligations and through its regular quarterly portfolio updates.

**CHAIR**—Thank you, Mr Costello. Senator Cormann.

**Senator CORMANN**—Thank you, Mr Costello. That is quite an announcement. So it was 109.9 million Telstra shares sold this morning. It was 113.6 million Telstra shares by the close of business today. Is that it, or is there going to be a further progression by the close of business tomorrow.

**Mr Costello**—No. Importantly, that is at the close of business today, and I think from that point on, as you would understand, we would not make any statement about any further plans that we have. We were conscious of this deadline and the interest of this committee and the activity, so we decided that we would update the committee to the most recent data that we had available.

**Senator CORMANN**—So what you are advising the committee is that since the committee last met, up until now, the Future Fund has sold 113.6 million Telstra shares over what period?

**Mr Costello**—So the second line of that statement indicates that this is over the last three weeks, between 29 September and today.

**Senator CORMANN**—And you say to reduce your overweight Telstra holding. What do you mean with ‘overweight Telstra holdings’?

**Mr Costello**—Presently, almost approximately four-and-a-half billion dollars of the value of the Future Fund is in a single stock. That is inconsistent with the general principles of having a well diversified portfolio. You would appreciate that initially the future fund held almost 17 per cent of the company. It sold around five per cent in a block trade last August. That reduced it down to just under 11 per cent and so this reduces it down to 10. So clearly the expectation on the Future Fund, and its clearly long-stated position, is that it will reduce that holding and integrate the proceeds into the broader portfolio over time.

**Senator CORMANN**—When we last met, the Telstra share price was \$2.95. You have sold it at an average of \$2.66 and in fact, the Telstra stock has fallen about 15 per cent since before the election. Do you think that your activities would have contributed to that?

**Mr Costello**—We have been very conscious of that, which is why we have been a very low part of the volume, and I make the point in the statement that less than 15 per cent of daily volume, and our transactions have been above the general VWAP price. So we have been very cautious about that.

**Senator CORMANN**—But you cannot rule out that the government’s Future Fund, selling 113.6 million shares has further contributed to a reduction in the Telstra share price.

**Mr Costello**—We would posit that we have not. We have traded responsibly, and we have been conscious of volume and we have been a very small proportion of the daily volume in that.

**Senator CORMANN**—But listening very carefully to what you have said before, so it was 109.9 million Telstra shares this morning, it is 113.6 million Telstra shares this afternoon, and you had said, ‘We are not prepared to tell you what is going to happen tomorrow because that is market sensitive.’ So do I take it then that your program of reducing your Telstra shareholding has not been completed yet?

**Senator Wong**—Senator, the statement references generally, the board's intention to continue rebalancing its portfolio.

**Senator CORMANN**—I asked—Mr Costello was about to answer, I think.

**Senator Wong**—I am happy for him to do that, but Mr Costello has said, quite rightly, that there are issues of market disclosure and market sensitivity here and hence the way in which Mr Costello has described these sales of shares having occurred.

**Senator CORMANN**—He started on 29 September and it is now 19 October and you say you obviously have to be careful on how much you—the market was not aware that you were selling 113 million shares.

**Mr Costello**—That is correct.

**Senator CORMANN**—So you were essentially very quietly selling them, presumably getting some advice from people on how much it is prudent for you to sell in a single day.

**Mr Costello**—That is correct.

**Senator CORMANN**—But you are confident that you have complied with all of your disclosure obligations to the market?

**Mr Costello**—We are very confident of that. As you would be aware, it is until you reach one per cent sale in a security are you are required to inform the market, so we are informing the market slightly ahead of that point. That disclosure will happen at that point in time when we reach that.

**Senator CORMANN**—Slightly ahead of that point, so that sounds to me as if you are working towards that point.

**Mr Costello**—No. Given the interest of this committee and the obligation on me to answer truthfully, we elected to use this opportunity to make this statement at this time, ahead of any such point where we would need to disclose to the market.

**Senator CORMANN**—But the words you used 'slightly ahead of that point' we will make the disclosure when we reach that point. It sounds to me as if you are working towards that point.

**Mr Costello**—Certainly if we reach that point we would make disclosure.

**Senator CORMANN**—That was not the words you used.

**Mr Costello**—I would state clearly that if we reached that point, then we would make disclosure.

**Senator Wong**—Senator Cormann, I do not think it is anybody's interest for you to—

**Senator CORMANN**—You say you want to reduce your overweight Telstra holding, but presumably there is always a series of considerations that come into these investment decisions. Presumably, you would have reviewed Telstra's performance in making an assessment as to whether you should keep your investment levels at 10.9 per cent or reduce them further.

**Mr Costello**—I think one thing that is very important, having made this statement and the interest in the Future Fund's activity, I would respectfully decline any further comment from



the Future Fund on the security, except to say that this sale is part of a program of rebalancing our program away from a heavy concentration in a single stock, and using the proceeds into a much more diversified program which is already underway.

**Senator CORMANN**—You may say that now. It just seems like the government's fund is losing confidence in Telstra to the point where you are selling down your shareholding. On 26 May, when we last met, you said:

... it would appear that a lot of the potentially bad scenarios are currently priced into the share price.

And that the ongoing uncertainty is damaging the Telstra price. How do you think that your decision to sell a further 113.6 million Telstra shares will impact on the certainty out in the marketplace around Telstra?

**Senator Wong**—There are two points I wish to make. You keep using the phrase 'the government's fund'.

**Senator CORMANN**—It is the government's fund.

**Senator Wong**—But I want to, given that, again remind you that the decisions about investments or divestments are made by the Future Fund. They are not made by government, and they are not disclosed to a government until they are disclosed publicly, or very close to. So I was advised of this shortly before Mr Costello came to the table, because we do take very seriously the importance of ensuring that this is independent of government for the reasons I think you are well aware of.

Second, you are entitled to question Mr Costello. I urge some caution because the Future Fund is a large shareholder. What the Future Fund and what people think will occur is, obviously, information that the markets will take note of. Now, you are entitled to question him. He is also entitled to do, as he has done, say to you that he is not going to discuss any further what the board or what the fund may or may not do in relation to this or any other shareholding.

**Senator CORMANN**—We are here, obviously, to review the performance of authorities that come under your portfolio. The Future Fund is one such authority which controls a lot of taxpayer funds, and they are making a very significant decision in relation to a very significant shareholding in relation to a significant Australian company with a lot of Australian taxpayers. And to just say, 'We are not going to answer any questions as to the reasons as to why we have made this decision,' is just, with respect, not good enough. So I just ask you this question, Mr Costello. You did say, on 26 May, that the ongoing uncertainty is damaging the Telstra price. Do you still agree with that statement?

**Mr Costello**—I would make three comments. I would reiterate that, as we say in the statement, that the sale of Telstra shares is part of a program that the board has, and has always, indicated that it would follow over the medium term to rebalance its program to reduce its holding in Telstra and to apply the proceeds to a more diversified program. This is part of that ongoing program. We have always indicated that that would take place over a considerable period of time, and we would reiterate that.

Second—the comments you made were prior to information being provided to the market and to Telstra shareholders around a number of issues—around the progress of discussions between the government and the NBN, and information was subsequently provided.

**Senator CORMANN**—Mr Costello, as an astute investor if you expect the Telstra share price to go up, you would not be continuing to go down this road at this sort of speed. You must have made a decision consciously to sell as much as you can without impacting the market and without impacting on your disclosure requirements. Something must be driving your decision making here. What is it?

**CHAIR**—Senator Cormann, I think we are just going back over the same line of questioning, which has been made very clear by the minister and Mr Costello that they cannot take any further for the reasons that have been given, which I think are absolutely valid.

**Senator Wong**—Senator, I remind you because you made a reference to disclosure that Mr Costello is also in fact disclosing ahead of the point at which he would have to disclose under the ASX rules.

**Senator CORMANN**—Sure. I understand that and I think that point has been made. There will be further disclosures when we reach the one per cent. When you assess your investments, do you assess the impact of government policy on the value of your shareholdings?

**Mr Costello**—I think I would need to answer that when we assess all investments—and there are many in the portfolio—

**Senator CORMANN**—That is how the question is asked.

**Mr Costello**—we try and take into account a wide variety of factors. To the extent that that is a factor, we would.

**Senator CORMANN**—Do you think that government policy impacts on the value of Telstra?

**Mr Costello**—Again, I would decline, as I am sure you would understand, any further comment from the Future Fund on this, apart from to voluntarily disclose to you and to the market a recent transaction.

**Senator CORMANN**—Presumably, you would have used consultants and advisers to assist you with this?

**Mr Costello**—We did. We have taken advice.

**Senator CORMANN**—Yes, so can you describe to us the nature of the advice that you have taken and who has assisted you?

**Senator Wong**—Come on, Senator.

**CHAIR**—Senator, I will not allow that question.

**Senator Wong**—Really.

**Senator CORMANN**—Hang on.

**CHAIR**—Senator, you are not allowed to ask for details of advice.

**Senator Wong**—Investment advice.

**CHAIR**—Even—

**Senator CORMANN**—No, no—

**CHAIR**—Excuse me; I am speaking! It is inappropriate, as you know, to ask questions regarding advice, firstly, in respect of advice that comes from public servants to ministers and, secondly, here particularly, advice that has been given by consultants to the board.

**Senator CORMANN**—On that point of order, Mr Chair: I am not asking about the nature of the advice that was provided. I am not asking about the nature of investment advice. I am asking about who has been contracted, who has provided the advice and how much it has cost. These are things that are absolutely proper.

**CHAIR**—Order, Senator Cormann! That was not your question.

**Senator CORMANN**—That was absolutely my question.

**CHAIR**—The *Hansard* will reveal what your question was, and that was not your question.

**Senator CORMANN**—Who is providing you with that advice? I do not want to know the content of the advice, but what advice have you been seeking in terms of the categories of advice or support that you might have been accessing?

**Mr Costello**—That is a question that I will take on notice for a number of reasons. Clearly, to the extent that there is factual information that needs to be correct, and I do not have that with me.

**Senator CORMANN**—Sure.

**Mr Costello**—Secondly, I think there are a number of conventions around the disclosure obligations on the board itself in terms of the way it conducts its business and it would be important to clarify those.

**Senator CORMANN**—I am happy for you to do that. But if you can please then provide the committee with: an itemised list of the costs of you conducting the transactions that you have conducted, who has provided advice, what the cost of the contracts that you have entered into was, the names of the advisers, what was the purpose, how long the contracts were for and the end date of any contracts. Those are my questions, and there may be other questions around this that my colleagues might want to add. Leaving Telstra aside for the moment, what is your current exposure to hedge funds?

**Mr Costello**—We provided an update on the portfolio as at the end of the financial year and, in a few weeks time, at the end of this, there will be a further update as at the end of September. For us, hedge funds, as commonly called, are part of what we call our alternatives component. As at 30 June, the alternative assets component of the portfolio was just over 15 per cent of the fund.

**Senator CORMANN**—Has there been any changes in that level of exposure to hedge funds since we met in May?

**Mr Costello**—No, this was a 30 June report. So, as at the end of May, that would have been very close to that figure.

**Senator CORMANN**—But since we met in May, have you, as the Future Fund, made any changes in terms of your exposure to hedge funds? So I am asking up until 19 October 2010.

**Mr Costello**—I understand. The portfolio continues to evolve as we rebalance it. That goes back to my earlier point. This is an area where we do see particular opportunity at this time. Again, I think in the interests of accuracy, it is probably important to answer that clearly. As a general statement, I would say that this is a component that is growing in the fund. The amount of growth between those two times, it would be important to answer that accurately.

**Senator CORMANN**—So you are saying: ‘Yes, we have increased our exposure to hedge funds, but we will have to take on notice by how much’?

**Mr Costello**—I think that that would be correct, noting that it would not be a material increase between 30 June level and the end of the September quarter. I would point out that, in a few weeks time, we will be providing a quarterly update on the portfolio as at 30 September and, to the extent that that is included in our alternative assets program, that figure would be provided at that time.

**Senator CORMANN**—You talk about rebalancing your portfolio. What is the reason to increase?

**Mr Costello**—Because we see a lot of opportunity right now for some, and there are many managers in this space that we would not select, but for those that we do have confidence in their strategy and their own skills, we see this as an attractive form of producing investment income for the fund, well diversified from our other core exposures in equity markets.

**Senator CORMANN**—What is your next largest corporate holding after Telstra? Telstra is now 10 per cent. What would be the next largest identifiable corporate holding?

**Mr Costello**—Again, I think it is important to be accurate. To assist you, though, I suggest that, given its prevalence in the Australian share market and given our weighting of Australian shares in the portfolio, a very significant portfolio—I could not confirm if it is the second biggest—would be BHP.

**Senator CORMANN**—Have you made any reductions in your shareholdings of BHP in the period since we last met?

**Mr Costello**—You would appreciate, of course, that the only share that the board directly manages is Telstra. By mandate, all other holdings are held through investment managers which are mandated by—

**Senator CORMANN**—So on a day-to-day basis, you would not know whether it is going up or down?

**Mr Costello**—It is not a decision that we would make as an organisation.

**Senator CORMANN**—I am conscious that we are getting close to the 6.30 deadline. You have announced your departure from the Future Fund.

**Mr Costello**—I have.

**Senator CORMANN**—I thought you might have mentioned that alongside with the Telstra announcement. It is nearly as important.

**Mr Costello**—I do not think—

**Senator Wong**—He is not being sold.

**Senator CORMANN**—Have you got a new job yet that you are going to?

**Mr Costello**—I do think that is my business.

**Senator Wong**—That is inappropriate, Senator.

**Senator CORMANN**—I am asking because I am trying to get a sense why you are leaving. Are you leaving—

**Senator Wong**—You should ask him that.

**CHAIR**—Senator, that is an inappropriate question.

**Senator CORMANN**—Why is that an inappropriate question? Who do I ask?

**CHAIR**—Because it relates to Mr Costello's personal life and it has, as far as I can see, no relevance at all to the position he currently holds as to why he may be resigning or leaving the position. We had had a similar question earlier in estimates either today or yesterday, I cannot recall which, and it was acknowledged by your side that it was an inappropriate question to ask then.

**Senator CORMANN**—I am not meaning to be inappropriate at all. But there was a statement put out on it. It is clearly of very strategic import to the future of the organisation when the general manager leaves. I am not meaning to ask any inappropriate questions at all. I think that it is of public interest when somebody leaves the job like General Manager of the Future Fund, as to what future job he or she may take on. I think that this government at various occasions has actually made a lot about what jobs public officers should be able to take on when they leave public office. I do not think it is an entirely inappropriate question. However, I might just leave it. So you are leaving at the end of the year?

**Mr Costello**—That is right, yes.

**Senator CORMANN**—Is there a new CEO lined up yet?

**Mr Costello**—No, that search is underway.

**Senator CORMANN**—Where is the process up to?

**Mr Costello**—It is really in the hands of the board, and I could not comment.

**Senator CORMANN**—But so you are, essentially, the accountable officer until such time as—

**Mr Costello**—I am.

**Senator CORMANN**—And have you got a departure date?

**Mr Costello**—I am really agreeing with the board and assisting them as part of their process, but we have agreed it would be by the end of December. But the actual date I will agree with the board.

**Senator CORMANN**—All right. I might leave it at that. You certainly know how to leave with a bang, Mr Costello, making this nice little announcement in relation to Telstra today. I wish you all the best on behalf of the opposition.

**Mr Costello**—Thank you very much.

**CHAIR**—There being no further questions, I thank Mr Costello and the other officers. We wish you well, because you will not be appearing before these estimates again in this capacity. All the best for whatever your future endeavors may be.

**Mr Costello**—Thank you very much.

**CHAIR**—Which I will not ask you.

**Proceedings suspended from 6.25 pm to 7.32 pm**

**CHAIR**—We resume the hearing. Mr Tune, I understand you wish to make a short clarification.

**Mr Tune**—Thanks, Chair. Senator Fierravanti-Wells asked me a question before dinner about whether Finance had released its incoming government brief, and I think I said ‘no’ to the question. In fact, I am informed that following the 2007 election Finance did release the incoming government brief. There was a request from Laura Tingle of the *Financial Review* on 7 February 2008, and a redacted version was provided to Ms Tingle on 7 May 2008.

**CHAIR**—Thank you, Mr Tune. Senator Fierravanti-Wells, you are proceeding, thank you.

**Senator FIERRAVANTI-WELLS**—Thank you. That was at the discretion of the department of finance.

**Mr Tune**—Yes, it would have been.

**Senator FIERRAVANTI-WELLS**—And was independent of what any other departments may have—

**Mr Tune**—That would have been an FOI request and it would have been processed on that basis.

**Senator FIERRAVANTI-WELLS**—Thank you. Can I complete my question in relation to the red book, at page 310, and it continues on the various areas. Of course, this is flagging the Pharmaceutical Benefits Scheme in terms of fiscal challenge. At the bottom there it talks about the PBS as one of the four major funding pressures in the Health and Ageing portfolio and then it refers to the other three, which have real growth above two per cent. I take it that whatever is blacked out at the bottom of the page and then over the page pertains purely to the PBS.

**Mr Tune**—Yes, that is correct.

**Senator FIERRAVANTI-WELLS**—Has Finance done some work in relation to potential areas where PBS fiscal challenges can be addressed?

**Mr Tune**—The PBS has been an ongoing fiscal challenge for at least 10 years, if not 15 or 20, and has been, it is fair to say, constantly looked at by the department of finance in terms of approaches. As you would be aware, the PBS has relatively high growth rates because new drugs are continually going through what is called the PBAC process and new technology is

being developed and so forth. So technological change drives a lot of the growth in the PBS, and the listing of new drugs at certain prices is growing faster than the average of spending, so it is an area that is being constantly looked at.

In broad terms, if you look at the PBS, there are probably four areas you could look at. I am not saying we have necessarily looked at all of these, but I think governments of the day have looked at all four of them over a period of time. One area is the price paid to manufacturers and the throughout price paid to pharmacists for the supply of drugs, both existing and new, at the manufacturing level, the wholesale level and the retail level. The government made some major decisions around that and announced those in the budget last year. In fact, that follows on from some changes made in that particular area over quite a number of years, both by the previous government and this government.

The second area of course is the copayments made by people utilising the PBS. There are two copayments, and changes have been made in that area over a period time on an ad hoc basis. The third area is the process around listings. Government decisions are required to list new drugs, of course, above a certain threshold. When you are looking at constraining growth—because you are surely not going to reduce growth in the PBS, you are going to restrain the rate of growth—you are looking at options around those three areas, with some mix and match of that perhaps.

**Senator FIERRAVANTI-WELLS**—I will not traverse the MOU in that area and the savings there. Are you aware of whether the Pharmaceutical Benefits Pricing Authority is looking at other ways to claw back savings?

**Mr Tune**—I am not aware that it is.

**Senator FIERRAVANTI-WELLS**—From your perspective, it is purely that any clawback in relation to savings is a matter for the PBPA. Finance can only flag rather than direct.

**Mr Tune**—Obviously, yes. We advise government.

**Senator FIERRAVANTI-WELLS**—I know. You sit there at night and think of new ways of doing it. So from that perspective you are not aware of any action that the PBPA may be undertaking at the moment to claw back any other savings in relation to the Pharmaceutical Benefits Scheme?

**Mr Tune**—No, we are not.

**Senator FIERRAVANTI-WELLS**—Thank you.

**Senator KROGER**—Mr Tune, I am interested to know about a meeting on 7 September, which I hope you can give me some details about, which I read about in the *Australian*. It was allegedly a meeting of Finance and Treasury officials with the members for Lyne, New England and Kennedy.

**Mr Tune**—Yes.

**Senator KROGER**—Did you attend that meeting, Mr Tune?

**Mr Tune**—I did, yes.

**Senator KROGER**—Who else attended that meeting?

**Mr Tune**—Dr Henry from Treasury, Mr Martine on my right here from Finance—we were the only two Finance people there, from memory—Mr Ray from Treasury, who is deputy secretary of the fiscal policy group, Dr Gruen and Dr Parker from Treasury and Terry Moran, secretary of PM&C. There might also have been one or two PM&C people who were taking notes or whatever.

**Senator KROGER**—Where was that meeting held?

**Mr Tune**—In the cabinet room.

**Senator KROGER**—Were minutes taken of that meeting?

**Mr Tune**—Yes. Officials from PM&C took some notes of that meeting, yes.

**Senator KROGER**—Do you have a copy of those minutes?

**Mr Tune**—I do not, no—not with me. I have some.

**Senator KROGER**—Are you able to table those documents?

**Mr Tune**—I do not think so, no. I gave a commitment to, in particular, the coalition that what I said to them and what I said to the independents was confidential and that I would not talk about what was raised in those meetings, and I need to adhere to that.

**Senator KROGER**—Why would you be asked to keep confidentiality of a meeting that was conducted with officials who were providing advice? What was the purpose of that meeting?

**Mr Tune**—The meeting was to brief the three Independents on our costings of both the ALP's election commitments and the coalition's election commitments.

**Senator KROGER**—What would be so secretive about the contents of that meeting?

**Mr Tune**—It was the process. Both Dr Henry and I had given a commitment to Mr Robb and Mr Hockey that if we were going to be costing their commitments we would do so on a confidential basis and maintain confidentiality around that. That was the commitment given upfront around the process.

**Senator KROGER**—All right. If we cannot have the minutes tabled, can I ask you—and I am quoting because clearly minutes of the meeting were circulated sufficiently that one Jennifer Hewett was able to see a copy of those minutes and be advised of elements of the discussion that took place.

**Mr Tune**—I am not aware of that and if it did happen it certainly did not come from me. What was released were the documents that we provided to the three Independents around the costing of the ALP's commitments and the coalition's commitments. Mr Windsor made that public after that meeting that night.

**Senator KROGER**—Did one of those documents include advice from the officials that told the Independents that the mining tax would not hurt the resources boom, contrary to most market opinion, and the opposition had broken budget rules?

**Mr Tune**—You need to talk to the Treasury about that particular aspect. Our side of the story was to comment on the expenses side. Treasury were commenting on the tax side.

**Senator KROGER**—Did you discuss the conservative bias allowance?



**Mr Tune**—We did.

**Senator KROGER**—I quote, once again, regarding the conservative bias allowance in the coalition's policy costings. Ms Hewett wrote: 'Under questioning from the Independents, Treasury and Finance officials said they advised against this on the basis that experience had shown that "modelling techniques tended to underestimate the costs in future years".' Would that be a fair assessment of what your advice was?

**Mr Tune**—What we said to the Independents is contained in a document that is on the public record now and there is a dot point there about the conservative bias allowance. We went through this earlier today with another senator and we provided our advice about the treatment of the conservative bias allowance in the coalition's costings. That is set down on the public record.

**Senator KROGER**—In that document you also said: '... the existence of "waste and mismanagement" under the Rudd/Gillard government'—which, as you know, has been a key focus of the opposition's concern about the bungled school building project, BER, and the insulation, the pink batts, program—'was not relevant to any determination of the correct CBA.'

**Mr Tune**—I do not think I am at liberty to say what I talked about in those meetings.

**Senator Wong**—Senator, Mr Tune has quite adeptly tried to answer your questions respectfully and to recognise the commitment he gave your colleagues, Mr Hockey and Mr Robb, about not being public at all about what was said in that meeting. If you have questions about the costings that were done of the opposition's policy, which is some of what you are going to, you may want to deal with that, but it is not fair to put him in a position, when your party sought confidentiality, of asking him to disclose something contrary to that commitment.

**Senator KROGER**—I appreciate that, Minister. I am just concerned about the discussions that have arisen from that question and the objectivity of the considerations and of the advice given in that meeting. If we had the minutes then we could be assured that that advice was objective.

**Senator Wong**—In my experience, public servants in these departments and in other departments of the Commonwealth serve the government of the day to the best of their ability. I regret very much some of the inferences, including the one that you have just made, that calls into question their objectivity. If you have specific questions which would enable Mr Tune to explain to you why the costings of the opposition's policy were done as they were, as he has outlined, the information was made public by Mr Windsor. That is on the public record. Obviously you are welcome to go to aspects of that letter and quiz him as to why that advice was given.

**Senator KROGER**—Thanks, Minister.

**Senator FAULKNER**—Minister or Mr Tune—whoever would care to answer—how long has Finance had the conservative bias allowance mechanism in place?

**Mr Tune**—Since 1987.

**Senator FAULKNER**—As I understand it, the mechanism is about ensuring the reliability of budget numbers and the like. I say that in broad terms. Credibility and reliability are the critical things. As you understand it, was that effectively the reason that the conservative bias allowance was brought in and established at that time?

**Mr Tune**—That is correct. Basically, what the conservative bias allowance is trying to do is to recognise that when you are doing estimates over, say, a four-year period, the reliability of those estimates declines with time, so the further you go out the less reliable you are going to be. Then you observe the history of what actually happens when you get to the actual budget year that you are talking about and you can see a gap there. What it is trying to do is make an estimate of how much we basically underestimate, particularly in demand driven programs, things like social security payments and so forth where demand just generates the payments. You are trying to estimate what impact that will have and then adjust the estimates now to make allowances for it—to, in effect, try and increase the accuracy of the estimates when you finally get to that year. Then we back that out year by year. We are four years out, but budget by budget we are moving one year closer to it. We reduce the amount of the conservative biases from two per cent to 1½ to half until in the actual budget year you get to zero, so it is backed out over a period of time. It is basically parameter variation. It just occurs naturally inside the budget and the government sets that in conjunction with advice from us about what we think history is telling us at a point in time. It has actually gone up and down over a period of time. It has changed.

**Senator FAULKNER**—Is ‘conservative bias allowance’ a common terminology that is used in other comparable Western democracies?

**Mr Tune**—Some have something similar. They do not call it that, but—

**Senator FAULKNER**—But it is a broadly accepted budget mechanism in comparable countries?

**Mr Tune**—Particularly the way we put our budget together, yes. It is seen as a sensible way of operating budgets.

**Senator FAULKNER**—I have to admit I did not follow closely every nuance of the debate that Senator Kroger and others have mentioned. Obviously it became a critical issue at the time. In layman’s terms—so tell me if this is right or wrong—did the issue come down to an argument or discussion about whether the conservative bias allowance could be drawn from to realise savings? Is that a fair description of how this issue developed, or not?

**Mr Tune**—Yes, I think that is fair comment. The coalition election policy document that they released in the week leading into the election put forward some savings through a reduction in the conservative bias allowance, the percentages that actually applied.

**Senator FAULKNER**—That was my general understanding. Did a lot of people learn about the conservative bias allowance for the first time, do you think?

**Mr Tune**—No.

**Senator FAULKNER**—Not of course the pointy-headed people in the department of finance. I would be the first to acknowledge that.

**Mr Tune**—I suspect that is true.

**Senator FAULKNER**—As a result of the notoriety that the conservative bias allowance now has—perhaps ‘notoriety’ is a bad word to use—it is a matter of public debate. It is a budget mechanism that probably has not been front and centre on a lot of people’s minds before now. Is the department generating any work to make an assessment about whether any changes to it are warranted in the way that it operates?

**Mr Tune**—Not so much in the way it operates, because we think that the way it operates is probably appropriate, the process itself, the mechanism. But we do do an annual review of the appropriateness of the percentages that apply under the conservative bias allowance.

**Senator FAULKNER**—How long has that annual review—

**Mr Tune**—The last couple of years, and we have done ad hoc reviews in the past as well, I should add.

**Senator FAULKNER**—Are you able to say to the committee when perhaps the first ad hoc review took place?

**Mr Tune**—No, I could not. I will take that on notice.

**Senator FAULKNER**—You might let the committee know when the ad hoc reviews took place and when they became annual. They became annual relatively recently, I understand.

**Mr Tune**—In the 2009-10 budget onwards.

**Senator FAULKNER**—You say it is an annual review. So we have had the first annual review.

**Mr Tune**—We have had two: we had the 2009-10 budget and then we did one in the lead-up to the 2010-11 budget.

**Senator FAULKNER**—Is it the intention of Finance to continue to review the conservative bias allowance on an annual basis?

**Mr Tune**—It is, yes.

**Senator FAULKNER**—Was that driven by a decision of government or did it come as a recommendation through the department of finance itself?

**Mr Tune**—I cannot recall. It might have been put forward by us as something useful to do. It was certainly agreed by government that it be done.

**Senator FAULKNER**—Sure. The ad hoc reviews of the conservative bias allowance have been occurring for a number of years, would you say?

**Mr Tune**—Yes.

**Senator FAULKNER**—But you will find out precisely for the committee. Once these reviews take place, be they the ad hoc reviews or the now annual review, does Finance normally report them in its annual report or elsewhere?

**Mr Tune**—Not in the annual report. The outcomes of the review, if there are any outcomes, get reflected in the budget papers.

**Senator FAULKNER**—So it is reflected in the budget papers.

**Mr Tune**—Yes.

**Senator FAULKNER**—I should know this, but let me inoculate myself right upfront because I do not know. Do the budget papers acknowledge that the basis for any change is from the review of the conservative bias allowance?

**Mr Martine**—In appendix B of statement 6 we outline the current rates of the conservative bias—

**Senator FAULKNER**—I have thoroughly read that, of course. You just have to remind me of it.

**Mr Martine**—It is a very important statement.

**Senator FAULKNER**—Yes.

**Mr Martine**—Towards the end of that, in appendix 6. So the 2010-11 budget papers outline the current rates of .51 and two percent that Mr Tune indicated. We disclose the current rates and then, in terms of dollars, it is a matter of applying those rates to total expenses that are outlined in the budget.

**Senator FAULKNER**—I see. So whenever there has been a review, be it ad hoc or annual, I would see a similar sort of notation in the budget papers.

**Mr Martine**—Not necessarily. It has not always been disclosed. It has only been, I think from memory, in the last couple of years that the actual rates have been—

**Senator FAULKNER**—So it is a change of policy, is it, to actually disclose it, effectively?

**Mr Tune**—There have been various policies—to disclose; not disclose; to disclose. So I would need to go back and check every budget—

**Senator FAULKNER**—No. I do not want to create too much work for the department of finance. You are doing so much already.

**Senator MOORE**—The current policy is to expose.

**Mr Tune**—Yes, that is correct, currently in the budget papers.

**Senator MOORE**—That is the current policy and everyone knows that.

**Senator FAULKNER**—Does the department of finance normally make recommendations to government about any change for the conservative bias allowance?

**Mr Tune**—Under this annual review process it does, yes.

**Senator FAULKNER**—So it is a departmentally driven recommendation to government?

**Mr Tune**—Correct.

**Senator FAULKNER**—Before Finance makes a recommendation to government, do you consult Treasury or any other agency?

**Mr Tune**—We consult Treasury and also PM&C.

**Senator FAULKNER**—Consult or seek agreement?

**Mr Tune**—Preferably to seek agreement, yes. But, if not—I do not think we have ever got to that point. It has always been—

**Senator FAULKNER**—So this has not been a matter that has been controversial between or amongst agencies?

**Mr Tune**—No. It is based on doing a piece of analysis about how the numbers are panning out and coming to a view. There is judgement involved, there is no doubt about that.

**Senator FAULKNER**—So the issue was not a matter of controversy between the central agencies in the lead-up to the last budget?

**Mr Tune**—No.

**Senator FAULKNER**—Thank you.

**CHAIR**—Senator Kroger.

**Senator KROGER**—Mr Tune, with your reviews of the conservative bias allowance, have you found, over time—was it 1996-97 that you said it has been adopted?

**Mr Martine**—1987-88.

**Senator KROGER**—Have you ever found that it applies differently across departments?

**Mr Tune**—We do not actually do it like that. We do it on an aggregate basis. So we are taking all expenses, less GST payments—since the GST came in in 2000, because they are going straight through to the states so they are not Commonwealth outlays—and we look at the trend that is happening on the aggregate expenses level. It is the demand driven programs that drive this. They are the ones that have the variations, where you have less certainty about your number. For example, if you allocate \$100 million to a program for four years at \$100 million a year, you know it is going to be \$100 million in year 4. That is set down—unless it is varied subsequently by government through another decision. But when you are paying out age pensions or family tax benefit, those sorts of things, you are doing an estimate of what you think might happen, based on the rates of payment that you think might be payable, so you are assessing what might happen on the indexation front around CPI on the one hand—so that is the rate of payment—and then the number of people who may be eligible. So there is some uncertainty about that. You are doing the best you can based on the trends that you have got, but you also have a recognition that you are probably not going to get it right. So what you are trying to do is measure, by looking back in history all the time—constantly looking back in history—how you are going. Then if you think you are getting it wrong, there is a case for adjusting the conservative bias allowance either up or down.

**Senator KROGER**—Has it changed much over that time?

**Mr Tune**—It has changed a fair bit. I will have to take it on notice because it will take me far too long to read it all out, but I do have the history here in front of me. It has changed probably 10 times since 1987; not every year of it changes. There are three years of it that you have in there and sometimes it is only one year we change.

**Senator KROGER**—By much degree?

**Mr Tune**—Never more than one percentage point in any particular year.

**Senator KROGER**—Okay.

**Mr Tune**—I think I am right. Yes, that is right.

**Senator KROGER**—So it has been changing, I gather, in an upward direction.

**Mr Tune**—Upwards and then downwards.

**Mr Martine**—Since 2005-06 it has been progressively coming down in the last year.

**Senator KROGER**—Thank you very much. I just want to move on to—

**Senator FAULKNER**—Could I just ask one other question? Is that all right? Very few treasurers or ministers for finance it would seem to me have spoken much about the conservative bias allowance. It got so it became an issue as a result of events post the election. That is fair enough. I do not want to make a partisan comment about that; we understand that is the case. It has not been spoken about much publicly by treasurers and ministers for finance, but Treasurer Costello did speak about it, didn't he, in the 2004 budget? That is my recollection.

**Mr Tune**—Can I take that one on notice, please?

**Senator MOORE**—Can you remember that one?

**Senator KROGER**—That is quite impressive.

**Mr Tune**—I was probably involved in that budget, but I do not know if I can remember that far back. Can I take that on notice, please?

**Senator FAULKNER**—This was quoted in the media. It might have been the 2003-04 budget. Isn't that where he said it is not a policy reserve or a rainy day fund? I just wondered. This is probably a matter I could raise tomorrow in the Treasury estimates. If you would prefer, I am happy to raise it with them. Would that be better?

**Mr Tune**—We are happy either way. If you want us to check the record, we can do so.

**Senator FAULKNER**—I think there was some publicity about this generated by the recent debate. I was going to ask whether it was part of the budget speech. What interests me is the lack of debate about it, but I am happy to ask Treasury tomorrow.

**Mr Tune**—Okay.

**Senator FAULKNER**—I have to sit here tomorrow, so I may as well ask them. You never know, someone might even be listening and they might even be able to answer.

**Mr Tune**—Someone is probably watching and they would be starting the research right now.

**Senator FAULKNER**—I feel very sorry for that person.

**CHAIR**—Would you let me know what time that is on and I will find something else to do?

**Senator KROGER**—Have you finished, Senator Faulkner? Are you finished for the last time on that particular fund?

**Senator FAULKNER**—Yes.

**CHAIR**—Senator Kroger.

**Senator FAULKNER**—I just know, Senator Kroger, that you are an expert on conservative bias, you see.

---

**Senator KROGER**—You can tell. I wanted to move to consultancies. I am interested to know how many contracts for government advertising have been awarded since the last estimates. Do you have that?

**Mr Tune**—Government advertising?

**Senator KROGER**—Yes.

**Mr Tune**—You have come to the right people. This is all-of-government or department of finance?

**Senator KROGER**—Yes, all-of-government.

**Senator Wong**—Chair, I just want to check. I think that is an outcome 2 question. We are happy to take it.

**Senator KROGER**—Is it?

**Senator Wong**—I could be wrong. It is, so have we finished with outcome 1?

**Senator KROGER**—No, we are still on outcome 1. I have some things in relation to contracts.

**Senator Wong**—Government advertising is outcome 2. I can swap folders.

**CHAIR**—Hang on. Sorry, Senator Bernardi. Have you finished, Senator Kroger?

**Senator KROGER**—In outcome 1 I have, yes.

**CHAIR**—Do you have any questions in outcome 1, Senator Humphries?

**Senator HUMPHRIES**—I believe they are in outcome 1, yes.

**Senator Wong**—Can we finish outcome 1 first?

**Senator HUMPHRIES**—Thanks, Mr Chairman. I wanted to ask about the status of some commitments made by your predecessor minister during the course of the election campaign. You will recall that there was some debate about commitments to make savings within the Public Service and that on 31 July Minister Tanner announced that a re-elected Labor government would make savings through restoring the efficiency dividend from one to 1¼ per cent, saving \$390 million over the forward estimates, and by removing funding currently quarantined under the Gershon reforms for ICT, saving a further \$447.5 million over that period. Are those two savings commitments still the policy of the government and can we expect to see them implemented in the next and subsequent budgets?

**Mr Tune**—That is correct.

**Senator Wong**—Yes, they are.

**Senator HUMPHRIES**—Is that the extent of the savings the government proposes to make through the budget process?

**Mr Tune**—Around—

**Senator Wong**—Sorry—

**Senator HUMPHRIES**—Are those commitments the extent of the savings that the government proposed to make that affect the Public Service?

---

**Senator Wong**—That affect the Public Service?

**Senator HUMPHRIES**—Yes.

**Senator Wong**—Sorry, I was confused because there are a number of others obviously.

**Senator HUMPHRIES**—Yes.

**Senator Wong**—Those are two savings commitments which have been announced. I have not referenced the entirety of the Labor policies to determine which if any might arguably relate to the Public Service but those are two that come to mind.

**Mr Tune**—I am just going through the list. I cannot see any others. There is one around Australian Public Service reform efficiencies through funding for the Australian Public Service Commission.

**Senator HUMPHRIES**—Yes, that would be a specific funding decision in respect of that agency?

**Mr Tune**—That is correct.

**Senator HUMPHRIES**—There were no other across-the-board savings measures, in the nature of a—

**Mr Tune**—No.

**Senator Wong**—Sorry, your question keeps changing. Is it across the board?

**Senator HUMPHRIES**—Across the board, affecting Public Service agencies, in the nature of efficiency dividends or removal of funding for certain purposes?

**Senator Wong**—I will check, but I do not think there are.

**Mr Tune**—I am pretty positive there are none.

**Senator HUMPHRIES**—In respect of those commitments, particularly in respect of the efficiency dividend, the minister at the time said that the efficiency gains would be realised without resorting to job cuts. Is that also the parameter that the government continues to work under for the coming and future budgets?

**Senator Wong**—That was Minister Tanner's statement, from memory, but I will have to—

**Senator HUMPHRIES**—I am happy to table his media release.

**Senator Wong**—I have a recollection of that statement being made. That is what was said in the election.

**Senator HUMPHRIES**—I agree with you. But my question is whether that remains the government's policy; whether it intends to implement those changes without resorting to job cuts?

**Senator Wong**—As I said, that was the statement that was made during the election. That is the election commitment.

**Senator HUMPHRIES**—As we know, Minister, it is possible for governments to evacuate those positions from time to time. I will put this into a context. I have asked a number of agencies in the course of the last two days whether the meeting of the efficiency dividend, the higher efficiency dividend, is likely to lead to them considering redundancies. A number of



agencies have said they cannot rule out that occurring. So I want to be clear from you whether you consider that the efficiency dividend arrangements do not entail job cuts as indicated by Minister Tanner just three months ago.

**Senator Wong**—The efficiency dividend, from recollection, is a continuation of the pre-existing one and beyond the period at which it was going to be phased in. Ultimately, agencies make decisions about how to achieve that. But I agree with Minister Tanner that the approach should be one that involves finding efficiencies other than through reductions in positions. I have to say that it is obviously in stark contrast to the position your party took to the election.

**Senator HUMPHRIES**—I entirely agree. It is in sharp distinction if it is the policy that you actually implement. I am not sure I have quite got from you a commitment to implement in the course of this term, particularly in the course of this coming financial year, a commitment to that statement by then Minister Tanner, and I repeat it: ‘Efficiency gains will be realised without resorting to job cuts.’

**Senator Wong**—That is the intention.

**Senator HUMPHRIES**—With respect, an intention is not the same as a promise, is it?

**Senator Wong**—You have been around these issues for many years and you know the way in which the efficiency dividend works.

**Senator HUMPHRIES**—I do, and I know that—

**Senator Wong**—It does not require the minister for finance to tell each agency how to deliver the efficiencies. I would make the point: my recollection—and I do not have your election commitments open in front of me now—was that in addition to your job freeze, your hiring freeze, you also implemented this, from memory.

**Senator HUMPHRIES**—Yes, and we did not—

**Senator Wong**—And you made the same commitment.

**Senator HUMPHRIES**—We made a commitment only that there would be no involuntary redundancies. You have made a commitment that there will be no job cuts. So there is a distinction between the promises that were made. I am not seeking to ask you to announce new policy or to try and—

**Senator Wong**—I am surprised. I did not realise you actually increased the efficiency dividend—

**Senator HUMPHRIES**—Yes, we did.

**Senator Wong**—so it was actually on top of the freeze. How did you feel, as the senator for the ACT, about that?

**Senator HUMPHRIES**—I am happy to answer those questions if I have the chance to sit on your side of the table, but I am not there yet, and the point—

**Senator Wong**—I understand what you are saying—that these are issues. As I said at the outset—and I do not think you were here—the election commitments will be processed in the normal way through the MYEFO budget process where they become measures. It may be that there is more information I can give you after that process. I am aware of Mr Tanner’s

commitment and, as you know, at the end of the day efficiency dividends have historically been met by the agency determining how to meet them.

**Senator HUMPHRIES**—I seek only from you tonight a reaffirmation of the commitment made by Minister Tanner, which effectively bound agencies in the way that they would carry out their reductions in spending, by saying—

**Senator Wong**—I have said it is an election commitment of the government.

**Senator HUMPHRIES**—that there would be no job cuts to meet these efficiency dividends.

**Senator Wong**—And I have answered it: I have said that it is an election commitment of the government.

**Senator HUMPHRIES**—Minister, the red book, of course, suggests that there should be some reconsideration of the government's announced savings targets. The book says:

To meet the fiscal targets and fund priority spending including the commitments the government has made to the independents the fiscal strategy needs to be complemented by additional savings.

I assume that you cannot outline to us tonight what additional savings there might be. I accept that that is a decision or a series of decisions that await the coming budget, but I do ask whether those savings are caught by the commitment not to resort to job cuts?

**Senator Wong**—Sorry, where are you—1.3?

**Senator HUMPHRIES**—I am quoting from the red book.

**Senator Wong**—I want to know which page, if we could.

**Senator HUMPHRIES**—I have not actually got the red book in front of me.

**Senator Wong**—We have been going through it for some time tonight and most senators have taken us to the page—it gives me the context—so I am not going to respond unless I know where you are quoting from, so that I can see what you are quoting from.

**Senator HUMPHRIES**—But you would be aware, surely, that the red book did suggest that additional savings might need to be made.

**Senator Wong**—This is the red book. I have read it all but I have not got all of it in my head, so I would be obliged if you could take me to what you are referring to.

**Senator HUMPHRIES**—I am happy to come back in a little while and give you the information, which I am sure you know is in there.

**Senator Wong**—There is a lot of information in this.

**Senator HUMPHRIES**—It is the most salient feature of the red book; it suggests there should be further savings made by the government.

**CHAIR**—Senator Humphries, I think it is appropriate that, if you are quoting from a document—which is quite a thick document, as we know—you should actually be able to take the witnesses and the minister to the page.

**Senator HUMPHRIES**—All right, I shall obtain it and I will come back to it.

**CHAIR**—That is what has happened in earlier questioning. We are not dealing here with a single-page document or a couple of pages. We are actually dealing with something which is quite extensive. There is no intention, obviously, to avoid answering the question. It is just that we do not want to have the witnesses spend quite a long time trying to find the relevant page.

**Senator HUMPHRIES**—With great respect, we are about to move off outcome 1 as I understand it. This is the last question in outcome 1.

**CHAIR**—No, there are still a couple of questions left in outcome 1.

**Senator HUMPHRIES**—All right. I will go and get the document and I will return.

**CHAIR**—I think Senator Moore has some questions. Thank you, Senator Moore.

**Senator MOORE**—Mr Tune, I have some very short questions about the costing of election commitments, and I believe that you have put out some public information about your consideration of opposition election commitments, but the two areas I want to talk about are—

**Mr Tune**—Sorry. Just to interrupt you for a moment. It was not I that put that information out.

**Senator MOORE**—No, but in terms of the information—

**Mr Tune**—It was the Independents.

**Senator MOORE**—I know you personally did not put it out, Mr Tune. I apologise if I made that mistake. The two areas I want to look at are the education tax refund and the Pharmaceutical Benefits Scheme. The education tax refund did receive some publicity and I am interested in the expected outcome cost that the opposition put in their commitments and, also, from the consideration that was made, what did the department believe the cost blow-out would be and why?

**Mr Tune**—Yes, the document that was released by Mr Windsor did talk about our view on the education tax refund.

**Senator MOORE**—Yes.

**Mr Tune**—And we costed the opposition's policy at an additional \$235 million over four years.

**Senator MOORE**—Did you indicate why, Mr Tune?

**Mr Tune**—Largely because we used expenditure from the latest household expenditure survey, which broke down education spending, and we thought we had a better handle on the variables in the modelling.

**Senator MOORE**—So it was quality of the data?

**Mr Tune**—Largely, yes. I can read out what we said:

The coalition costed this proposal using assumptions of the increase in the average claim amount stemming from the increased cap on the refund and additional eligible items—

which they had in their policy:

The departments have costed this proposal based on analysis of expenditure on eligible items in the latest household expenditure survey and have not included any increase in the number of claims as a result of the policy.

So it was not so much about saying there was going to be greater take-up. We had not assumed that in the costing vis-a-vis what the coalition had said. It was about how much was being spent on the particular items that would be eligible for the refund.

**Senator MOORE**—And the specific data that you use.

**Mr Tune**—Indeed, yes.

**Senator MOORE**—So that was the explanation around the education tax refund. What about the Pharmaceutical Benefits Scheme, because that received a degree of publicity when that was released.

**Mr Tune**—Yes. The coalition, in their release of 29 August, had suggested there might be greater savings from the changes that the government announced—in fact, the coalition announced, when they were in government in 2007-08—and some continuations of those over the last couple of years, culminating in some further changes around the treatment of manufacturers and wholesales and retailers in the last budget. They thought, based on some studies that had been put out by some academics, I think it was, that there were possibly more savings in that measure than the government had incorporated into the budget papers for 2010-11. We went back and had a look at those numbers and those studies and we came to the view that their claims were already incorporated in the numbers that the government had injected into the budget papers. Therefore, the extra savings were not actually there, yes.

**Senator MOORE**—So, in some sense a double dipping?

**Mr Tune**—A double count, in effect, yes.

**Senator MOORE**—I know that is not a technical term, Mr Tune, but in some ways the initial savings were actually counted twice. That was the assessment that you made?

**Mr Tune**—Yes, a proportion of them.

**Senator MOORE**—So that was the core of the difference there?

**Mr Tune**—Indeed.

**Senator MOORE**—Just one other question, Mr Tune. It is to do with the highly publicised process where the opposition claimed that they had had their promises or commitments audited, in terms of what was done, by an accounting firm. I note that in your annual report you do put in a letter saying how your department's audits operate. Whilst you cannot speak about whatever process an accounting firm used, if you were looking at having commitments audited in that sense in the department, what would be the process be, if you were using the term 'audit'?

**Mr Tune**—If our costs were being audited?

**Senator MOORE**—Yes.

**Mr Tune**—That would probably involve the ANAO having a look at all our models and our assumptions that underlay our costings and verifying them and giving an opinion on them.

**Mr Martine**—If I can just add: one of the key aspects that one looks at when doing a costing is the assumptions, and testing different assumptions and questioning assumptions. So when we get a costing from a department to look at and sign off—and essentially Finance has a role of signing off all costings before they go to government for decision making—we question the assumptions and invariably change assumptions. To us, one of the key aspects of doing a costing is to look at the assumptions, question them and, if need be, come up with different assumptions.

**Senator MOORE**—In terms of challenge?

**Mr Martine**—Yes.

**Senator MOORE**—If I can just use the example, simply because of the term ‘to audit’—

**Mr Martine**—Yes.

**Senator MOORE**—that you have there, that is an independent review and going through with the challenges?

**Mr Tune**—Yes. Our costings are not formally audited.

**Senator MOORE**—No.

**Mr Tune**—But if they were, it would probably go to the ANAO to look at.

**Senator MOORE**—Thank you.

**Mr Tune**—In some ways we are auditing departments’ costings.

**Senator MOORE**—Sure.

**Senator FAULKNER**—Would you consider offering the opposition a tutorial on this?

**Mr Tune**—I am happy to give anybody a tutorial on how we go about it, yes.

**Senator MOORE**—Would that be user pays, Mr Tune?

**Mr Martine**—It would be for the department of finance.

**Mr Tune**—The department of finance, yes.

**Mr Martine**—Just to add to that, both secretaries—of the department of finance and of the Treasury—issue costing guidelines prior to an election being called and those guidelines do outline in part the methodology that we use.

**Senator FAULKNER**—But there is also an opportunity, Mr Martine, for government and opposition to ask questions of agencies and seek clarification et cetera, isn’t there?

**Mr Martine**—There is, yes.

**Mr Tune**—That is a very extensive process.

**Senator FAULKNER**—Yes. So I suppose in a sense this occurs pre election as opposed to post election.

**Senator CORMANN**—You say you would give advice on how these costing guidelines that you have got and the training.

**Mr Martine**—The costing guidelines that are issued publicly by the secretaries is at a very high level, and they go through the methodologies and the process for the formal charter costing process.

**Senator FAULKNER**—Whatever those interactions might be, are there protocols in relation to the level of confidentiality that would exist? Let's say I decided at a Senate estimates committee to ask a whole range of detailed questions about the communications that the current opposition had had with the department of finance. I quickly interpolate here I am not going to do that, but if someone were to do that—or government for that matter—how would Finance react to that sort of approach that might be taken, Mr Tune? Where do you draw the line in terms of what I think is probably an accepted need for a government or alternative government to have a capacity for confidential discussions with an agency?

**Mr Tune**—There are a set of issues there which are quite difficult. Particularly for public servants they are quite difficult and, I think, for governments and oppositions as well. My personal view—and I think it probably is the view of most of my colleagues—is that we work for the government of the day and it is very hard to work for two masters. Some people might argue that, as long as the government of the day gave permission for us to talk to the opposition, that is all okay. You recognise that that happened in very extraordinary circumstances during the caretaker period, and in fact the caretaker conventions needed to be amended and agreed by both sides of politics for us to be able to cost both sides' policies. I readily admit that was a very difficult situation for us that we felt very uncomfortable with as public servants.

**Senator FAULKNER**—It is also an unusual one though, isn't it?

**Mr Tune**—It is extremely unusual.

**Senator FAULKNER**—In the sense that this occurs post election as opposed to pre election.

**Mr Tune**—Indeed. The charter, of course, is intended to try and address the position pre election.

**Senator FAULKNER**—Exactly.

**Mr Tune**—But we were in a post-election situation, so it was difficult. Even if you move outside that period, I still think there are issues around the role of public servants working for the government of the day which create some tensions, and I think there is a distinction between myself or officers from the department of finance doing, putting it in your terms, 'tutorials' for people about how we go about doing costings. That is one thing which I think is a very useful thing to put on the public record for those that are interested, but then to actually do costings and approve costings for other than the government of the day I think puts us in a very difficult position. For that reason, of course, there has been bipartisan agreement that there will be something called the Parliamentary Budget Office, and in fact the government provided some money to the Parliamentary Library in the lead-up to the election to do some costing work. I do not know if it did or not—I have never asked it—but it has now gone further in a bipartisan way around the Parliamentary Budget Office and I think that is probably the way to address it. You still run into issues of expertise. These things are really complicated. Some of the models we use are extremely complicated. Whether even a very

highly resourced Parliamentary Budget Office would be able to replicate the things that we do without us actually having to almost do it for them is very problematic, but that is the way forward I think—at least to explore that opportunity.

**Senator FAULKNER**—That is a very considered answer, I think, to a difficult situation that probably is not contemplated by a lot of the existing guidance we have got, particularly in relation to caretaker conventions and the like. Given that you have provided the committee with such a considered response, has your agency thought at all about whether it is worthwhile raising with the Department of the Prime Minister and Cabinet the adequacy of our current caretaker conventions and guidelines in this rather unique circumstance of post-election consideration of these matters? Have you thought of taking this any further?

**Mr Tune**—I have taken it further and I have had discussions with Terry Moran and Ken Henry about it and we are thinking about the issue. The IGB—the incoming government brief—talks about the possible need to have another look at the Charter of Budget Honesty. There are issues there that we were talking about earlier that create difficulties. My personal view—it is not a government view; it is me as an individual.

**Senator FAULKNER**—I appreciate that.

**Mr Tune**—My view is that it would be useful to review the charter in a bipartisan way and it would be useful to think about that in the context of the introduction of the Parliamentary Budget Office. I think the two things need to be done together.

**Senator FAULKNER**—Do you think you or your agency, or perhaps the central agencies collectively, are likely to brief government about this sometime into the future?

**Mr Tune**—I suspect so. As you know, for the Parliamentary Budget Office the commitment is being given on a bipartisan basis because that will lead into parliament and parliament will actually make the decision about that.

**Senator FAULKNER**—Yes, I appreciate that. Since the development of the conventions we have probably had a set of circumstances arise post the 2010 election that were not contemplated by any of the existing conventions. That is just a fact of life.

**Mr Tune**—It is a fact, yes.

**CHAIR**—Thank you. Questions, Senator Cormann?

**Senator CORMANN**—Thank you, Mr Chair. I only have a few more questions in outcome 1 and then a series of questions in outcome 2. In relation to the incoming government brief, you mention in relation to the Financial Framework Legislation Amendment Bill 2010 that there is an opportunity for the government to reconfirm its support for a strong financial framework, dealing with Commonwealth resources by expanding the definition of ‘proper use’ to include the word ‘economical’. There is reference to ‘economical’. ‘Proper use’ already includes ‘efficient, effective and ethical’. The inclusion of the word ‘economical’, you say, will increase the focus on the level of resources the Commonwealth applies to achieve outcomes, yet when the legislation was reintroduced by the government on 30 September, it did not expand the definition of ‘proper use’ to include ‘economical’. Was that an oversight on behalf of the government, Minister, or is there a reason why you did not follow the department’s advice there?

**Senator Wong**—First, can you refer me? Is it 1.11?

**Senator CORMANN**—It is page 5.2 and the paragraph starts with: ‘Through this bill there is also an opportunity for the government to reconfirm ...’

**Mr Helgeby**—The FFLA Bill—the Financial Framework Legislation Amendment Bill—was introduced in the previous parliament.

**Senator CORMANN**—But it was reintroduced on 30 September.

**Mr Helgeby**—Reintroduced in the form in which it had previously been presented to parliament as a way to ease consideration of it.

**Senator CORMANN**—‘Ease consideration of it’. So it is not actually in the form that you think it should be. Is the government going to move some amendments to effect this change, Minister?

**Senator Wong**—I am just checking if we had introduced it already in the House.

**Senator CORMANN**—Yes, you have, on 30 September.

**Senator Wong**—Yes, in the same form. If there are amendments moved, obviously the government will always consider them.

**Senator CORMANN**—But the government is not going to move the amendment to give effect to the recommendation of the—

**Senator Wong**—I think the evidence has already been given that it has been introduced in the same form.

**Senator CORMANN**—What is the reason that the government did not take that advice to include the word ‘economical’, Minister?

**Mr Mowbray-d’Arbela**—Perhaps I can answer. The process in relation to reintroducing the Financial Framework Legislation Amendment Bill required a consultation process with ministers, and that potential change would have required a far broader consultation process than would have been appropriate in the time frame.

**Senator CORMANN**—To add the single word ‘economical’ would have required a significant consultation process across the whole of government?

**Mr Mowbray-d’Arbela**—Correct, because it relates to the agencies—

**Senator CORMANN**—The wheels of government.

**Mr Mowbray-d’Arbela**—across the Commonwealth under the Financial Management and Accountability Act.

**Senator CORMANN**—So is the bill that was introduced on 30 September exactly the same bill as the one that was introduced before the last election? I understand it is not.

**Mr Mowbray-d’Arbela**—The only two changes were, firstly, that the Trade Practices Act 1974 will be changing its name to the Competition and Consumer Act 2010 and, secondly, a change made in relation to the Australian Wine and Brandy Corporation. So the only changes that were made were because, in the passage of time, other legislation had commenced, so the bill had to reflect changes in other legislation.



**Senator CORMANN**—So it was easy to make changes to names of legislation but it was not easy to add the word ‘economical’. What is it about the word ‘economical’ that requires a round of consultation?

**Senator Wong**—If I could give you a bit of a process answer so you get the context, technical changes to bills which have already received government approval do not generally have to go through the process of consultation with relevant portfolios. If there is a change which is in fact essentially giving a different effect, or a policy change that is given effect through a change to a bill, that would require consultation with relevant portfolios.

You might also be interested to know that, as I recall, the FMA Act, including the definition of ‘proper use’, was introduced by your government, and at no point did the word ‘economical’ enter the lexicon in the context of this definition. Having said that, as I have said to you, if you wish to move that amendment, the government will consider it, as with any other amendment on the floor of the parliament.

**Senator CORMANN**—Of course, in that case you will have to consult with all your various colleagues in other departments to—

**Senator Wong**—I handled quite a lot of legislation in my previous portfolio. Some has passed; some has not. Yes, we do have to consult and we try to do it rather quickly, as you know, particularly in the Senate.

**Senator CORMANN**—So wouldn’t it have been preferable to do that before you reintroduced the legislation? This is the first piece of legislation, essentially, that you have introduced as the minister.

**Senator Wong**—Mr Gray obviously introduced it to the House.

**Senator CORMANN**—On your behalf.

**Senator Wong**—True.

**Senator CORMANN**—You would have given the authority for it to be introduced.

**Senator Wong**—I am not in the House of Representatives. This was the legislation the government introduced. If you wish to move an amendment, Senator—your party or any other party—you can.

**Senator CORMANN**—Perhaps Mr Tune can assist me then. I take on your challenge, Minister, and will consider that. Mr Tune, why does the Department of Finance and Deregulation think that the inclusion of the word ‘economical’ is important?

**Mr Tune**—As it says in the brief, it could increase the focus on the level of resources the Commonwealth applies to achieve outcomes.

**Senator CORMANN**—Can you expand on that a bit. That is a rather concise way of providing a justification. Why is that necessary?

**Mr Tune**—I will hand it over, I think.

**Mr Helgeby**—It adds a degree of clarity to the meaning of ‘proper’. ‘Proper’ at the moment is understood to mean ‘efficient, effective and ethical’. There is an opportunity to

extend that definition in a way that will be useful to the Public Service in interpreting the legislation.

**Senator CORMANN**—In terms of the Public Service interpreting legislation—exactly. As the department responsible for fiscal rigours and ensuring that other departments comply with all the necessary rigours, you want to send a bit of a message or make it clearer to these departments that a proper focus on the level of resources the Commonwealth applies to achieve outcomes beyond what is the case at the moment is necessary. Is that correct?

**Mr Helgeby**—The text in the incoming government brief is short but I think it is clear.

**Senator CORMANN**—It is self-explanatory?

**Mr Helgeby**—Yes.

**Senator CORMANN**—Which departments do you think particularly need that message?

**Mr Helgeby**—It is not a comment about departments in particular; it is a comment about the framework.

**Senator CORMANN**—You must have a level of concern that there is an insufficient focus on the level of resources the Commonwealth applies to ensure outcomes. That is self-evident. If you want to strengthen the focus, presumably the thing is insufficient.

**Senator Wong**—You have done this a fair bit in terms of the IGB, and you can make comment about what Finance has said—that is your right—but I do not think that persistently putting to people what they must have thought in order to give the advice is particularly helpful. There has been a consistent approach. Certainly one of the many good things that Lindsay Tanner did was to consistently improve the federal financial framework in all of its aspects over a number of years, building on some work which had been done previously, and obviously Finance has consistently sought to advise governments of both political persuasions to do so.

**Senator CORMANN**—It seems to me, Minister, that the department realises that your government has been wasteful with taxpayers' money across the range of departments and that there is a need to be more focused on an economical use of Commonwealth resources.

**Senator Wong**—Would that extend to you getting your costings right too, Senator?

**Senator CORMANN**—No. Were there any discussions with the government, after the incoming government brief was provided, about whether the word 'economical' should or should not be included in the legislation?

**Senator Wong**—You are really asking people about advice to government.

**Senator CORMANN**—No, I am not. I am asking about the existence of advice, not the content.

**Senator Wong**—I meet with officials from Finance regularly and a whole range of issues are discussed, and I am not going to go into that.

**Senator CORMANN**—There was a conscious decision, then, not to include the word 'economical' in this legislation?

**Senator Wong**—You have been given an explanation from the officials about the timing constraints. As I said to you, I think this is the seventh bill in this area—the seventh of the FFLAs—since 2004.

**Senator CORMANN**—Sure.

**Senator Wong**—So there is a regular process of revision and improvement. If you wish to take a bipartisan approach to this, we would certainly be happy to have the discussion.

**Senator CORMANN**—Sure, and no doubt there will be an opportunity for this. This is a different area now but still outcome 1: can the department explain and perhaps give us a bit of detail on how you make a decision as to whether a body is subject to the FMA Act or the CAC Act.

**Mr Mowbray-d'Arbela**—A policy was published by the then Department of Finance and Administration in August 2005. It is called Governance Arrangements for Australian Government Bodies and it steps through a number of protocols. It commences with the suggestion that a new activity should initially be within an existing department or body.

If there is a rationale to set up a separate body, the starting point is to look at the Financial Management and Accountability Act, and then some factors are added to this consideration in relation to the Commonwealth Authorities and Companies Act—the CAC Act—and those primary considerations are whether there would be benefit in the organisation holding money on its own account outside the consolidated revenue fund and whether it would benefit from having a group of people running the organisation as a governing board subject to similar directors' duties as apply to companies under the Corporations Act, and those similar duties appear in the Commonwealth Authorities and Companies Act.

We step through those issues and look at the potential activity of the body, generally with a view to not exacerbate a proliferation of bodies and to get the governance right, but I would say that these are not objective black-and-white matters. They are matters of discretion and policy judgments and depend on what the body is doing at the time.

**Senator CORMANN**—Obviously there was a decision made to move the Australian Law Reform Commission from the CAC Act to the FMA Act. What was the context there?

**Mr Mowbray-d'Arbela**—That would be again, quite simply, the application of the policy I just described. In that context the collective decision making of the Australian Law Reform Commission was seen as more related to their statutory task as opposed to needing to be focused on the governance of the commission itself.

Secondly, there were other aspects of the act for the Australian Law Reform Commission which had been identified by the Attorney-General's Department, by ourselves and by the commission itself whereby it would be seen to be worthwhile to review that legislation. In reviewing that legislation, the view is that we could still retain the independence and the unique features of the Australian Law Reform Commission whilst moving it out of a director's duties environment and into the Financial Management and Accountability Act.

**Senator CORMANN**—How often do you make these sorts of decisions? Does this come up often or is that exceptional?

**Mr Mowbray-d'Arbela**—It is what we do. It is our work. We look at the way the bodies are working, the issues and where they are placed, and it is a case-by-case issue.

**Senator CORMANN**—On how many occasions a year? I am not pinning you down to a specific number, but is it one, two, five, 10? I am just trying to get a sense of it.

**Mr Mowbray-d'Arbela**—There is an ongoing conversation in relation to governance of bodies across the Commonwealth.

**Senator CORMANN**—How many would you have done over the last 12 months to shift it from the CAC Act?

**Mr Mowbray-d'Arbela**—The shifting would require an act of parliament, so that is where we look at the financial framework legislation acts, or there was the Treasury omnibus bill which moved the Australian Accounting Standards Board and the Australian Prudential Regulatory Authority and ASIC, for example, across from the CAC Act to the FMA Act.

**Senator CORMANN**—The reason I am asking is that in the Financial Framework Legislation Amendment Bill, apart from indicating there is a preference for having bodies subject to the FMA Act, there are no real explanations as to the reasons for such movements. You have gone through it to a certain degree. Does it always go one way?

**Mr Mowbray-d'Arbela**—No. The detail is in this governance policy that I mentioned which, as I said, was published by Finance in August 2005.

**Senator CORMANN**—So this is still working its way through the system since then?

**Mr Mowbray-d'Arbela**—That is right.

**CHAIR**—Do we have any more questions for outcome 1?

**Senator HUMPHRIES**—Yes, I do. Minister, I have found the errant page that we were looking for. It is 'Budget—3.3'. You will be surprised to learn it is the very first sentence under the heading 'Budget savings process and possible options'. You will see that it refers to the need to supplement or complement the government's fiscal strategy with additional savings. Then it goes on in the course of that page to describe what they might be. My question previously about the likelihood of the government maintaining its strategy of not implementing efficiency savings with job cuts is prompted by the second dot point on that page where it says:

Improve efficiencies and reduce duplication - through gaining administrative improvements (staffing restructures and cuts, application of efficiency dividends) ...

Presumably that means increased efficiency dividends beyond those already applied. What I am seeking from you, Minister, is an affirmation of the commitment that you were very enthusiastic as a party to give during the election campaign when you were seeking to gain votes, particularly in this territory, and affirm that your strategies do not involve job cuts.

**Senator Wong**—It is a rather long bow. You have asked me questions about what you are calling 'the strategy'. That is the statement that was made during the election. We believe the efficiency dividend can be implemented in the way that is outlined.

**Senator HUMPHRIES**—But will it be?

**Senator Wong**—As I indicated to you and as you know, the devolved arrangements under the financial framework mean that agencies are responsible for implementing government policy and, in this context, the efficiency dividend and that will be a matter for agencies. In relation to this, you have not been here for some of the discussion, but you may have been glued to your television set. As I have said on a number of occasions, this is advice that was provided to me as the incoming minister by the department. It is not government policy. It is an indication of the advice from the department of finance to the incoming minister.

**Senator HUMPHRIES**—Yes, I understand all of that. If the departments devolved the task of implementing government decisions such as efficiency dividends, on what basis did your predecessor make the commitment that an efficiency dividend, and in fact an enlarged efficiency dividend, would be achieved without resorting to job cuts?

**Senator Wong**—Presumably on the basis of his view of the policy, but I have to say that is an interesting question from somebody who, fighting an election campaign, put forward a higher—that is, a more significant, a larger—efficiency dividend and a recruitment freeze.

**Senator HUMPHRIES**—I am not rearguing the election campaign, but I am—

**Senator Wong**—No, Senator, do not get on the high horse with me around these sorts of commitments when your party—and you, as a senator from this territory, perhaps might have said something—went to an election campaign with a far more severe set of policies in relation to the people who elect you.

**Senator HUMPHRIES**—Perhaps the difference between your party and my party—

**Senator Wong**—Is we got our costings right.

**Senator HUMPHRIES**—is that we have been honest about what we were going to do and you have not.

**Senator Wong**—No. Perhaps it was also that we got our costings right.

**Senator HUMPHRIES**—You said that there would be no job cuts. Now you are taking great pains to avoid repeating—

**Senator Wong**—I have repeated it.

**Senator HUMPHRIES**—a claim that you made and your party made enthusiastically in the weeks leading up to the election. I am simply asking you to repeat and affirm your election commitment that you would not make job cuts a part of efficiency dividend savings. Can you make that commitment or can't you?

**Senator Wong**—I am just trying to find the election media release. I have referenced efficiency gain. I can confirm that the media release put out jointly by Mr Swan, Mr Tanner and Mr Bowen said, 'Efficiency gains will be realised without resorting to job cuts. That remains the government's strategy.' What I have also said to you is, as you know, the arrangement under which agencies operate is that the decision about how to implement an efficiency dividend is devolved to them.

**Senator HUMPHRIES**—Does 'that remains the government's strategy' mean that the government stands by that?

**Senator Wong**—Senator, we can do this all night long.

**Senator HUMPHRIES**—We could.

**Senator Wong**—I am not going to change the way I answer the question. I will refer you to my previous answer.

**Senator HUMPHRIES**—Thank you very much, Minister. Thanks, Mr Chairman.

**CHAIR**—Thank you, Senator Humphries. Any further questions in outcome 1? Particularly, has anyone got any questions on 1.2, Public sector superannuation? No. 1.3? Last formal call. Outcome 1. Nothing left? Okay. Outcome 2?

[8.51 pm]

**CHAIR**—We are now on Outcome 2—AMPS, FMG and AGIMO.

**Senator ABETZ**—What amount was budgeted for the government's campaign to promote the resource super profits tax?

**Mr Helgeby**—Questions about individual campaigns are really best directed to the individual department. The question of the budget for that campaign is a question for Treasury.

**Senator ABETZ**—You are not able to tell us how much was allocated, to the best of your knowledge?

**Mr Helgeby**—The budget papers contained a figure for tax reform as a whole, but you are talking about a specific element, which we do not have the detail on that.

**Senator ABETZ**—What other tax reform was going to be promoted?

**Mr Helgeby**—It is a question best directed to Treasury.

**Senator ABETZ**—But don't you coordinate the advertising? How many advertising campaigns dealing with tax reform were you asked to undertake?

**Mr Tune**—The whole tax reform campaign was stopped, then cancelled, and the money taken out of the budget.

**Senator ABETZ**—What amount was budgeted for the government's campaign to promote that particular resource super profits tax and, if it was just for tax reform, can you tell us what other tax reform advertising campaigns were you working on?

**Mr Tune**—So \$38.5 million was allocated for advertising around tax reform in the budget.

**Senator ABETZ**—Yes.

**Mr Tune**—We will have to find out how much was actually spent before it was stopped.  
**Mr Helgeby**—The full-year report of campaign advertising by Australian government departments and agencies provides a figure of \$7.2 million as the spend on tax reform.

**Senator ABETZ**—Thank you. That pre-empts question number 2.

**Mr Tune**—That document was tabled in parliament—

**Senator ABETZ**—Yes, but the \$38.5 million was for tax reform.

**Mr Tune**—That is my understanding and recollection of it, yes.

**Senator ABETZ**—And tax reform, to your understanding, was the resource super profits tax, or were there other—

**Mr Tune**—No. There were obviously other elements in the government's announcement around tax reform.

**Senator ABETZ**—So what other elements of tax reform, apart from the resource super profits tax, had you been asked to get advertising on?

**Mr Tune**—There were some generic ads around the elements of tax reform that I recall seeing in newspapers, but most of the advertising was around the resource tax, yes.

**Senator ABETZ**—So the money that remains unspent went back into the budget—

**Mr Tune**—Correct.

**Senator ABETZ**—or back to consolidated revenue. So the status of the advertising campaign is abolished, is it?

**Mr Tune**—Correct, yes, and the pull-back of the money that you mentioned was in the PEFO, pre-election fiscal outlook.

**Senator ABETZ**—Minister, are you aware of its likelihood of reactivation by way of government decision?

**Senator Wong**—No, I am not.

**Senator ABETZ**—All right, if you could take that on notice for me, that would be helpful. How much has Shannon's Way been paid for its work on the RSPT advertising campaign? They were the successful bidder for this job?

**Mr Helgeby**—I refer back to the full-year report. Page 37 gives a figure of \$1.389 million for payments to Shannon's Way.

**Senator ABETZ**—Are we also told that there is a \$2.4 million contract with Shannon's Way, which runs from May 2010 to May 2011?

**Mr Grant**—I am not sure if you are referring to something that was on AusTender. The advice that we have—and it is published in the full-year report—is that the contract value is \$2.182 million.

**Senator ABETZ**—What has been the value of the work completed?

**Mr Grant**—As Mr Helgeby said, the amount paid to the end of the financial year was \$1.389 million. I do not have any later figures.

**Senator ABETZ**—\$1.389 million, out of the \$2.182 million?

**Mr Grant**—That is correct.

**Senator ABETZ**—Excellent. Thank you for sorting out that confusion for me. So there is no work outstanding in relation to Shannon's Way because the campaign has been cancelled. Is that right?

**Mr Grant**—Not that we are aware of.

**Senator ABETZ**—Has Shannon's Way been paid any compensation or extra moneys for the campaign being pulled?

**Senator KROGER**—Default fees.

**Senator ABETZ**—Default. Thanks, Senator Kroger.

**Mr Helgeby**—That is a question you would have to direct to Treasury. We would not be aware of that.

**Senator ABETZ**—I will ask Treasury. Thank you. You tell me that the Shannon's Way contract was a \$2.182 million contract for the provision of creative agency services that was awarded by a select procurement method. That is correct?

**Mr Grant**—I assume so, yes. I am not sure that my report says how it was selected, but it was—

**Senator ABETZ**—Could you please take that on notice just to confirm that, please.

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

**Senator ABETZ**—Then, if you are not sure of that, undoubtedly you will need to take on notice whether the mandatory procurement procedures in relation to select tendering processes were followed.

**Mr Grant**—I will take that on notice as well.

**Senator ABETZ**—Thank you very much. Was Shannon's Way on the existing Communications Multi-Use List, the CMUL?

**Mr Grant**—Yes.

**Senator ABETZ**—How many other agencies on the CMUL were approached for this campaign?

**Mr Grant**—Again, the full-year report provides that information, and there were five consultants invited to tender.

**Senator ABETZ**—When did Shannon's Way first get on to the Communications Multi-Use List?

**Mr Grant**—I would have to take that on notice.

**Senator ABETZ**—If you could. Did Shannon's Way win this advertising contract based on best price?

**Mr Grant**—You should ask the Treasury that question. They undertook the selection process.

**Senator ABETZ**—Therefore, experience et cetera would be for Treasury as well. Who finally recommended or decided that Shannon's Way should be given the contract? That should also go to Treasury. Is that correct?

**Mr Grant**—Yes.

**Senator ABETZ**—Thank you for that assistance. What due diligence does the department do on the ownership and finances of advertising agencies before admitting them to the Communications Multi-Use List or giving them contracts?

**Mr Grant**—To be on the Communications Multi-Use List businesses have to sign off on their financial viability; they have to sign off on holding appropriate insurances, so it is



actually a director or an office-holder's signature that is required for that. In terms of the areas of their expertise, they need to provide references for those areas of expertise, and people in my division go and check those references. The other thing with the multiuse list is that the membership of the list is reviewed annually. So our objective is to keep up to date with both the viability and capability of the business.

**Senator ABETZ**—Rather than make the assertion, could I ask you to take on notice and check for me whether the ABN 44 827 767 097, given for Shannon's Way Pty Ltd on the CMUL and for the contracts the federal government has awarded this agency, is—it has been suggested to me—actually the ABN of the William Shannon Family Trust, which trades simply as Shannon's Way? If you could do that; I do not want to make that assertion.

**Mr Tune**—Is this in distinction to Shannon's Way Pty Ltd?

**Senator ABETZ**—Exactly. Then, if that is the case, I want to know what due diligence the department does to check these things out because it could be asserted that Shannon's Way misleadingly indicates the government is dealing with a corporation rather than a family trust.

**Senator Wong**—I think your question goes to the tender process and the picking of whether or not the right corporate entity was contracted with et cetera? I am not trying to be difficult. If that is the case, that part of this discussion is really something Treasury would deal with. This department is not going to be party to the decision to award a particular advertising contract.

**Senator ABETZ**—Mr Tune, who is responsible for maintaining the Communications Multi-Use List CMUL?

**Mr Tune**—We are.

**Senator ABETZ**—Given that the department is responsible for the list, I assume it is also responsible for the integrity of the list.

**Mr Tune**—That is correct.

**Senator Wong**—We will deal with it. We will deal with whichever aspect falls within this portfolio. Otherwise, there are issues you would have to raise with Treasury.

**Senator ABETZ**—It is quite clear that I am asking about the CMUL, the listing and the integrity of the factual information on that listing, which is published; and that is all within the province of this department and I think we have answered that. Is that right, Mr Tune? That is the responsibility of your staff?

**Mr Tune**—Yes, we will check that for you. To the extent that it applies to the CMUL, that is fine.

**Senator Wong**—That was my point. That was the only point I was making.

**Senator ABETZ**—The list is kept by the department. Let's get that clear. Yes?

**Senator Wong**—Yes, we have acknowledged that.

**Senator ABETZ**—Thank you. So when money is being paid to various—I will not say companies—entities on the CMUL, the various departments would rely on that list as being correct as to when they make their payments to the various entities?

**Mr Grant**—I would think that is a fair assumption.

**Senator ABETZ**—I assume Shannon's Way has never disclosed to the government its desired method of payment or anything like that?

**Mr Grant**—I am sorry, I do not quite understand the question. As you would be aware, government pays on receipt of bills.

**Senator ABETZ**—Yes.

**Mr Grant**—They verify that the account is correct and then they pay the money, so I am not sure—

**Senator ABETZ**—Do you do that or is that the various departments?

**Mr Grant**—That is each department entering into the contract.

**Senator ABETZ**—So in relation to this particular one, I should be asking Treasury as to who actually got paid. Is that correct?

**Mr Grant**—That is right.

**Senator ABETZ**—Thank you for that. Is the department aware of whether or not the William Shannon Family Trust has any beneficiaries which are corporate beneficiaries? Have you undertaken any of that sort of detailed research?

**Mr Grant**—I will have to take that on notice.

**Senator ABETZ**—All right, thank you. I assume, in fairness to the department, that if an entity comes to you, providing you with a company name and an ABN, you accept that at face value?

**Mr Grant**—I would expect that we would check the ABN and match it with the company, but again I will take that on notice.

**Senator ABETZ**—If you could check as to whether you did that; because if you did it and it is the ABN for Shannon's Way Pty Ltd, then clearly the information I have been provided is incorrect. If the ABN matches the Shannon Family Trust, that will be revealed by that check. Is the department aware that there is actually another company called Shannon's Way Pty Ltd, which appears to have an ABN, of which Bill Shannon is the sole director and shareholder?

**Mr Grant**—Once again, I will take that on notice.

**Senator ABETZ**—Thank you very much. Similarly then if you can take on notice whether or not the company Shannon's Way Pty Ltd is a corporate beneficiary of the William Shannon Family Trust, and if these things are found to be correct—and it is an 'if' and a supposition only—will the department correct its website in relation to its CMUL listing of Shannon's Way?

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

**Senator ABETZ**—Thank you very much.

**Senator CORMANN**—Can you confirm as to whether the spending associated with the National Broadband Network totalling \$18.3 billion over the forward estimates is included in

the government's commitment to have real spending growth capped at two per cent until the surplus has reached one per cent of GDP?

**Mr Tune**—The two things are quite separate. The \$18.3 billion is an equity injection into NBN and therefore does not hit the budget bottom line, the underlying cash balance, so they are two quite different things.

**Senator CORMANN**—We had a discussion at the last estimates about what the decision-making process is as to when it is an equity injection and when it is spending. If it were included, what per cent of real spending growth would the government be spending over the forward estimates?

**Mr Tune**—It is a hypothetical question. It does not occur. The only impact it can have is if the equity that is injected into NBN is borrowed and there is a public debt interest impact.

**Senator CORMANN**—So equity injections are excluded. Are there any other forms of government spending which are not included in the government's real spending growth cut?

**Mr Tune**—Government guarantees which may come to pass, may not.

**Senator CORMANN**—Yes.

**Mr Tune**—They go into the contingent liabilities and the statement of risks in the budget. They do not hit the bottom line either, unless they are realised, in which case they do.

**Senator CORMANN**—In fact, probably anything in the contingent liabilities would do?

**Mr Tune**—Yes, that is correct. If it comes to pass, it will have an impact.

**Senator CORMANN**—Minister, on a number of occasions your colleague Minister Conroy has stated that the government's contribution to the National Broadband Network is in fact not \$43 billion but more like \$26 billion. I quote from Senator Conroy on 29 September this year: 'According to the Implementation Study, NBN Co will generate sufficient earnings by the end of year 7 so that the investment required by Government will peak at \$26 billion, of which \$18.3 billion will be required over the next four years.' Yet in a television advertisement recently released, the voiceover states, 'The Australian government is investing up to \$43 billion in the National Broadband Network over four years.' Minister, is the government investing \$43 billion or \$26 billion into the National Broadband Network?

**Mr Tune**—When the government announced the Broadband Network a bit more than a year-and-a-half ago, the estimate was that up to \$43 billion would be the cost of constructing it. A lot of things have happened since then. One is that there have been discussions with Telstra around access to Telstra's copper wires. There has been a heads of agreement which now needs to be finalised. It is not yet signed in blood, but that would reduce that \$43 billion because you are utilising Telstra's existing ducts to take the fibre through; that is one possibility. That reduces the construction cost. That is on the spending side.

On the financing side, the implementation study said that the government should provide funding to NBN in the initial years in the form of equity, and over time it should take on private debt. So NBN Co. would raise debt in the private market in the same way as other corporates do and that would assist it in the build costs and the operating costs. Then, once the network was fully built, you would think about getting some private equity into it. So up to

the \$43 billion is the sort of construction side of the equation and then you have the financing side, which is made up of \$18 billion in equity injections over the forward estimates and \$26 billion over a 10-year period, and the rest—whatever the gap is—coming from private debt.

**Senator CORMANN**—Is that a very long way of saying that 18 months ago you thought it might be \$43 billion and now you know that the government investment is going to peak at \$26 billion, which is what Senator Conroy said?

**Mr Tune**—Yes.

**Senator CORMANN**—Then why can there be this assertion in government advertising—and I quote from the voiceover:

The Australian government is investing up to \$43 billion in the National Broadband Network over four years.

In fact, the government is not investing up to \$43 billion in an NBN network, is it?

**Mr Tune**—In terms of what it may cost to do that network—

**Senator CORMANN**—That is not what it says. It says:

The Australian government is investing up to \$43 billion ...

Your lengthy explanation very clearly says that it is not investing up to \$43 billion. It may cost up to \$43 billion, but the government investment peaks at \$26 billion. Isn't that a breach of the government's guidelines on information and advertising complaints by the Australian government—which I think you are responsible for, aren't you?

**Mr Tune**—Yes. I do not know if it is a breach or not. I would have to take that on notice and have a look at it. I do not have the ads in front of me.

**Senator CORMANN**—If you could review the advertisement—

**Mr Tune**—Will do.

**Senator CORMANN**—I am sure you would be aware of the guidelines, including the reference:

Where information is presented as a fact, it should be accurate and verifiable—and various other relevant parts of the guidelines.

**Mr Tune**—I will have a look at the consideration that the ICC—the Independent Communications Committee—gave to that particular campaign and take it on notice.

**Senator CORMANN**—Okay. The minister for finance made a number of comments relating to the budget treatment of the NBN in the press conference announcing the release of the implementation report. That was Minister Wong's predecessor; I just clarify that. In particular, I draw your attention to the then finance minister's claim that the implementation study:

... confirms that the government contribution is an investment and not a grant—and we have just had that discussion—

because it will be earning a return, and the government will get its money back, it is to be accounted for as an investment, and is therefore on the capital side of the Budget, and it's not recurrent spending ... it cannot be converted into spending without hitting the recurring spend bottom line.

The budget papers provide that the government is treating NBN Co. as a public non-financial corporation under the government finance statistics. That is right, isn't it?

**Mr Tune**—That is correct.

**Senator CORMANN**—Can you remind us what criteria a government business enterprise must satisfy to be categorised in this way.

**Mr Tune**—I think I still have the experts on the financial management side here. Yes, they are coming back.

**Senator CORMANN**—That is actually related to outcome 1, is it?

**Mr Tune**—No, it is a mix. NBN cuts across a number of areas in the department, so you are in the right space. This particular issue is a definitional issue around financial management. I might get Ms Hall to start the explanation and then perhaps the financial people might be able to supplement it.

**Senator Wong**—Senator, could you possibly, for the officers, repeat the question. Thank you.

**Senator CORMANN**—Yes. Essentially, I am interested in what criteria a government business enterprise must satisfy to be categorised in this way.

**Senator Wong**—As a GBE?

**Senator CORMANN**—As a GBE.

**Ms Hall**—The ABS is responsible for classification of entities as PNFCs. There are three criteria: (1) the entity needs to have a legally separate identity to the Commonwealth; (2) it has to be operating in a market; and (3) it has to be charging economically significant prices.

**Senator CORMANN**—The government's position is that, because its investments in NBN Co. are reasonably expected to return—and we have had this discussion in the past, but I want to go into the updates on it—at least the government bond rate over the long term, this funding is treated as off budget. That is the reason for it?

**Mr Tune**—That is correct.

**Senator CORMANN**—Can you give us any indication on the time horizon that the government considers or that the department considers when making this decision? Presumably you make a recommendation to government as to how it should be treated.

**Mr Tune**—I do not know if Ms Hall mentioned this, but it is for the ABS to determine the status. They will determine that and put it into the government after taking advice—

**Senator CORMANN**—Taking advice?

**Mr Tune**—Taking advice on the structure and all the things that we have been talking about.

**Senator CORMANN**—But you provide only input.

**Mr Tune**—They would ask us for our view and we would provide some information to them, but ultimately it is for the ABS to decide this case or the government financial statistics—

**Senator CORMANN**—I remember now, yes. So the ABS makes a decision, but you provide them all of the advice as to what your expectations are as to whether or not there is going to be a return and they—

**Mr Tune**—And they take account of that. So, when they are looking at it at the moment, they would be looking at the implementation study and what is being said in the implementation study.

**Senator CORMANN**—But they would be taking our word for it, essentially—or do they make their own inquiries?

**Mr Tune**—They can do whatever they like.

**Senator CORMANN**—If something emerged to give reasonable doubt that a project would make such a return as to get it under this categorisation, what would happen? Who would initiate it? Is it the ABS that would take the initiative?

**Mr Tune**—If the ABS came to that view, yes, that would change things.

**Senator CORMANN**—Is that something that you could proactively initiate if you came to that view?

**Mr Tune**—I guess we could provide information to them, but ultimately it is their decision, as I said.

**Senator CORMANN**—But what would happen to the budget treatment of that investment? If all of a sudden it becomes clear that there is not going to be a return, as you expected, and it ends up losing money, what happens to the budget treatment of all money expended up until that time?

**Mr Tune**—If you get to a hypothetical situation like that, yes, you would need to change the budget treatment. But at the moment it is based on the implementation study that suggests that it meets the criteria.

**Senator CORMANN**—How often do you review your determination that a project is going to make a return and therefore should be kept off budget? Have you got a regular interval where you make these sorts of evaluations?

**Mr Tune**—I do not think we do that formally, but obviously we monitor the profitability and returns on all the GBEs that report to government. We have talked about a number today: Medibank Private, Australia Post et cetera. That is a constant monitoring job that we undertake in the department on behalf of the shareholder ministers.

**Senator CORMANN**—Sure. I have some questions that—

**CHAIR**—Just before you proceed to that, we are due to have a short break now. Can you indicate if you are likely to finish on outcome 2 in the next—

**Senator CORMANN**—I have probably got another 10 minutes.

**CHAIR**—I think we will finish outcome 2 and then have a break. Then we can go to the Electoral Commission. Sorry—outcome 3. Let's finish outcome 2 and then have a short break.

**Senator CORMANN**—I refer to the incoming government brief, page 1.14, relating to GBE governance, where you say:

There is a strong case to update and strengthen the arrangements which set out the relationship between the Government and its Government Business Enterprises—

such as NBN Co., Medibank Private and Australia Post. It also refers to the review of the GBE guidelines by Finance, which notes:

The key areas identified for updating reflect a need for greater transparency and accountability in the governance of the GBEs and to incorporate changes in the best practice models from overseas and in the private sector which have evolved since the current Guidelines were released.

Could you outline for us the areas in which the current arrangements are seen as deficient?

**Mr Edge**—The guidelines have been in place in their current form for quite some time—in fact, since 1997. There has been some work done by the department in terms of how the guidelines have operated over an extended period. Broadly, the department's view is that the guidelines have operated effectively but, with any longstanding framework, there is a requirement for reviews from time to time.

In terms of our current work, we are looking at all aspects of the framework to make sure that it reflects contemporary best practice. I do not think we would have a view that any area of the guidelines has been deficient, but we are looking at them in a contemporary context and ascertaining where they might be reviewed or where they might be changed.

**Senator CORMANN**—In the contemporary context then moving forward, which areas have been identified as in need of improvement?

**Mr Edge**—In terms of the review work that is under way, I would say from the department's perspective that is still a work in progress. We are not at the point where we would be forming views about any areas of the guidelines that are deficient or require improvements. We are basically looking at a process of review and consultation within government as to what areas might warrant a change.

**Senator CORMANN**—Sorry, a work in progress? I cannot really accept that, because what is said in your incoming government brief is 'the key areas identified for updating'. To me, that does not sound like work in progress; that sounds like areas that have been identified for updating. The specific question is: what are the key areas that have been identified for updating?

**Mr Tune**—As I think was explained, this act has been in place since 1997.

**Senator CORMANN**—I am not being critical.

**Mr Tune**—No. We have come to the view that, with both the FMA Act and the CAC Act, it is probably now an appropriate time to have a look and see if they meet modern criteria. One of the issues around that is governance—the structures of the boards, the membership of the boards, the relationship between the boards and the CEOs. We need to go back and have a look at that, and we do not have a preconceived idea about what the right answer is. We just think there has been movement in the private sector in these areas over time and we need to

be cognisant of that and look at what we have got in terms of corporate governance and whether we need to modernise and so on.

**Senator CORMANN**—So what you have identified is not so much the improvements; you have just identified the areas you want to look at.

**Mr Tune**—Yes, the sorts of things we can see have been happening in the private sector, and they give you a clue as to whether there is a need to look at it in the context of a public sector GBE.

**Senator CORMANN**—So it could well be that it is all good the way it is?

**Mr Tune**—It could be. I would have my doubts, mind you.

**Senator CORMANN**—Sorry?

**Mr Tune**—I would have my doubts. If the act has been in place for 13 years, I doubt it is totally modernised.

**Senator CORMANN**—The fact that you have identified key areas for updating suggests to me that you have some specific concerns about some specific areas.

**Mr Tune**—It is around those areas of governance that I was talking about.

**Senator CORMANN**—Any of these areas of governance?

**Mr Tune**—Yes.

**Senator CORMANN**—Are there any specific examples which have led you to this conclusion that there is a need for updating?

**Mr Tune**—No, not necessarily. It is just this view that we have that, with a 13-year-old act, it is now appropriate to go back and reassess. It is just good practice, basically.

**Senator CORMANN**—Sure, but there is a passage there about things that need to be done to bring those guidelines into line with the highest international standards, and there is a passage in this section which has been blacked out. Can you explain why that passage was blacked out?

**Mr Tune**—No, I cannot.

**Senator CORMANN**—Can you take on notice as to why it was blacked out?

**Mr Tune**—It is blacked out. I cannot divulge what is in it.

**Senator CORMANN**—I am asking you for the information. There is an order which the chair very generously raised earlier when we started this hearing. So if you do not want to provide the information, because the committee no doubt has asked for it, can you provide us with a statement of what public interest immunity you are claiming and why it is not in the public interest—

**Mr Tune**—I will take it on notice.

**Senator CORMANN**—Thank you, that is great.

**Senator Wong**—Are you going to want him to do this with everything? I mean, seriously, Senator!



**Senator CORMANN**—No, only with things that I think it is important for us to know and he is not prepared to answer.

**Senator Wong**—This is a disclosure far greater than occurred previously.

**Senator CORMANN**—Sure.

**Senator Wong**—I think the evidence was previously—it certainly is within the public statement—that the department made a judgement about what was FOI-able and what was not and acted accordingly.

**Senator CORMANN**—Senator Wong, I know that you have gone through your incoming government brief, as you shared with us earlier, and you have seen the whole area, including the area which has not been blacked out. From your point of view, what are the areas that are deficient and the key areas which you think need to be improved to bring us back to international best practice?

**Senator Wong**—I think that Finance has sensibly advised on a range of fronts the importance of the principle of continuous improvement in governance and financial frameworks, and I think it is sound advice and we will consider that advice.

**Senator CORMANN**—As the finance minister, now the shareholder, Minister, what is your level of engagement and interaction with NBNC Co and its subsidiary, the Tasmanian NBNC Co?

**Senator Wong**—What do you mean?

**Senator CORMANN**—Do you have regular shareholder meetings?

**Senator Wong**—In the period that I have been minister?

**Senator CORMANN**—Yes.

**Senator Wong**—I have met with NBNC Co, yes.

**Senator CORMANN**—Is that going to be a regular arrangement?

**Senator Wong**—It is my intention to ensure that I engage as appropriate. Obviously Senator Conroy has, in many ways, the lead role in relation to this policy area. But, as you correctly identify, as a shareholder/minister, I have an interest or the portfolio has an interest.

**Senator CORMANN**—Just quickly before passing on to Senator Bernardi, have any additional personnel been attached to the Independent Communications Committee secretariat since May 2010?

**Mr Tune**—To the committee itself or the secretariat?

**Senator CORMANN**—To the committee secretariat.

**Mr Tune**—The secretariat?

**Senator CORMANN**—There is a committee secretariat, isn't there?

**Mr Tune**—Within the department of finance, yes.

**Senator CORMANN**—Which is in your department, isn't it?

**Mr Tune**—Correct, yes. Sorry, I am just trying to make a distinction between the committee and the secretariat.

**Senator CORMANN**—The committee secretariat.

**Mr Tune**—You are on about the latter.

**Senator CORMANN**—I am on about the latter, yes.

**Mr Grant**—I am sorry. Can you repeat the question.

**Senator CORMANN**—Just quickly, ‘yes’ or ‘no’—and take it on notice if it is too complicated, because we do not have much time—have any additional personnel been attached to the Independent Communications Committee secretariat since May 2010?

**Mr Grant**—We have normal turnover of staff.

**Senator CORMANN**—So you have not added additional staff?

**Mr Grant**—No additional staff, no.

**Senator CORMANN**—Thank you. How many meetings have you had since May 2010?

**Mr Grant**—Of the Independent Communications Committee?

**Senator CORMANN**—Yes.

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

**Senator CORMANN**—Thank you. Has the government had to use the ‘compelling reasons’ clause for any campaigns since the mining tax campaign?

**Senator Wong**—Competitive reasons?

**Senator CORMANN**—Compelling reasons.

**Senator Wong**—Compelling? Sorry, I just did not hear the word.

**Senator CORMANN**—Sorry, it is my non-English-speaking background.

**Mr Tune**—The answer is no.

**Senator CORMANN**—That is good. Are there any plans for the new Gillard government to change, restructure or abolish the ICC?

**Mr Grant**—I am sorry?

**Senator CORMANN**—Are there any plans for the government to change, restructure or abolish the ICC? Is there anything under way to make any changes to the structure of the ICC?

**Mr Grant**—That is not a question I can answer.

**Senator CORMANN**—You could answer it if you were aware of any plans. If you are not aware, then—

**Mr Tune**—I am not aware of any plans, as the secretary of the department.

**Senator CORMANN**—So there is no proposition that the ‘compelling reasons’ clause is turned back to the ‘exceptional reasons’ clause, as was the case before?

**Mr Tune**—Not at this stage, no.

**Senator CORMANN**—Thank you.

**CHAIR**—Will this complete outcome 2?

**Senator BERNARDI**—Should do.

**CHAIR**—Carry on.

**Senator BERNARDI**—Mr Tune, are you aware of the government savings election commitment to remove funding quarantined under the Gershon reforms for information and communications technology or ICT spending across government?

**Mr Tune**—I am.

**Senator BERNARDI**—The government has claimed savings of \$447.5 million over four years. However, at the last estimates you confirmed there was only \$271 million left in this ICT fund. Is that correct?

**Mr Tune**—I cannot recall the numbers.

**Senator BERNARDI**—Trust me on this, from what my information is.

**Mr Tune**—Okay.

**Senator Wong**—Senator Bernardi, that is a big call.

**Senator BERNARDI**—Minister, come on!

**Senator Wong**—You can trust me!

**Senator BERNARDI**—There is also a press release from former Minister Tanner stating that this fund only has some \$271 million in it.

**Mr Tune**—The difference in the numbers is that what was being provided in the \$271 million was only up to 2012-13. The \$447.5 million now includes the extra year, so that was money that would have been spent and now therefore gets saved. We added one more year.

**Senator BERNARDI**—So that accounts for the \$176 million discrepancy in it?

**Mr Tune**—Correct, yes.

**Senator BERNARDI**—See how easy it is when you trust? You take it on trust, Minister.

**Senator Wong**—Cory, Cory!

**Senator BERNARDI**—Penny, Penny!

**CHAIR**—I trust we have finished outcome 2.

**Senator Wong**—Yes, we trust we have. Can I clarify: we have outcome 3 and AEC, or are you still considering—

**CHAIR**—No, we are about to have a short break. Are there any questions for outcome 3? I thought there would be but I thought I had better ask. Let's have a break for 10 minutes and we will come back with outcome 3.

**Proceedings suspended from 9.30 pm to 9.40 pm**

**CHAIR**—Outcome 3. Senator Cormann.

**Senator CORMANN**—Thank you, Mr Chair. The first question, I am advised, is a bit of a standard question and I am advised that you will have papers with you at the table in relation to the ministerial staff establishment, including officers and classifications, and the number of people with personal classifications and so on. Is that accurate advice? I am new in this particular part of the portfolio.

**Ms Mason**—Certainly that is correct, and we will arrange for the standard documents to be provided to the committee secretary.

**Senator CORMANN**—You are tabling them now?

**Ms Mason**—Yes, indeed.

**Senator CORMANN**—Thank you.

**CHAIR**—Is it the wish of the committee that it be tabled? Yes, it is.

**Senator CORMANN**—How many consultants are employed in ministerial offices and the offices of parliamentary secretaries?

**Senator Wong**—Consultants?

**Senator CORMANN**—Consultants, yes. Part II of the MOP(S) Act, is it?

**Ms Hughes**—There are no consultants employed under the MOP(S) Act currently.

**Senator CORMANN**—I note the recent article by Simon Benson, ‘Labor’s staffers leaving in droves’, 7 October 2010, where he talks about the high rate of departure of ministerial staff. He describes the exodus as unprecedented. Can you tell us how many government ministerial staff separations there have been since 23 June 2010?

**Ms Mason**—I do not think we can give it to you since that date. We may be able to give you some other figures.

**Senator CORMANN**—Why can’t you give it to us since that date?

**Ms Mason**—Because we do not have it with us. We would need to take that on notice if you wish us to do it.

**Senator CORMANN**—But there was effectively a change of government at that point in time, wasn’t there?

**Mr Tune**—No.

**Senator CORMANN**—The day after. There was. We went from the Rudd government to the Gillard government the next day.

**Mr Tune**—What was the date you mentioned?

**Senator CORMANN**—23 June. What data can you give us? You said you have some other data you can give us.

**Ms Mason**—The data that we produce in relation to staffing numbers is normally compiled as at the first of each month.

**Senator CORMANN**—So you can tell me between 1 June 2010 and 1 October 2010 how many separations there have been?

**Ms Mason**—We would be able to do that on notice.

**Senator CORMANN**—You can't do that now?

**Ms Mason**—No.

**Senator CORMANN**—What can you tell me now in relation to ministerial staff separations?

**Ms Hughes**—What I can tell you is that, of the 352 ongoing ministerial personal staff who were employed on the day of the swearing in of the ministry—so that is staff of the outgoing ministry—263 remain employed as ongoing ministerial staff as at 14 October.

**Senator CORMANN**—Ninety-nine staff have left out of the 352?

**Ms Hughes**—I have not done the maths.

**Senator CORMANN**—Yes, I think that is right. Is that consistent with what you would normally experience with a change of government or is it higher?

**Ms Hughes**—No, it was a return of government.

**Senator CORMANN**—Sorry, yes.

**Ms Hughes**—For a comparison, we could look at the figures after the 2004 election. Of the 383 ongoing ministerial staff who were employed on the day of the swearing in of the ministry on 22 October 2004, 287 remained employed as ongoing ministerial staff on 22 November. That was a return of government, so that is why that comparison is used.

**Senator CORMANN**—Can you provide the number of vacancies in personal staff positions in ministerial offices as of today's date?

**Senator Wong**—We could take that on notice.

**Senator CORMANN**—What is the most recent information that you can share with us today in terms of staff vacancies?

**Ms Mason**—Perhaps I could make a general comment. After an election there is usually a turnover in ministerial staff because of the operation of the MOP(S) Act, which automatically terminates staff, and then there is a process of some of the staff being re-engaged. Others choose to accept employment elsewhere or change the direction of their career and there is a process of people finding suitable positions. That process, following the last election, is not yet complete.

**Senator CORMANN**—But you will be able to provide us on notice with how many vacancies there are today?

**Ms Mason**—Of positions not yet filled?

**Senator CORMANN**—Positions not yet filled.

**Ms Mason**—May I just check before I undertake to take that on notice? As I said earlier, normally the work that we do on staffing allocations is done as at the first of each month, so if you would like to choose a date—1 October?

---

**Senator CORMANN**—For 1 October.

**Ms Mason**—1 October we could do, yes.

**Senator CORMANN**—Thank you. In terms of the question you have taken on notice, if you can tell us the number of government ministerial staff separations since 23 June 2010 and from whose offices they have come, that would be great. It has been drawn to my attention that Senators Faulkner and Ray took quite a bit of interest in the levels and structure of opposition staffing in the lead-up to the last election, not long before they became the new government. I refer specifically to some comments by Senator Faulkner that the opposition staffing level has historically been very bottom-heavy. I am quoting here. This is 25 May 2006:

One of the difficulties here is ensuring into the longer term that the opposition staffing establishment—whatever it might be—more accurately reflects the structure in government. That has been a weakness; I am sure you understand—

Has the government made any change to address Senator Faulkner's concerns expressed in opposition?

**Ms Hughes**—The opportunity was taken by the government to align the allocation that has been made to the opposition since the election with 21 per cent of the classification levels assigned to the government. Your expression was that it was bottom-heavy. It has—

**Senator CORMANN**—So the structure of opposition-level adviser positions in terms of seniority and hierarchy or whatever is reflective of the structure in government?

**Ms Hughes**—Yes. Now the opposition staffing is at 21 per cent of the overall numbers and 21 per cent of the classification levels.

**Senator CORMANN**—One of the discussions also was that it should be at 25 per cent rather than 21 per cent. Has that been discussed in government?

**Ms Mason**—Not that we are aware of, would be the best answer, I think.

**Senator CORMANN**—Minister, I am quite concerned about a recent article by Royce Millar in the *Age* on 5 October 2010 indicating that there was a dirt unit being run by the Victorian Labor government.

**Senator Wong**—A what?

**Senator CORMANN**—A dirt unit. I am just quoting here. 'The dirt unit' is how it is referred to by senior Labor figures. It is believed to be headed by one of Mr Brumby's strategy advisers, Chris Reilly. The article indicates—and this is where the relevance to you comes in—that some of its research work—that is, the research work of the Victorian Labor Party dirt unit:

... is farmed out to offices of Federal Labor MPs.

Mr Tune, would such work be within entitlement?

**Senator Wong**—What work are you suggesting?

**Senator CORMANN**—Research work on behalf of the Victorian Labor Party dirt unit.

**Senator Wong**—Dirt unit?

---

**Senator CORMANN**—They are not my words.

**Senator Wong**—But you are asking a question, so—

**Senator CORMANN**—I quote from the article by Royce Millar on 5 October which raises a serious allegation in terms of potential abuse of members' and senators' entitlements. The article starts with:

An informal committee, referred to as “the dirt unit” by senior Labor figures, is believed to be headed by one of Mr Brumby’s taxpayer-funded strategy advisers, Chris Reilly.

Meeting weekly in the Premier's private office over the past year ...

... ..

And some of its research work is farmed out to offices of federal Labor MPs.

Are you aware of this?

**Senator Wong**—Is that to me or Mr Tune?

**Senator CORMANN**—It is to either.

**Senator Wong**—No, I have no knowledge of this.

**Mr Tune**—No, neither do I.

**Senator CORMANN**—When something like this is brought to your attention, do you investigate these sorts of allegations?

**Senator Wong**—Have I investigated this?

**Senator CORMANN**—No, I am not asking ‘you’. When allegations like this are made, do you investigate them?

**Ms Mason**—Perhaps I could comment again in general terms.

**Senator CORMANN**—Yes, please.

**Ms Mason**—If allegations of misuse of entitlement are made, there is an established protocol for handling those.

**Senator CORMANN**—But this has been raised in an article, obviously, so this has not come to your attention before?

**Ms Mason**—No.

**Senator CORMANN**—I encourage you to check out the article by Mr Royce Millar on 5 October in the *Age* which is headed ‘Labor unit digs up dirt’. In a general sense, though, would it be appropriate for members of parliament to conduct research work on behalf of a state government dirt unit?

**Senator Wong**—As you know, all members of parliament are expected to utilise their entitlements appropriately. What is appropriate is set out in a range of policy documents and, in relation to staff, there is also the relevant legislation. There is the MOP(S) Act. Obviously all of those matters constrain or appropriately direct the way in which our members—your staff, my staff, anybody’s staff—should be utilised. I do not know if Ms Mason or Mr Tune want to add to that.

**Mr Tune**—I have severe doubts as to whether we could investigate such a thing, because we do not have control over the duty statements of the staff.

**Senator CORMANN**—So if federal members and senators were to participate in research work on behalf of a Labor Party dirt unit in Victoria, that would essentially just go on unchecked?

**Mr Tune**—As I said, I do not know how I could check it, unless I go and question every staff member on all sides of politics and say, ‘What are you doing?’ and I do not think I need to do that or should do that.

**Senator Wong**—If anybody on either side of politics has information that suggests there has been a misuse of entitlements, there are protocols for dealing with that.

**Senator CORMANN**—Minister, I do not have any information beyond what is on the public record in the *Age* on 5 October and there is an assertion here that some of the research work done by the Victorian Labor Party dirt unit—

**Senator Wong**—And I have said I have no knowledge of that.

**Senator CORMANN**—is farmed out to offices of federal Labor MPs. Now that you have knowledge of it, will you cause the department to conduct an investigation into this matter?

**Senator Wong**—Mr Tune has answered that question, but I again say that if you have information, other than simply assertions based on reading an article, that goes to alleged misuse of entitlements, there is a protocol that both your party and my party have sought to observe about the way in which those are dealt with.

**Senator CORMANN**—I take that as a ‘no’, presumably.

**CHAIR**—I think the minister has answered your question. It is not for you to then interpret whether it is a ‘no’ or not. The minister has indicated that she has no knowledge of the matters that you raise and has also indicated the appropriate way in which any such allegations should be raised and the officers have indicated they do not have any knowledge of it either. Can we move on?

**Senator CORMANN**—We can. That concludes my questions for outcome 3.

**CHAIR**—Thank you. Still on outcome 3, Senator Abetz.

**Senator ABETZ**—Thank you, Chair. Thank you for tabling the document in relation to staff allocations, along with those staff allocations for the Independents. I note, and just correct for the public record, that executive assistants have now been added to some of the previously existing Independents who serve in the Senate. Is that correct?

**Ms Hughes**—The Independents in the House of Representatives have received an additional position. The independent senators already had two positions.

**Senator ABETZ**—They already had two positions extra?

**Ms Hughes**—In addition to electorate staff?

**Senator ABETZ**—Yes.

**Ms Hughes**—That is correct. But the House of Representatives had one.



**Senator ABETZ**—I just thought it would be assistant adviser.

**Ms Hughes**—Senators have two. Independent members had one and that has now been increased to two for all independent members.

**Senator ABETZ**—That is fine. There is no criticism of that, by the way. That is all good. What other entitlements are being provided? Extra staff. Will that entitle them to extra office space, extra phone lines, extra laptops, things of that nature?

**Ms Mason**—There has been no consideration of additional equipment along those lines at this stage.

**Senator ABETZ**—This is a very quick one, but it may have more serious consequences Australia-wide. I know it is a trivial matter but it is somewhat concerning. A fluorescent bulb in my office blew the other day.

**Senator Wong**—Oh, no! You could just give them a call, you know.

**Senator ABETZ**—Senator Wong, that is exactly what happened.

**Senator Wong**—Oh.

**CHAIR**—He must have had a bright idea.

**Senator ABETZ**—My office rang Parliamentary Services and said, ‘Look, we need some light globes,’ to which they were told: ‘No. We will send an electrician to replace the bulb,’ which ultimately occurred. My staff said, ‘Well, we change bulbs at our home, you know, without calling an electrician.’ I am just wondering if this is standard practice because, with great respect, I would imagine it incurs a substantial cost to the Australian taxpayer.

**CHAIR**—Are you talking about your electorate office?

**Senator ABETZ**—Yes, my electorate office.

**CHAIR**—It was not Parliament House?

**Senator ABETZ**—No.

**Ms Mason**—It is standard practice. There are occupational health and safety considerations that come into play with things like changing light globes. It usually involves standing on a ladder or some other device to get to the ceiling.

**Senator ABETZ**—And do you know what, Ms Mason? We do it every day of the week in our homes.

**Senator Wong**—That is not a workplace.

**Ms Mason**—The other occupational health and safety factor that comes into play is that dealing with electricity does at times have hazards if, for instance, a light fitting were to be faulty and a person may be potentially exposed to an electrical shock.

**Senator RYAN**—If it was a New South Wales electorate office they would get in a great deal of trouble because they would be presumed guilty.

**Senator ABETZ**—Are you saying this is authorised and decreed practice: that we need a qualified electrician to undertake to change a light globe in an electorate office?

**Ms Mason**—I am saying that there are occupational health and safety considerations that do restrict staff from undertaking tasks such as changing light globes.

**Senator ABETZ**—I find that astounding.

**CHAIR**—Could I just follow up. Wouldn't it also be the case that in a lot of electorate offices—I know in my own—it is not just taking the light bulb in and out, but it may actually be fluorescent tubing that is inside a specific light fitting that is part of the building, which may also be leased premises? I do not know about Senator Abetz's situation, but there would be a range of different circumstances, would there not?

**Ms Mason**—You are correct. Sometimes it does involve removing a portion of a light fitting in order to be able to undertake the task.

**Senator ABETZ**—And we do it in our homes every day of the week.

**CHAIR**—They are not all Commonwealth owned properties either.

**Ms Mason**—Mostly, in fact, not.

**CHAIR**—Yes. Indeed, many of those issues may be matters for the landlord.

**Ms Mason**—The building owner.

**Senator ABETZ**—All right. Take this on notice then: how many of the lease agreements for electorate offices deny the tenant the right to change light globes?

**Senator Wong**—No, that is not the right question.

**Senator ABETZ**—Please!

**CHAIR**—That is not the point.

**Senator Wong**—That is not the right question.

**Senator ABETZ**—No, the landowner. Come on—

**Senator Wong**—No, that is not the right question.

**Senator ABETZ**—that is what you were suggesting.

**CHAIR**—No, it is not—

**Senator Wong**—No, that is not what I said. The decision is not prohibition—

**Senator ABETZ**—I know you are embarrassed now, where you have led yourself, but this—

**CHAIR**—No. The point is, in many cases it is the responsibility of the landlord, the owner of the building—

**Senator Wong**—That is the point.

**CHAIR**—as it is in my case, for them to fix it. That is the point. It is not a matter of you doing it yourself. They have an obligation, as I understand it—

**Senator ABETZ**—No, not if the light globe blows.

**CHAIR**—if it is part of the building fixtures, to actually repair it.

**Senator ABETZ**—In what lease agreement is it the landlord's responsibility to provide light globes, really?

**Senator Wong**—That is not what the chair is saying.

**Senator ABETZ**—It is ridiculous.

**Senator Wong**—That is twice you have misconstrued what the topic was. The issue was not whether there is a prohibition in the lease or a responsibility per se, like explicitly, that you have to provide light globes. The point that was being made, as I understood it, by the chair is that there may be some arrangements where what you actually have to remove would potentially be a responsibility of the landlord.

**CHAIR**—That is right.

**Senator Wong**—That is what I understood the assertion to be.

**CHAIR**—Yes, because you have got to actually take the ceiling slats down. In the case of my building, I know because I have had it. They do it. The landlord, the owner of the building, actually does it.

**Senator ABETZ**—Wait a minute. The light is usually—

**CHAIR**—Because it is the same right through the building.

**Senator ABETZ**—The light is usually under the ceiling slat so you can see.

**CHAIR**—No.

**Senator ABETZ**—So if you have to get to the light above the ceiling slats—

**CHAIR**—No, they are clear.

**Senator ABETZ**—then I am not sure what the light does for you.

**CHAIR**—They are clear slats, like those things up there.

**Senator BOSWELL**—Can we stop debating this?

**Senator Wong**—This is fascinating, Senator.

**Senator ABETZ**—This is just ridiculous.

**CHAIR**—I think your light bulb—

**Senator ABETZ**—Anyway, it is a terrible waste of taxpayers' money.

**CHAIR**—I think it is a terrible waste of our time. Can we get on with it?

**Senator BERNARDI**—Senator Cormann had some more questions, I think.

**CHAIR**—Senator Cormann, yes.

**Senator CORMANN**—Yes. I have just a few quick questions in relation to the Caucus Committee Support and Training Unit. Answers given at previous estimates indicate that the size of the Caucus Committee Support and Training Unit has been increased. Has that fifth position been made permanent?

**Senator Wong**—I do not appear to have any information on that in front of me. Obviously it is Mr Gray who handles that.

**Mr Tune**—I think we have got somebody here.

**Senator Wong**—Somebody has come to the table.

**Senator CORMANN**—It falls within his outcome, I think, doesn't it?

**Senator Wong**—Yes, it does. We may just need to take it on notice, that is all.

**Mr Plowman**—As of 30 September CCSTU had four staff.

**Senator CORMANN**—But in answers to previous estimates there was an indication that that had been increased. So that was a temporary arrangement, was it?

**Mr Plowman**—I am not sure about that, but my knowledge is that there are four people, and I think we gave an answer—

**Senator CORMANN**—Right now there are four people?

**Mr Plowman**—On 30 September this year, yes, there were four staff.

**Senator CORMANN**—Can you then review your previous answer to a previous estimates question, where there was an indication that the size had been increased, and advise us for how long that person operated in that position? Was any new or additional equipment provided to the Caucus Committee Support and Training Unit between May 2010 and the election?

**Mr Plowman**—I would have to take that on notice. I am not sure about that.

**Senator CORMANN**—These are pretty obvious questions under this outcome, I would have thought.

**Mr Plowman**—I am sorry, but I do not have the answer to that question.

**Senator Wong**—We can take it on notice.

**Senator CORMANN**—Did any members of the CCSTU work at Labor Party campaign headquarters or do any work on behalf of the Labor election campaign?

**Senator Wong**—Where did your staff work?

**Senator CORMANN**—My staff worked on my behalf across the great state of Western Australia.

**Senator Wong**—Do you really want to do this?

**Senator CORMANN**—Do what?

**Senator Wong**—You should have a discussion with some of your colleagues.

**Senator CORMANN**—Indeed.

**Senator Wong**—Who staffed Liberal Party campaign headquarters?

**CHAIR**—Order! Senators, can we proceed with this outcome.

**Senator Wong**—Cory, you have a discussion with him.

**Senator CORMANN**—So I guess you cannot answer that either.

**Mr Plowman**—No.

**Senator CORMANN**—Thank you very much for that.

**CHAIR**—Senator Bernardi.

**Senator BERNARDI**—Thank you. I have a couple of questions on outcome 3, but with your indulgence, Mr Chair, I would just like to clarify a previous answer you gave in an earlier outcome, about the ICT.

**Mr Tune**—Yes.

**Senator BERNARDI**—Is that okay? I was just intrigued as to the savings—and you said that there were some additional funds scheduled, I think for 2013-14.

**Mr Tune**—I did, yes.

**Senator BERNARDI**—Is that right?

**Mr Tune**—Yes.

**Senator BERNARDI**—In the last estimates, when Senator Ryan asked about the savings—sorry, it was about the reinvestment fund.

**Mr Tune**—Yes.

**Senator BERNARDI**—You said it was \$271 million. Senator Ryan asked you, ‘Was that going forward?’ You confirmed that it was, and then Mr Sheridan said that there was \$39.7 million in 2010-11, in 2011-12 there was \$117.9 million, and in 2012-13 there was \$113.5 million, and that totals \$271 million.

**Mr Tune**—Yes.

**Senator BERNARDI**—Senator Ryan then said. ‘There is nothing in 2013-14?’ Mr Sheridan said, ‘No’.

**Mr Tune**—Yes. I have got it in front of me.

**Senator BERNARDI**—You have? I am just intrigued that in my reading of it there seems to be a discrepancy, because you have said that there were forward estimates today in 2013-14 and yet Mr Sheridan said there was not.

**Mr Tune**—Yes. I can confirm that the \$270.9 million—or the \$271 million, as Mr Sheridan said—related to the period 2012-13 inclusive, and my information here is that, when you add in 2013-14 of \$176.5 million, you get to the \$447.5 million that we were talking about. So I do not have an explanation for what happened back in May, but I think I am on the right money here. Can I check that out and get back to you?

**Senator Wong**—We will take it on notice, yes.

**Senator BERNARDI**—If you can check it, because it just seems that—

**Mr Tune**—Yes, it may have been just a misunderstanding and I will get an explanation for you.

**Senator BERNARDI**—I am sure. Thank you. If we could just move on to outcome 3 here again. I will just find my paper. It is in regard to social media access by employees of the department of finance. Are finance department employees able to access online social media, such as Facebook, MySpace, Twitter, and online discussions such as forums and blogs?

**Mr Sheridan**—Staff in Finance can access Twitter, they can access Facebook, they can access LinkedIn and they can comment on blogs and posts and similar articles.

**Senator BERNARDI**—What is the reason for having access to Twitter, for example, for department employees?

**Mr Sheridan**—Some department employees, including me, make comments about their work on Twitter, provide advice to readers of Twitter about departmental issues or issues to do with our work, and the department also allows incidental use of IT, which the use of Twitter or Facebook would come under.

**Senator BERNARDI**—For Twitter users, do they require authorisation or permission to establish a Twitter account in their own name but purporting to be a representative of the department of finance?

**Mr Sheridan**—There are rules in our social media policy that dictate—and they are also reflected in the Public Service Commission's rules about social media use—when people can use social media and in what capacity. So someone could use it in their personal capacity, in a professional capacity or in an official capacity. If they were using it in an official capacity, they would expect to have been authorised to do so.

**Senator BERNARDI**—If there is a Twitter account and someone states that they are an employee of the department, would they be expected to have the standard disclaimer, 'Views of X, Y, Z are not necessarily those of the department'?

**Mr Sheridan**—I would expect that they would probably do that, if that was an issue for them. My account is like that.

**Senator BERNARDI**—An issue would be if departmental resources were being used in a political manner, would you agree? Would that constitute an issue?

**Mr Sheridan**—I imagine it could, yes.

**Senator BERNARDI**—Can I read you some tweets. These tweets are from a Twitter account from a senior manager within the Department of Finance and Deregulation. They come from what is called an 'unlocked' Twitter account where the biography of the account holder clearly states that they are in a senior position with the Department of Finance and Deregulation. They do not identify the opinions expressed on the account as being their own. Here is a tweet: 'Department of Finance and Deregulation staff now have access to Twitter and Facebook.' That is at 12 o'clock on 24 March.

On 24 March at 1.30, there is a Twitter from BlackBerry from work: 'Who'd have think it could happen?' Next: 'I'm wrapping up TF meeting now.' That is on 4 September at 1.29 via the web. Another one: 'Just realised meeting to 1330 not 1300,' on 4 September. And another one: 'If you want to see some passionate debate in the TF, talk copyright and licensing', on 4 September 2009. It is clear that this employee is using Twitter from work, on work time and using work resources, departmental resources. Do you think it is appropriate?

**Mr Sheridan**—Our policies allow us to use departmental resources for incidental use of IT. Without knowing any more of the details, I assume that is incidental use.

**Senator BERNARDI**—It suggests very strongly in these tweets that this employee was twittering or tweeting details about a meeting that was taking place on a Friday, implying that it could be a work related meeting.

**Mr Tune**—It is not clear what it is, to me. I think it said a TF meeting, didn't it?

**Senator BERNARDI**—Yes, TF. 'Wrapping up TF meeting now,' 1.29, 4 September 2009—I presume at 1.29 at work.

**Mr Tune**—It could be anything.

**Senator BERNARDI**—Would it be inappropriate for a departmental employee to twitter or tweet, whatever it is called, about meetings that are taking place in the workplace?

**Mr Tune**—Not necessarily.

**Senator BERNARDI**—You think that is okay?

**Mr Tune**—It depends on what it is.

**Senator BERNARDI**—Do you have a Twitter account?

**Mr Tune**—I think I do actually, but I have never used it.

**Senator BERNARDI**—Does it have a disclaimer on it—

**Mr Tune**—I do not know. I have never been in it.

**Senator BERNARDI**—saying that your views are your own rather than departmental ones?

**Mr Tune**—I am ashamed to admit that I do not know how to use it.

**Senator BERNARDI**—There is no shame in that, Mr Tune.

**CHAIR**—Join the club!

**Mr Tune**—As Mr Sheridan has explained, we have a policy in the department where we allow access to Twitter and Facebook and those sorts of things because we think there is value in social media. The government has a policy around Government 2.0. We looked very closely at access of Finance employees to that and we worked very closely with the Public Service Commission on developing the guidelines that Mr Sheridan referred to. We then superimposed onto those our own guidelines. We are monitoring the situation. Sure, you are putting a certain amount of trust in your employees when you allow this sort of thing, and the guidelines there are meant to be the behaviours that people should follow. As a secretary I cannot guarantee that in 100 per cent of cases that is being done appropriately. We monitor the situation. We try and ensure that we get people to behave appropriately. We give them incentives to do so by providing certain freedoms, and there is an element of trust that goes on. I have not come across a serious breach. In fact, I have not come across a breach at all—and, as I said, we do monitor the situation.

**Senator BERNARDI**—How do you monitor the situation?

**Mr Tune**—Mr Sheridan's area has a look at what is going on and we get reports.

**Senator BERNARDI**—Do you follow all the employees?

**Mr Tune**—No, we do not. We do not do it that way. It is on an exceptions basis, so we are looking for a situation—

**Senator BERNARDI**—Someone has to lodge a complaint before you assess it?

**Mr Tune**—Yes. If you want me to investigate that particular one, I am more than happy to do so.

**Senator BERNARDI**—It does concern me. Something like this can lead to questions about impartiality or the apolitical nature of the Public Service where, during an election campaign—

**Mr Tune**—They are expressly banned from commenting on political issues. That is in the guidelines. I cannot see any politics in any of the ones you mention there, quite frankly. A TF meeting? I do not know what it is, but it does not look like it is political to me.

**Senator BERNARDI**—I do not know what it is either. I am not familiar with Twitter shorthand.

**Mr Tune**—In what you are asking there is a connotation that it is political. I do not see how it is.

**Senator BERNARDI**—I think this is a legitimate question. You do not seem to think there is a problem when, during the course of a work day, a public servant is tweeting about their meetings that are going on.

**Mr Tune**—It may be that this person is tweeting about a work meeting that someone needs to know about. It is not necessarily inappropriate at all.

**Senator BERNARDI**—But it is not a closed network. These are open networks.

**Mr Tune**—It still does not make it necessarily inappropriate. You are jumping through about five different hoops to come to a conclusion.

**CHAIR**—Order! Senator and Secretary, I appreciate this is an interesting discussion. The only difficulty is that we are using up valuable time in what has now become a discussion about some quotations from some tweet that has not been identified.

**Senator BERNARDI**—Some twit.

**CHAIR**—I am not sure whether—no, I will leave that. The point I am getting at is that the questioning is based upon a document that has no real identification and I am not sure if it can be taken any further, as you have indicated in your earlier answer.

**Mr Tune**—I suspect that is true.

**CHAIR**—I think we should move on. There has been some history of false documents being used in committees in the past, so let's deal with some more concrete evidence than has just been demonstrated. Who is next?

**Senator CORMANN**—Can I just quickly go back to an earlier issue?

**CHAIR**—It is your time, but we are going to finish at 11 pm.

**Senator Wong**—Yes. I am not staying beyond 11.



**Senator CORMANN**—Thank you, Mr Chairman. In the context of my questions about the Caucus Committee Support and Training Unit, the minister made some comments there, but an article in the *Sydney Morning Herald* on 25 February 2008 by Mark Davis has been drawn to my attention—and I invite you to check it out—where questions were raised at that time about the Caucus Committee Support and Training Unit. Senators Faulkner and Ray have been very critical of the government members secretariat under the previous government, and here I am just quoting how, according to Senator Ray and Senator Faulkner, this Caucus Committee Support and Training Unit will be very different:

“Firstly, there will be three prohibitions: no media monitoring; no research on the Opposition; no direct campaigning in elections and the like,” Ray said.

“Secondly, the unit will be accountable. Senate estimates will be able to ask about the resourcing - not only salary costs but also equipment - and about the behaviour.”

Is that still the way things are being managed for us to be able to ask questions about these things and for the work in this unit to be accountable against the benchmarks that were set by the government themselves when this unit was supposed to be under the responsibility of Senator Faulkner as the then Special Minister of State? What are the arrangements now to manage things such that these criteria that have been set by the government are actually enforced and complied with?

**Mr Tune**—I am not aware of any change at all.

**Senator CORMANN**—It is appropriate then for me to ask questions, because it was said—

**Mr Tune**—I am not suggesting there was any impropriety at all.

**Senator CORMANN**—You essentially told me you would not know what people did and whether they complied with—

**Mr Tune**—You are making, once again, a jump I think, because you were talking about—I have forgotten what the term was—dirt something or other.

**Senator CORMANN**—No, that is a different issue.

**Mr Tune**—You are now saying that they are necessarily CCST unit people.

**Senator CORMANN**—No, the dirt unit is totally separate. I am talking about the CCSTU—nothing to do with the dirt unit. Allegedly the dirt unit work had been farmed out to various Victorian federal members and senators. I am talking now about the work that is being performed by the CCSTU. Commitments were made that they would not be involved in ‘research on the opposition’, with ‘no media monitoring’ and ‘no direct campaigning in elections and the like’. How is that being monitored and how is compliance with those criteria being enforced?

**Mr Tune**—I will need to take that on notice, but I can check that for you.

**Senator CORMANN**—And, as you are checking that, could you check what work has been conducted by people in that unit in that relevant period?

**Mr Tune**—Sure.

**Senator CORMANN**—Thank you.

**CHAIR**—No further questions on outcome 3? Thank you. I thank the officers for their attendance. We will now move to the final section of our program, the Australian Electoral Commission, and ask those officers to come forward

[10.20 pm]

#### **Australian Electoral Commission**

**CHAIR**—Thank you, officers. Is there any opening statement before we proceed to questions?

**Mr Killesteyn**—If I may, I would like to take a little bit of time—and I will make it very short.

**CHAIR**—Yes, thank you.

**Mr Killesteyn**—I wanted to take a small amount of time to formally record the efforts of the staff of the Australian Electoral Commission in delivering the 2010 election. The election was delivered through the hard work and tireless commitment of around 900 AEC staff located in our national office, in our state offices and of course in the divisional office network, and of course many thousands of casual staff.

The 2010 election presented our staff with some extraordinary challenges. Some of these I would like to mention very briefly. Firstly, this was the second-shortest election period in the history of the AEC. It was a five-week election rather than a six-week election, which had been the case in the previous two elections in 2007 and 2004.

Secondly, within the context of that second-shortest election period, workload volumes were faced which eclipsed all previous records. In excess of half a million enrolment transactions were processed in that time. Nearly one million postal vote applications were processed. Nearly one million more votes were counted on election night than in 2007, reflecting the initiatives taken in the former parliament to allow home division prepoll votes to be cast as ordinary ballots. Overall, all workload categories increased by 20 to 25 per cent in comparison with 2007.

Thirdly, having to implement the decision of the High Court midstream, so to speak, to ensure that the intention of the High Court of providing the franchise to thousands of voters, was given effect in the best possible manner under the circumstances and limited time available.

These challenges were on top of those normally experienced by AEC staff of putting in place nearly 70,000 capable polling officials, more than 7,500 polling places and the extraordinary logistics to allow 13 million people to cast their ballot. Quite simply, it is only because of the efforts of the staff of the AEC, both individually and collectively, that this was able to be achieved. Thank you, Chair.

**CHAIR**—Thank you, Mr Killesteyn. Senator Boswell, will you lead off?

**Senator BOSWELL**—I am interested in the number of political groups that stood at the last election, and I refer to the Liberal Democratic Party. I was under the impression that we passed legislation which said one of the criteria was that a reasonable person would think that it:

... suggests that a connection or relationship exists between a party and a registered party if that connection or relationship does not in fact exist.

That was to stop people piggy-backing on names. After we passed that legislation, which was pretty clear, how did people register a name like the Liberal Democratic Party, which clearly to me breaches the guidelines of what we set out in the legislation.

**Mr Pirani**—I am responsible for the area that does the registration of political parties. The relevant provisions you are referring to are section 129(1)(d) and (da). Paragraph (d) was the subject of a full bench of the Administrative Appeals Tribunal in the Woollard case, which had a particular view as to: there was no ownership in relation to particular names and it had to be suggesting a connection in relation to the casting of a vote.

When the parliament enacted section 129(1)(da), they extended the exclusion of names but they did not go so far as to specifically exclude the registration of names that were similar. The relevant provision in section 129(1)(da) reads:

... a reasonable person would think—

that the name—

suggests that a connection or relationship exists between the party and a registered party if that connection or relationship does not in fact exist.

We publish our decisions. The decision was made by the delegate, and that was published. Various applications for review were made to the full Electoral Commission, who considered the application for review. There were objections made to that name, and that was rejected by the full commission, and those reasons for decision were also published. There is a review right, and my understanding as of today is that no-one exercised the review right in relation to that.

**Senator BOSWELL**—Mr Pirani, the reason this legislation was put forward was a case in point in Richmond, where a party registered as the Liberal for Forrest. They then produced a how-to-vote card with the Liberal logo, Liberal blurb, and directed their preferences to the Labor Party. This legislation was put in there to stop that happening again. If we have not addressed the legislation properly, do we have to go back and go over it again? It is very clear to me that the Liberal Democratic Party is piggy-backing on the name of the Liberal Party. If we do not have sufficient safeguards in the election to prevent that happening, then maybe we will have to go back and amend the legislation.

This has also occurred with the Shooters Party. The Shooters Party was then extended to the Shooters and Fishers Party. There is a party also registered there as the Fishing and Lifestyle Party. The Shooters Party was the Shooters Party. It tagged onto its name the Fishers Party.

**Mr Pirani**—There was the Fishing Party, which was the first party registered.

**Senator BOSWELL**—That is right.

**Mr Pirani**—Then there was the Fishing and Lifestyle Party, which was the second party registered. That matter did go to the Administrative Appeals Tribunal and it was dismissed. Now there is no party registered called the Fishing and Shooting Party.

**Senator BOSWELL**—There is the Shooters and Fishers Party.

**Mr Pirani**—No. That is a joint name on a combined ticket in the Senate. It is not a federally registered party. It is a joint name, and you are able to do that in the combined nomination of the Fishing Party and the Shooters Party in New South Wales.

**Senator BOSWELL**—The first Fishing Party does not exist. That was abandoned.

**Mr Pirani**—It has been deregistered, yes.

**Senator BOSWELL**—And it is deregistered. So how can a deregistered party link up with another party called the Shooters Party, which is registered?

**Mr Pirani**—At the relevant time, they were both registered in relation to when those cases were done. I will take it on notice and have a look at what happened with the grouping that appeared on the Senate ballot paper in relation to those two.

**Senator BOSWELL**—That may be correct with the Shooters and Fishing Party, but nevertheless the Liberal Democratic Party was rejected and then it was asked to be called the Liberty and Democracy Party. Then it appealed against that in 2011 and in 2008 it was Liberals and Democrats. Sorry, in 2007 the party applied to regain the name of Liberal Democratic Party. To me, that is a clear breach of what we tried to do in that legislation. It is clearly a breach of the intent of the legislation.

**Mr Pirani**—We published—we topped and tailed—the legal advice that the AEC relied upon. It is actually on the internet. We did that so that all political parties would be aware as to what the criteria were that we were applying in relation to similar names and how they were going to be registered.

**Senator BOSWELL**—Both the Liberals and the Democrats appealed against it.

**Mr Pirani**—They lodged objections, yes.

**Senator BOSWELL**—They lodged objections and those objections were overruled.

**Mr Pirani**—That is right.

**Senator BOSWELL**—Technically you may well be correct, and I do not doubt that you are, but it is clear to me this is clearly a breach of the intention of the legislation that the parliament agreed to that we would not allow parties to piggyback on either the Labor name or the Liberal name or the Nationals name. That was the intention of the parliament. Somehow that has got overridden. There may be a legal way that it has been gotten around, but it is clearly not the intention of what we wanted and asked for in the parliament. I am not a lawyer. This place has a lot of lawyers in it. Could you tell me, in non-lawyer language, where we went wrong; what we did; what was—

**CHAIR**—Order! I appreciate that you are very concerned about the issue, but I am not so sure that you can now start to ask the officer for his opinion about whether the parliament got it right or wrong. I think earlier you were asking him for his advice as to what you or the parliament should do about this. Really, it is not for you to ask or for the officer to answer that question.

**Senator BOSWELL**—With respect to you, Mr Chairman, can I ask for an explanation for why it happened?

**Mr Pirani**—The legal advice that is on the internet actually sets it all out. It sets it out from the explanatory memorandum. Yes, the rules of statutory interpretation are that you look at the language of the act and what parliament intended. The legal advice that we had goes through the explanatory memorandum; it goes through the amendments that occurred; it goes through the liberals for forests case, which was the Woollard case that I referred to earlier, and it is all there on that legal advice. It is on the internet, on the party registration part of our website, and it sets it out. If you get someone to have a look at that, that will tell you what sorts of amendments might have to be considered.

**CHAIR**—That is my point: that if you wish to take this further, it is really up to you, I think, to seek that advice elsewhere.

**Senator BOSWELL**—What is the difference between the liberals for forests and the Liberal Democrats?

**Mr Pirani**—In the liberals for forests the full bench of the AAT—that was three Federal Court judges—said the AEC got it wrong to refuse the registration.

**CHAIR**—Sorry, could you repeat that?

**Mr Pirani**—The full bench of the Administrative Appeals Tribunal comprised three federal court judges. The AEC decision was to not register liberals for forests and the full bench of the AAT said we got it wrong and overturned our decision.

**CHAIR**—It used the word ‘liberals’, didn’t it?

**Mr Pirani**—Yes.

**CHAIR**—Have you finished your questions?

**Senator BOSWELL**—Yes.

**CHAIR**—Senator Ryan.

**Senator RYAN**—Thanks. I am not sure who could answer this question, but the Liberal Democratic Party was on the ballot paper as ‘Liberal Democrats’, at least in Victoria. Do you know whether it was listed differently, in another way? In previous elections it was listed as ‘Liberal Democratic Party’ or ‘Liberty and Democracy Party’. On this occasion it was ‘Liberal Democrats’.

**Mr Pirani**—When a party registers, one of the things they ask as part of the registration is the abbreviation or other thing with which they shall be known, and that can appear on the ballot paper. I would have to take it on notice and go and have a look.

**Senator RYAN**—Okay. I assume you can take my word that when I filled out my ballot paper it had ‘Liberal Democrats’, at least for the constituency I voted in, which I will come to again later. You have some oversight over whether or not that is a legitimate contraction too, because I understand it is registered as the Liberal Democratic Party.

**Mr Pirani**—Yes.

**Senator RYAN**—So you have some oversight over the contraction of the name for the ballot paper, don’t you?

**Mr Pirani**—They actually nominate it. When you have a look under section 126 of the Electoral Act, when they apply for registration part of the application includes the abbreviation under which they will seek to be known.

**Senator RYAN**—Can you take on notice whether or not they applied for ‘Liberal Democrats’ as a contraction when they applied for registration?

**Mr Pirani**—Yes. I will take that on notice.

**Senator RYAN**—When they applied to change their name, sorry, from ‘Liberty and Democracy’ back to—

**Mr Pirani**—Senator, I will take it on notice, but it is on our website, on the full register. The name, the contraction name and the abbreviation appears on the register which is on our internet website.

**Senator RYAN**—Okay. I think the point Senator Boswell made is that even I—and maybe even people like you, who look at the website and have an interest in these things that might be out of the normal—was not aware they had changed from ‘Liberty and Democracy Party’ to ‘Liberal Democrats’.

**Mr Pirani**—I can assure you that Mr Lochnane was aware.

**Senator RYAN**—That is what the federal director is for.

**Mr Pirani**—Okay. I will take that on notice.

**Senator RYAN**—If I sought to register ‘Green Democrats’ would that be something that would fit within your guidelines, if I had 500 fresh people and the name, presumably, does not imply something that ‘Liberal Democrats’ does, or ‘Green Democratic Party’?

**Mr Pirani**—The case of Woollard made it very clear there is no party ownership in a particular name. The way the act is drafted, in section 129 ‘Independent Party’ is not able to be used. It is the only thing the parliament has said cannot be used. Any other combination, ‘Democratic Labor Party’ et cetera—

**Senator RYAN**—Yes, I thought so. It takes me back to my days of student politics when that was also the only name banned.

**Mr Pirani**—That is right. The legal advice that has been published by the AEC on our website indicates what the factors are, what the tests are and what we need to look at.

**Senator RYAN**—I do not have time to look at that now, but for the purposes of this discussion, the criteria that saw ‘Liberal Democratic Party’ registered could see ‘Green Democratic Party’ registered?

**Mr Pirani**—Potentially.

**Senator RYAN**—And could see ‘Green Labor Party’ registered?

**Mr Pirani**—Potentially.

**Senator RYAN**—But prima facie there is no reason why it could not if ‘Liberal Democratic Party’ has been registered?

**Mr Pirani**—Indeed.

**CHAIR**—Could I just clarify one thing. The terminology that appears on the ballot paper, linked to the names of the candidates: is that taken from what is on the register for the registration of the party?

**Mr Pirani**—Part of it is from the registration, but also on the nomination form you are able to specify it.

**CHAIR**—So when the candidate or party—

**Mr Pirani**—When it is endorsed by the registered office of the political party—

**CHAIR**—They nominate what word—

**Mr Pirani**—they are able to specify how they want to appear on the ballot paper.

**CHAIR**—But the Electoral Commission has to then determine whether or not that is appropriate wording to use.

**Mr Pirani**—That is correct.

**Senator RYAN**—You have oversight if a candidate specifies a contraction.

**Mr Pirani**—No, the candidate does not. It will be the registered political party, so it will be the registered officer.

**Senator RYAN**—I want to turn to an issue of disclosure. On 13 August Crikey reported the Carlton office of the Australian Services Union:

... was commandeered and many of the trade union heavies that had rounded behind Kearney in the ACTU fight had the opportunity to assuage their guilt over her shafting.

It was referring to the ASU's support for Cath Bowtell's unsuccessful campaign for the seat of Melbourne as the Labor candidate. If that was the case, that presumably would be something that the ASU had to specifically disclose, wouldn't it, that their office was being used for a period of weeks? It would be in-kind support.

**Mr Pirani**—Prima facie it would fall within the definition, in section 287, of a gift.

**Senator RYAN**—Okay. I know we are not going to see these returns for a while, but I am using this, because it is a current example, to look at some past issues. If in 18 months when the returns were published there was not such a disclosure, does the AEC initiate an investigation at all or is it purely an honour system?

**Mr Pirani**—There are two issues there. The first is what disclosure, because the disclosure obligation of an associated entity is a global disclosure, subject to individual threshold amounts. Section 314AE of the Electoral Act sets out what an associated entity is; and I am assuming that the union has membership with the Labor Party—

**Senator RYAN**—Yes.

**Mr Pirani**—or pays fees to fall within that definition of an associated entity, which is the first test. They are required to disclose on the approved form within 16 weeks after the end of the financial year the total amount received by the entity, the total amount paid and, if the entity is an associated entity at the end of the financial year, the total amount outstanding.

In relation to gifts to candidates, associated entities are excluded from that obligation. That was one of the trade-offs when they were put in as associated entities in the act, so when you

go back and have a look at the disclosure donations in section 305 and section 306, there are certain exclusions as to who has reporting obligations in relation to those.

**Senator RYAN**—In the interests of time, I will pursue this at the electoral matters committee when we have our inevitable review into the election.

**CHAIR**—Thank you.

**Senator BOSWELL**—I want to just clarify one point. You were going to let me know about the Shooters and—

**Mr Pirani**—And how it appeared on the Senate ballot paper. Yes, I was.

**Senator BOSWELL**—And why a defunct party was allowed to join another party.

**Mr Pirani**—Yes. My recollection though is that it was the joining of the Australian Fishing and Lifestyle Party and the Shooters Party.

**Senator BOSWELL**—No, it was not.

**Mr Pirani**—I was not aware from Mr Roberts-Smith—

**Senator BOSWELL**—But the Australian—

**CHAIR**—Senator Boswell—

**Mr Pirani**—I will take it on notice.

**CHAIR**—Mr Pirani has taken it on notice and will come back with an explanation from the AEC which you can then pursue, because we are not going to resolve that disagreement tonight. Senator Cormann.

**Senator CORMANN**—Thank you, Chair. Are you able to tell me the number of overseas Australian defence personnel—overseas—that cast a vote at the 2010 election?

**Mr Killesteyn**—Overseas defence mobile polling, as we describe it: there were 1,855 enrolled members; 1,777 votes were cast in person—that is, through the designated assistant returning officers.

**Senator CORMANN**—So you are saying that 1,855 were eligible?

**Mr Killesteyn**—Were enrolled. We are not talking about eligible. There may have been more eligible, but they were enrolled.

**Senator CORMANN**—Enrolled, okay.

**Mr Killesteyn**—1,777 votes were cast in person. There were 30 postal votes also taken.

**Senator CORMANN**—So that is 1,807 out of 1,855?

**Mr Killesteyn**—That is correct.

**Senator CORMANN**—How does that compare with the previous election in 2007?

**Mr Killesteyn**—I do not have that information available. I will take it on notice.

**Senator CORMANN**—Thank you very much for that. There were a few issues that occurred during the election. Specifically in my home state of Western Australia, you would be aware of problems at Broome polling stations?



**Mr Killesteyn**—That is correct.

**Senator CORMANN**—Can you explain the problems that occurred?

**Mr Killesteyn**—There was an indication that a number of polling stations ran out of ballot papers. Essentially, this was an issue about the estimates that we made about the number of voters, particularly interstate voters, that would attend. We had planned, given that it was a winter election, that there would be a significant number of voters from interstate.

**Senator CORMANN**—But it was more significant than the ‘significant’ you anticipated?

**Mr Killesteyn**—Indeed it was. In fact, in one of the polling stations I think there was some 700 percent increase in the number of votes cast there. So our estimates, I guess on the basis that we had not experienced a winter election for some time, were inadequate.

**Senator CORMANN**—It was not an isolated problem, was it? Polling stations in Kununurra, Onslow and all the way over to Port Douglas experienced similar problems, didn’t they?

**Mr Killesteyn**—Port Douglas had similar problems, where the number of envelopes for the casting of declaration votes ran out. Some steps were taken to resupply declaration envelopes but they could not get there in time and, as a consequence, we lost a few votes regrettably, because people were making those votes without the proper envelopes.

**Senator CORMANN**—That is very regrettable, isn’t it?

**Mr Killesteyn**—It is indeed very regrettable.

**Senator CORMANN**—I mean Kununurra, Onslow, Broome, Port Douglas: they are all very far away from Canberra, I guess.

**Mr Killesteyn**—The AEC takes responsibility. I take responsibility for this. This was clearly an election which was significantly different from those elections of recent times. This was a winter election. We found right across the board that the winter election created unusual circumstances for us, including the fact that many voters were moving around Australia. A large number of declaration votes—some 2½ million declaration votes—were cast. So it just reflects the differences in running an election during winter.

**Senator CORMANN**—So lessons learned from—

**Mr Killesteyn**—Indeed it is. We will be much more conscious of those sorts of volumes depending, upon the timing of the year that an election is conducted.

**Senator CORMANN**—Thank you very much. You would be aware of allegations that were made by the South Australian ALP state secretary that the events in Boothby—you will tell me what happened; but they were described as ‘the sort of thing you would see in North Korea, not South Australia’. Could you describe things from your point of view?

**Mr Killesteyn**—Yes, indeed. All of the circumstances surrounding the incident in one particular pre-polling station in Boothby, which was the Oaklands Park pre-polling centre, have been investigated. I appointed the former electoral commissioner during the term of 1995 through to 1999, Mr Bill Gray, to conduct the investigation. His report has been made publicly available. It is on our website. Mr Gray concludes that these were errors on the part

of the polling officials and that there was no evidence at all tendered in relation to any of the allegations that the ALP made on vote tampering.

**Senator CORMANN**—So the allegation that, ‘You would see this sort of thing in North Korea, not in South Australia,’ is a bit of an overreaction?

**Mr Killesteyn**—That is a matter for you to judge. My responsibility was to ensure that the integrity of the count in Boothby was dealt with. I took steps to ensure that the circumstances were understood. Mr Gray has made a number of recommendations which go to training, which is my responsibility, and some other recommendations in relation to better control over ballot boxes.

**Senator CORMANN**—Are you at all concerned about the training of polling day staff? I have an example which was given to me by one of our local campaigns. At East Queanbeyan polling booth, a person went to vote. The AEC table worker asked the person his name, but did not ask where they lived or whether they had voted that day. Is that acceptable to you, given that those two other questions are mandatory under the act?

**Mr Killesteyn**—No, it is not acceptable. I think what you are reflecting is the fact that we bring together some 65,000 to 68,000 polling officials in the space of a few weeks. We have training programs. We are seeking to improve those training programs, particularly through the provision of online training. This is a constant challenge, one we take seriously and one we will continue to look at to do better.

**Senator CORMANN**—At that same booth, I am advised that during the counting of votes a question arose as to whether a ballot paper which was correctly sequenced except for a final blank square was a valid vote. The officer in charge of the station ruled that it was invalid, despite the chief scrutineers for both Labor and Liberal insisting correctly that it was valid. I gather that the officer in charge twice phoned the senior AEC official to check and both times told the scrutineers that the advice given to him was that, if a box was blank, the vote was invalid. That is not correct, is it?

**Mr Killesteyn**—I would have to understand what the particular issues of the ballot were. We have taken much stronger steps than we had in the past about ensuring that the formality of ballots was clearly understood. We had had some incident, as you may recall, in the 2007 election with the seat of McEwen. The incidents there were over the acceptance of various ballots. That went to the Court of Disputed Returns. An investigation was mounted as a consequence of that. We put out new procedures in relation to that, including instructions on the walls of counting polling places so that everyone knew what those rules were.

**Senator CORMANN**—I guess it is one thing for the casual staff. You can understand that that is—‘hit and miss’ is the wrong way of describing it—a bit more challenging. But the officers in charge of the polling booths, you would expect them to have pretty—

**Mr Killesteyn**—Indeed, I would.

**Mr Dacey**—If I can come in on that as well? A point to bear in mind is that, once the votes are counted in the polling place on polling night, there is a full recheck done in our office, so we do cater for picking up some errors that polling officials would make.

**Senator CORMANN**—Sure. I have some questions in relation to the AEC's activities at Geelong Hospital. I have been advised again that four patients were unable to vote at Geelong Hospital at the last election and that these people had previously been told by the local AEC office that they would not need a postal vote because a polling team would be visiting the hospital on polling day, which did not happen. Are you aware of this incident?

**Mr Killesteyn**—No, I am not aware of that one. I will take it on notice and have the matter investigated.

**Senator CORMANN**—Could you investigate this and report back to us on the circumstances surrounding this. Do you have any plans for amalgamating any divisional offices over the next 12 months?

**Mr Killesteyn**—There are no plans to amalgamate any divisional offices in the next 12 months.

**Senator CORMANN**—That resolves that, and that concludes it from my point of view.

**CHAIR**—Senator Bernardi, any questions?

**Senator BERNARDI**—No.

**CHAIR**—Good. I have one which you may wish to take on notice. Could you tell me how many and what percentage of people pre-poll voted and how does that compare with previous elections? It certainly seems to me that that number is increasing and now becoming quite substantial and certainly has a consequential impact upon the use of resources by the AEC in the lead-up to election day.

**Mr Killesteyn**—There are now two categories of pre-poll votes: those cast by the elector in their own division in which they would normally vote, and those that are cast outside.

**CHAIR**—Yes. You go on, but I am particularly interested in not declared institutions and absentees.

**Mr Killesteyn**—Yes, sure.

**CHAIR**—The ones that are voting early in their own little districts.

**Mr Killesteyn**—Those cast in their own electorate, their home division if I can use that description, were 996,875. Pre-poll votes cast in other than a home division were 534,426. So the sum of those is 1.4, 1.5 and—

**CHAIR**—What sort of percentage is that of the total votes that are cast?

**Mr Killesteyn**—I do not have the percentage worked out, but I can do that for you.

**CHAIR**—Could you take that on notice and how does—

**Mr Killesteyn**—How does it compare?

**CHAIR**—I am talking here, not including overseas votes. What we now have, of course, is a situation where there is more opportunity for people to pre-poll vote, particularly in their own electorates. That is certainly the evidence.

**Mr Killesteyn**—That is true.

**CHAIR**—Yes.

**Mr Killesteyn**—I have just been given the percentages. In 2007, pre-poll votes as a percentage of all votes taken was 8.22 per cent. In 2010 it was 11.29 per cent.

**CHAIR**—We had a by-election last Saturday in our local council area conducted by the New South Wales Electoral Commission. We just got the figures today. Over 4,000 people out of 24,000 total votes pre-poll voted in the two-week period. What is becoming clear is that we are having raised with us staffing and the resources that are available at a single electoral office or the returning officer's office for the election, in terms of the people who are utilising that method, and that is placing greater strain—

**Mr Killesteyn**—The initiative that was taken by the former parliament to allow home division pre-polls has been a significant benefit for us.

**CHAIR**—Yes.

**Mr Killesteyn**—Otherwise all of those votes would be cast in envelopes—

**CHAIR**—That is right.

**Mr Killesteyn**—which increases the handling for us.

**CHAIR**—I am not raising it as a criticism. It is clear that it is providing an opportunity for people to vote who may have either not voted or voted absentee or postal voted. Thank you very much. Thank you, Minister. Thank you, officers. Thank you, Hansard and senators for your attendance. I declare the estimates hearing adjourned.

**Committee adjourned at 10.55 pm**