



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION  
COMMITTEE

ESTIMATES

**(Budget Estimates)**

TUESDAY, 23 MAY 2006

CANBERRA

BY AUTHORITY OF THE SENATE



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**SENATE**

**FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE**

**Tuesday, 23 May 2006**

**Members:** Senator Mason (*Chair*), Senator Murray (*Deputy Chair*), Senators Brandis, Carol Brown, Fifield and Forshaw

**Senators in attendance:** Senator Mason (*Chair*), Senator Murray (*Deputy Chair*), Senators Brandis, Evans, Faulkner, Fifield, Forshaw, Joyce, Moore, Parry, Ray, Siewert and Trood

**Committee met at 9.04 am**

**PRIME MINISTER AND CABINET PORTFOLIO**

Consideration resumed from 22 May 2006

**In Attendance**

Senator Minchin, Minister for Finance and Administration

Senator Kemp, Minister for the Arts and Sport

**Department of the Prime Minister and Cabinet**

**Executive**

Dr Louise Morauta, Deputy Secretary

Mr Duncan Lewis, Deputy Secretary

Mr Phillip Glyde, First Assistant Secretary, Industry, Infrastructure and Environment Division

**Economic policy advice and coordination**

**Output Group 1**

Mr Paul Tilley, First Assistant Secretary, Economic Division

**Social policy advice and coordination**

**Output Group 2**

Ms Serena Wilson, First Assistant Secretary, Social Policy Division

Mr Dominic English, Assistant Secretary, Immigration and Education

Ms Jan Harris, Principal Adviser, COAG Human Capital

Ms Leonie Smith, Assistant Secretary COAG Health/Mental Health Group

Mr Shane Hoffman, Assistant Secretary, Indigenous Policy

**International policy advice and coordination**

**Output Group 3**

Mr Angus Campbell, First Assistant Secretary National Security Division

Ms Ruth Pearce, First Assistant Secretary, APEC 2007 Taskforce

Mr Nicholas Coppel, Assistant Secretary, Pacific, Rest of the World Multilateral Branch

Mr Allaster Cox, Assistant Secretary, Asia, Americas and Trade Branch

Mr Frank Leverett, Assistant Secretary, Ceremonial and Hospitality Branch

Mr Terry Fahey, General Manager, Procurement and Legal Branch, APEC 2007 Taskforce

Mr Andrew Harper, General Manager, Corporate Branch, APEC 2007 Taskforce

Mr Stuart Page, General Manager, Venues, Logistics and Security Branch, APEC 2007 Taskforce

Ms Rebecca Irwin, Assistant Secretary, Domestic Security Branch

**Support services for government operations**

**Output Group 4**

Ms Barbara Belcher, First Assistant Secretary, Government Division

Mr Peter Hamburger, First Assistant Secretary, Cabinet Division

Mr Greg Williams, First Assistant Secretary, People, Resources and Communications Division

Dr Susan Ball, Assistant Secretary, Information Services Branch

Mr David Macgill, Assistant Secretary, Parliamentary and Government Branch

Ms Michelle Patterson, Assistant Secretary, Human Resources and Official Establishments Branch

Mr Peter Rush, Assistant Secretary, Awards and Culture Branch

Mr Robert Twomey, Chief Financial Officer

**Australian National Audit Office**

Mr Warren Cochrane, Acting Deputy Auditor-General

Mr Brian Boyd

Mr Kevin Caruana

Mr Steve Chapman

Mr Russell Coleman

Mr Colin Cronin

Ms Rachel Harris

Mr John Hawley

Mr Steven Lack

Mr John Meert

Mr Michael Watson

Mr Michael White

**Australian Public Service Commission**

Ms Lynelle Briggs, Australian Public Service Commissioner

Ms Lynne Tacy, Deputy Public Service Commissioner

Mr Jeff Lamond, Merit Protection Commissioner

Ms Jacqui Curtis, Acting Group Manager, Programmes

Ms Karin Fisher, Acting Group Manager, Corporate

Ms Ngaire Hosking, Group Manager, Evaluation

Ms Clare Page, Group Manager, Better Practice

Mr Patrick Palmer, Group Manager, Regional Services

Ms Georgia Tarjan, Group Manager, Policy

**National Water Commission**

Mr Ken Matthews, Chief Executive Officer

Ms Linda Holub, General Manager Corporate Strategy and Services Group

Ms Virginia Hart, General manager Water Programmes Group

Mr Malcolm Thompson, General Manager Water Policy Group

Mr Roger Cobcroft, Chief Financial Officer

Mr Steve Costello, Manager Water Programmes Group

Mr Craig Bradley, Manager Water Policy Group

**Office of National Assessments**

Mr Peter Varghese, Director General

Mr Derryl Triffett, Assistant Director General Corporate Services

Mr Patrick Keane, Director Business Management

Ms Laura Rennie, Accountant Corporate Services

**Office of the Commonwealth Ombudsman**

Mr John McMillan, Ombudsman

Ms Vivienne Thom, Deputy Ombudsman

Ms Mary Durkin, Senior Assistant Ombudsman

Ms Natalie Humphry, Contract Manager

[9.04 am]

**Department of the Prime Minister and Cabinet**

**CHAIR (Senator Mason)**—Welcome. The committee will continue its examination of the Department of the Prime Minister and Cabinet. You will recall that we are still in general questions. Before we do that, Dr Morauta, did you have a few issues you wanted to clear up from last night?

**Dr Morauta**—It was in answer to something that Senator Evans asked me, but I notice that he is just walking out the door.

**Senator CHRIS EVANS**—Can we delay it?

**Dr Morauta**—Yes, we can come back to it.

**CHAIR**—Senator Siewert, you said that you wanted to ask some questions relating to economic policy and social policy.

**Senator SIEWERT**—Yes, I would like to follow up on questions Senator Evans was asking about the Secretaries Group on Indigenous Affairs. I have a number of questions. First off, I have been trying to find in the budget documents that I have spending on Indigenous affairs. My understanding is that there are Indigenous specific programs that spell out all the different specific Indigenous programs. When we are looking at the mainstreaming programs and how much in total is spent on Indigenous affairs, we see that it says that there is \$3.3 billion. How do we track the other programs that are not Indigenous specific programs? My understanding is that last year there was a specific budget put up by the secretaries group—a budget submission—and you referred to that last night.

**Senator Minchin**—If I could just interpose there to say that detailed questions about how we account for total resourcing of Indigenous programs in the budget papers are probably better put to Department of Finance and Administration or Treasury officials, who are more familiar with this and are better able to navigate their way through the budget papers. There may be questions that PM&C can answer in a general sense, but I think it would be better to direct those sorts of questions to Treasury and/or the department of finance.

**Senator SIEWERT**—I would like to ask an overarching question. I understood from the comments made last night that there was an Indigenous budget submission put up.

**Dr Morauta**—That is right.

**Senator SIEWERT**—Was it made public last year that there was an overall Indigenous budget of, I think, \$3.1 billion?

**Mr Hoffman**—Yes. The Indigenous specific measures were included in the budget papers last year for 2005-06.

**Senator SIEWERT**—They have been this year, but that does not account for the overall spending of \$3.3 billion.

**Dr Morauta**—I think that would be because of various programs—for example, the Medicare Benefits Schedule. There is information collected about how much Indigenous people access MBS funds, but that is not included in this budget submission and budget package. They are just part of the mainstream programs. Quite a lot of the big mainstream programs collect information on how much of their benefits go to Indigenous people, and they would be included in that other figure you are quoting.

**Senator SIEWERT**—I want to come back to that separate issue of mainstreaming in a minute, but I just want to get clear whether in the budget submission, the budget submission is overall for the whole funding on Indigenous spending and mainstreams accessed. I want to account for the \$3.3 billion, basically.

**Dr Morauta**—I do not think we can account for the \$3.3 billion.

**Mr Hoffman**—The \$3.3 billion is the Indigenous specific amount. It does not include the mainstream funding.

**Dr Morauta**—Just to clarify: the single Indigenous budget submission is about new policy. It is about decisions to be taken by government in the budget context about new expenditure on Indigenous people. It is not a picture of the whole of the Indigenous spend.

**Senator SIEWERT**—It is not?

**Dr Morauta**—No. The Indigenous budget submission is simply about new policy. It is a way of getting new policy on Indigenous things into the budget. Rather than them coming up separately, they come in in one tranche.

**Senator SIEWERT**—I am reading the secretaries group annual report from last year, and it says ‘developing an integrated single Indigenous budget submission’. So that is purely about strengthening Indigenous communities? Is that what that is about?

**Dr Morauta**—It is about new policy. Every portfolio at budget time comes forward with new policy but, on Indigenous matters, instead of coming forward separately, ministers put it together as a single Indigenous submission. It is about new things—decisions that government may take or does take in the budget about new expenditure on Indigenous matters.

**Senator SIEWERT**—I must say that that is not how I read some of the papers that I have been reading about what the single Indigenous budget is about. My understanding from reading various submissions—and I have read quite a bit—is that it is about being able to track funding on Indigenous issues so that there is a coordinated, whole-of-government approach. Is that a misunderstanding of what I have read?



**Dr Morauta**—I think if you are talking about a single Indigenous budget submission it is, but there may also be other methods by which all the information on Indigenous expenditure is drawn together. I am looking to my colleagues to see if they can help us with that. We are looking for anything which would tell us whether there is an accounting of the whole-of-government expenditure on Indigenous. If we cannot answer, we will have to ask you to talk to the Department of Finance and Administration, because I am not sure that it is our area of expertise.

**Ms Wilson**—There is a range of accountability measures for Indigenous expenditure.

**Dr Morauta**—The Senator is looking for the whole of Indigenous expenditure.

**Ms Wilson**—Whole of Indigenous expenditure?

**Dr Morauta**—Everything we spend.

**Ms Wilson**—Okay.

**Mr Hoffman**—There is what is called Australian Government Indigenous Expenditure, or AGIE, which is \$3.3 billion for 2006-07. That is the total of the Australian government's Indigenous specific expenditure, including programs which are rolling programs. The single Indigenous budget submission is a process by which departments prepare bids for new funding or to replace lapsing programs. That is drawn together through the secretaries group and, on their advice, to the ministerial task force on Indigenous affairs and from there through the ERC processes.

**Senator SIEWERT**—I want to go on to how you track the mainstream funding. There has been a lot made of the new approach that has been taken to Indigenous issues and about mainstreaming and the new mainstreaming and the whole-of-government approach. What initiatives do you have in place that actually track that funding?

**Dr Morauta**—I am going to give you a very broad answer, but I think you will have to go to the Department of Finance and Administration for the details, because they draw these things together. It is my understanding that every department has to report on its own Indigenous expenditure or its plans in its yellow book and then the department of finance draws all that together. I know that we have a little table which says how much we spend on Indigenous in PM&C. The table is on page 34 of our PBS. It is just a little table but it is a standard table for every department. This says 'Australian Government Indigenous Expenditure'. That is what Mr Hoffman was talking about. Every department puts in one of those and then the department of finance dives in and adds it all up. That is a sort of layman's explanation, but that is how it is done. Every department reports its own figure and then the department of finance draws it together to get a total figure. That is the broad answer, but I would not like to be held to the technical detail. You will have to ask the department of finance for that.

**Senator SIEWERT**—Does the secretaries group that I understand is responsible for looking at the whole-of-government approach then review that? Does it have a process for how each of those initiatives is working?

**Dr Morauta**—I think in yesterday's discussion we probably did not make it clear enough that the secretaries group and the ministerial task force are really engaged in a policy

development and policy review process. When it comes to the administration of particular measures, they remain with the minister who has the measure in his portfolio. So if you say, ‘Whose checking that we’ve done this?’ that minister and his department are responsible in the normal way for measures within their portfolio.

**Senator SIEWERT**—But then last night and in the paper that Senator Evans referred to last night—which I have also got a copy of—there was discussion about the Cabinet Implementation Unit. How does that kick in? I was following the discussion last night, but I did not quite understand how that kicked in.

**Dr Morauta**—I might get Mr Hamburger to help me in case there is more detail needed, but the Cabinet Implementation Unit oversees or monitors the progress on particular measures that have been decided by cabinet. So, if some of them were Indigenous measures, they might be checking those and monitoring their performance. They do this for a lot of government decisions, not just for Indigenous issues.

**Senator SIEWERT**—In this report we have been talking about—the CAEPR report—it said that the CIU had been involved with 11 issues. What were those issues and how was that decision made?

**Dr Morauta**—We are just waiting for Mr Hamburger—who is here now—to help you with that question.

**Mr Hamburger**—The CIU monitors quite a wide range of government decisions. At the end of the March quarter this year there were about 61 initiatives being monitored. They are often nominated by cabinet. When cabinet decides to do something, it often asks the CIU to monitor it. On other occasions the Prime Minister decides that something should be monitored, but we look in general for issues that have a fairly large or complex implementation task and that are of reasonable significance to the government.

**Senator SIEWERT**—Can you tell us what the 11 Indigenous issues were that were triggered last year?

**Mr Hamburger**—We would prefer not to go into the detail of what specific initiatives are being monitored, on the basis that they are essentially cabinet decisions and it is getting fairly close to the deliberations of cabinet. It changes from quarter to quarter because we pick things up and drop them off, but at the end of the March quarter there were in fact eight Indigenous initiatives, not 11.

**Senator SIEWERT**—Was family violence one of them? I do not think that last night you actually answered the question in the end; we circled around the issue. Was family violence one of them?

**Mr Hamburger**—I think the CAEPR paper says that it was.

**Senator SIEWERT**—Going back to the issue of mainstreaming and changing the culture, one of the issues that comes out in the CAEPR paper is the need to change the culture within the Public Service. Is that one of the initiatives that the secretaries group would be monitoring? It came out as a really significant issue in moving to the new approach. Is the secretaries group monitoring that? I have got a range of questions about this; I can do them one at a time or all at once.

**Ms Wilson**—One at a time is fine. The secretaries group considers how the whole-of-government approach is going, so it looks at a range of things—for example, the functioning of the Indigenous Coordination Centres, which are a key element of implementation and coordinating service delivery in outer areas. As well as that, there has been a significant investment in support for Indigenous staff within the APS and a new APSC strategy on Indigenous staffing. There has been mentoring of Indigenous staff in the ICCs by senior members of the APS. That is about helping people work in this new approach at the coalface as well as increasing the representation of Indigenous staff within the APS.

Within agencies themselves, they might undertake activities like cultural awareness training. That is generally managed within a single portfolio or department. Cultural change requires a range of activities, which range from staffing to the way of doing business. For example, every year the single Indigenous budget strategy looks at the need for new cross-portfolio Indigenous-specific expenditure or changes to policy and programs for Indigenous people. It is a network of things that achieve cultural change.

**Dr Morauta**—The formation of the secretaries group—based on the principle that the heads of the departments are very important in the culture of their departments—is itself part of that change. It was designed to get them to work together and have projects and look at issues together, to change the way that the Public Service works.

**Senator SIEWERT**—Do you have an assessment process in place that actually looks at whether you are getting the change that you need across the agencies?

**Ms Wilson**—There is a range of assessments. The secretaries group itself produces an annual report and one was produced for 2004-05. I guess there is a broad accountability and assessment structure that spans across this. Departments have their own evaluations of mainstream and Indigenous-specific programs. There are independent audits and evaluations, such as that done by the Australian National Audit Office and the Office of Evaluation and Audit (Indigenous Programs) Division, which is within the Department of Finance and Administration, and the Aboriginal and Torres Strait Islander Social Justice Commissioner plays a role in looking at how things are travelling. OIPC also undertakes evaluations of activities that cross or go beyond organisational boundaries, so that spans a number of portfolios.

The shared responsibility agreements, which are a new way of doing business in a particular location, are also being reviewed and evaluated. Those reviews will commence this year. There will be an implementation review in 2006 and, several years down the track, an outcomes review to look at what has been achieved by each of those SRAs. Evaluations of the COAG trials are occurring. In addition, there is, I think, a Productivity Commission produced report, which reports against a set of outcomes for Indigenous disadvantage, and that was endorsed by COAG. That looks at the outcomes of all of this effort and it is produced every two years. So there is a fairly broad and multilayered accountability framework.

**Senator SIEWERT**—There is some evaluation of the programs—and I will come back to the COAG trials in a minute—but nothing is actually looking at trying to change the culture within the agencies. Is that culture changing?

**Ms Wilson**—The secretaries group annual report to some extent reports on the new ways of doing business. That is part of what the cultural change is trying to achieve: taking a broader perspective and seeing that Indigenous business and Indigenous issues are everybody's business, rather than having an Indigenous-specific program on its own. The secretaries group annual report goes to those sorts of issues.

**Senator SIEWERT**—There are a couple of areas that I want to follow up on from your answers. One is about the ICCs. I have seen it not only in the CAEPR report; it has also been presented as evidence to us and when I have been on various committees that ICC staff are not senior enough to be able to negotiate the sorts of complex arrangements that need to be arranged for the whole-of-government approach. Has that been identified as an issue in the secretaries group process? If so, what is being done about it?

**Ms Wilson**—Reporting on how the ICCs are travelling is something that secretaries look at fairly frequently, including the progress of ICCs and the shared responsibility agreements. The specific responsibility of supporting the ICCs belongs to OIPC and the portfolio agencies that have staff in the Indigenous coordination centres. Certainly, the approach to mentoring ICC staff with more senior public servants was part of the capability-building for ICC staff. There was also a specific training program, as I understand it—which Mr Hoffman may know a little more about—for ICC staff when they were set up. It may have been run again. I do not have the detail of that, I am afraid. That is the responsibility of the Office of Indigenous Policy Coordination.

**Senator SIEWERT**—I will chase it with them. The point is that there is the issue of training, but there is also the issue about whether they are senior enough to get other agencies to be able to cooperate with them. That feeds into the next question on the COAG trials. The clear information that I have read is that it has taken a lot of effort to coordinate those trials from the secretaries' level. They have had to put a lot of effort into making it happen, and the ability for ICCs to be able to do that is in question.

**Ms Wilson**—I do not quite understand the question you are asking. I understood that as a comment rather than a specific question.

**Senator SIEWERT**—How is the OIPC feeding back to the secretaries group to signal to the secretaries group whether there is an issue—and it appears that there is—about whether ICC staff are senior enough to be able to coordinate and manage these agreements—SRAs and RPAs—across agencies? Has that been flagged as an issue?

**Mr Hoffman**—At secretaries group meetings up to the end of 2005, at each meeting there was an implementation report which was generally prepared by OIPC. That provided information to secretaries around implementation issues for the new arrangements, including the operation of ICCs and the development and progress of SRAs and regional partnership agreements. It also commented on mainstreaming and whether mainstreaming was working or not and whatever was required to be done. This year the secretaries moved to a different approach. They moved to having their meetings every second month rather than every month. However, they have decided to continue the requirement for having that implementation report at each of their meetings. Secretaries monitor how things are travelling through the implementation report which is provided at secretaries group meetings.

**Senator CHRIS EVANS**—How do we track that, though? If we ask here, you say that is the responsibility of the department. If we ask the department, they say it is for the secretaries group. I think that it is a broad question in terms of accountability, but it reflects some of the frustration I had last night and which I think now Senator Siewert is experiencing. We now have a coordinating group of secretaries. The ministerial council is responsible overall, but the secretaries group in an administrative sense is responsible for Indigenous policy mainstreaming. There is not a department of Aboriginal affairs that we can ask about these things. We have to ask each department individually. The government says, ‘We’re not suggesting that all of those programs be diffused in the sense that we do think there needs to be some overall coordination and accountability for progress in Indigenous affairs.’

I am sorry if this is a longwinded point, but how do we actually find out and assess at estimates how that is going? You say there is a secretaries’ report, which I acknowledge. But do you know what I mean? As a broad point maybe this is for you, Dr Morauta. Who do we question about the success or otherwise of mainstreaming, the government’s perspective on that and the policy initiatives that flow from feedback or assessment on mainstreaming, given that each individual department is only responsible for its bit?

**Dr Morauta**—It is obviously a very fair question. I think that at the end of the day in the ministerial realm, the chair of the ministerial task force is Minister Brough now. I think that, in some ways, the balance of effort across government might be the sort of thing that he could reflect on at the ministerial level. At the officials level, both OIPC and we probably ought to be able to say something about it, but OIPC has a slightly more leading role than us in making comment about the balance of effort or the mix of effort across government. That is how I see it.

**Senator Minchin**—Just to make that point stronger, each department and secretaries as CEOs of their departments are responsible for the implementation of policy within their portfolio area. It is true that programs specific to Aboriginal people or that are accessed by Aboriginal people are run within the line departments, but the CEOs of those departments are responsible for the performance and accountability of those programs within their departments. So you should question them when they are before estimates.

**Senator CHRIS EVANS**—But you adopted a whole-of-government approach. Who do we ask about the success or otherwise of the whole-of-government approach? The answer cannot be that you have to ask each part of government.

**Senator Minchin**—It depends at what level you are asking the question. Obviously, rather than having a massive department of Aboriginal affairs responsible for every program affecting Aboriginal people, we have as an alternative a mechanism by which the Department of Family and Community Services is responsible for programs within its portfolio that affect Aboriginal people and, rather than everybody operating in isolation, there is coordination of all those departments that have programs affecting Aboriginal people. That is seen, after many years of trial and error, as the most effective way of delivering to Aboriginal people—departments responsible for the delivery of individual programs but ensuring at a macrolevel coordination of all of that activity at both the ministerial and secretary level and, as we were discussing before, in each budget round ensuring that, rather than each individual department or minister bringing a separate and uncoordinated submission in relation to new policy

affecting Aboriginal people, effort is also coordinated so there is a coordinated new policy initiative brought forward.

Both sides of politics have been testing how best to deliver for Aboriginal people for a number of years in an administrative sense. I think that is where we are currently at, and that is what we think is the most effective way. So if you are asking about the overall results, it is at the coordination level, but the performance of individual programs lies within the responsible departments, and you have the estimates to question individual departments about the performance of programs in their areas.

**Senator CHRIS EVANS**—But you just made the point that I am trying to nail down. You talk about testing and how we deliver across the whole of government. I want to know who we ask about the testing across the whole of government. The answer seems to be: ‘Don’t ask us, because it’s not really our responsibility at PM&C. Ask OIPC.’ I just want to be clear, given what happened last time, that when I ask OIPC this will not be news to OIPC, because, if I read correctly what Dr Shergold says in his public speeches, he is not saying that OIPC is responsible. I do not know whether there is a turf war going on here or just some confusion regarding arrangements, but I want to be very clear that the government has a policy of a whole-of-government approach to Indigenous affairs. It is a quiet revolution according to all the public relations. Who do I ask about the revolution? And do not say Marie Antoinette!

**Dr Morauta**—I think it is basically about the different layers, as Senator Minchin was saying. At the end of the day, where new money is spent is a decision of the whole of government in the normal way. Getting to that point is done in a new way by a coordinated policy effort across departments. When you ask, ‘Are the circumstances of Indigenous people getting better in Australia?’—which is, after all, what any government, state or Commonwealth, is about—there are reports that are made about the status of Indigenous health and welfare, employment and so on. I think it depends on what question you are asking as to how you get to that.

**Senator SIEWERT**—Can I drill down here a little bit? Dr Shergold has made statements which have been repeated a number of times and are in the secretaries’ report as well. The paper I have here says:

He then went on to outline five characteristics of the new whole-of-government mainstreaming: collaboration between government agencies, a focus on regional need, flexibility of programme guidelines and departmental allocations, enhanced accountability and joint leadership ...

Do you report against those at all? I appreciate that the new approach had not been in place that long when this was produced.

**Mr Hoffman**—This was the first secretaries group annual report. We are now preparing to put together the second one. This is the mechanism for reporting by secretaries in a public way. There is also a report which goes through the ministerial council to ERC. But the public report is the annual report by the Secretaries Group on Indigenous Affairs.

**Senator SIEWERT**—I appreciate that. Will you be reporting against at least those five characteristics and, if so, have you worked out how you report, how you measure it and how you coordinate across the agencies to answer those questions?

**Mr Hoffman**—Senator, we have had one meeting to establish how we will pull together the secretaries report for 2005-06. We have not yet answered all of those questions, so I cannot say now that X is precisely the methodology that we would use.

**Senator SIEWERT**—In addressing the issue of mainstreaming or the whole-of-government approach, and in answering those five questions, have you asked the agencies to report against how Indigenous people are equitably accessing mainstream services?

**Ms Wilson**—In terms of mainstream programs and the extent to which they are assisting Indigenous people, there are several ways of getting at the issue. One is through specific evaluations of the programs. Another is through discussion—for example, of subject matter and a range of programs that attempt to address a specific area of disadvantage or need for Indigenous people—through the secretaries group. For example, there might be a discussion of Indigenous economic development. The secretaries group would look at both Indigenous-specific programs that are attempting to improve economic development for Indigenous people and the extent to which Indigenous people are achieving outcomes under mainstream programs. In employment, for example, the Department of Employment and Workplace Relations would report on the extent to which its employment assistance programs are assisting Indigenous people. And that is something that they do.

**Senator SIEWERT**—You said there was two ways you would do that: the discussion, with the first part being the actual assessment. Is there an assessment being done?

**Ms Wilson**—As I said, there is a sort of collective assessment of what the intelligence and the various evaluations in sets of data that portfolios hold about their programs and what they are achieving for Indigenous people tell us. They tend to report that in their own annual reports. The secretaries group will look at a thematic area and make a collective assessment of how it is travelling and whether additional action needs to be taken or the emphasis needs to be changed or what have you. That could feed into a ministerial task force discussion. It could feed into the single Indigenous budget submission process, depending on what the outcome of that collective discussion and assessment across a range of portfolios tells them.

**Dr Morauta**—Can I also add that there are a number of national collections of statistics on Indigenous matters. I believe the Productivity Commission puts out a report, either annually or biannually.

**Ms Wilson**—It is biannual.

**Dr Morauta**—At the end of the day, what matters in Indigenous affairs is what is happening out there and what the figures tell us about education, employment, health, welfare and all of those things. If those are going backwards or not improving at a reasonable rate, governments are going to say that they are not doing enough and are going to look at what they are doing. You have to look at the whole picture—that is not a product just of the Commonwealth; it is also what the state governments are doing. You have to have a picture of what is going on, and we do have that. That can always be improved, but there is a regular attempt to get a picture of how Indigenous things are going.

**Senator SIEWERT**—I understand that. What I am trying to get to is what the department and the secretaries group are doing now, through the whole-of-government approach, to address, let us say, Indigenous health. There is a 17-year differential—we know that. What is

being done and what are the indicators that are used to look at and measure the equitable access of Indigenous communities to health—to Medicare et cetera?

**Dr Morauta**—There are measures of those things available. The health department would be best placed to answer that. I am quite confident that there are measures of those things available.

**Senator SIEWERT**—What I am trying to get to is how the secretaries group uses that to make decisions and what indicators it uses. Does it have a list of indicators that it talks to each of the agencies about in its whole-of-government approach?

**Ms Wilson**—There is an agreed framework of indicators which is reflected in the Productivity Commission report that is produced every second year. There are Commonwealth-state agreed indicators that were adopted by COAG. Agencies provide data to the Productivity Commission that produces this report, and agencies from both the Commonwealth and the states do that. There is an agreed data set. They are similar sorts of indicators that the department of health would report against in its annual report, but also, if there was a thematic discussion at the secretaries group, it would pull together that information for the secretaries group to examine.

**Senator SIEWERT**—Okay. Can I drill down; I think I am not asking my question correctly. I am aware of the indicators. I am aware that that happens every two years. But surely the secretaries group is monitoring it more hands on and more immediately—for example, for each budget cycle and for the implementation unit. Waiting two years for those indicators is not necessarily, I would have thought, finetuning the whole-of-government approach.

**Ms Wilson**—It depends whether you are talking about the whole-of-government approach at an implementation level—which includes things like the Indigenous coordination centres, the shared responsibility agreements for some sites et cetera—or at a broad set of program and policy levels. Secretaries group examines things at both those levels. And, as Mr Hoffman was indicating, there is this agreement to continue to regularly look at what progress we are making on shared responsibility agreements, how the ICCs are going, what OIPC can tell us, what the agencies who have got staff in the ICCs can tell us, how we think they are travelling, how our training program has gone down, what we know about staff turnover and the like. Secretaries group assesses that sort of information.

**Senator SIEWERT**—Is that at every meeting the secretaries group has, which is now every two months?

**Ms Wilson**—I do not believe that at every meeting there would be a detailed report on those issues—Mr Hoffman might elaborate on that—but certainly it would be quite frequently in the course of a year.

**Dr Morauta**—I think the emphasis of the secretaries group is on where, across government, the effort should be put. Where is the most need for change? What should we be doing first? Each minister and each department is very concerned about its own area of work and would be accountable in many ways for that. I think it is a policy directions and direction-setting, as well as a new mechanisms for implementation group. The secretaries group is not accountable for the individual detail in the programs of the agencies.



**Senator SIEWERT**—Can I move on to the COAG trials, because they are an example. My understanding is that there is an evaluation taking place.

**Ms Wilson**—There is an evaluation under way, yes.

**Senator SIEWERT**—When did that start and when is it due to report?

**Ms Wilson**—There is a two-stage approach to the evaluation, the first stage occurring in 2005-06 and the second in 2007-08. I think I gave some evidence on this at the last Senate estimates. Site evaluations are expected to be completed by the middle of this year. OIPC is undertaking this evaluation work.

**Senator SIEWERT**—Across all of them?

**Ms Wilson**—Across all of the COAG trials, yes. They have a special evaluation area that is undertaking this work. After the evaluations of each of the sites have been undertaken there will be a meta analysis, which is sort of bringing together the broad themes that come out of those individual site assessments. The initial evaluations are being conducted by external consultants, and more detail about the evaluations is properly asked of OIPC because they have that function.

**CHAIR**—Did you say a meta analysis?

**Ms Wilson**—Yes, a meta analysis.

**CHAIR**—Very postmodern—a metanarrative.

**Ms Wilson**—I think it is quite a common term in the evaluation.

**Senator SIEWERT**—It is now anyway. Has the secretaries group been looking at the COAG trials through the process?

**Ms Wilson**—Yes, there has been regular discussion of the COAG trials at secretaries group, as there has been from time to time at COAG itself as part of the Indigenous affairs reporting to COAG.

**Senator SIEWERT**—My understanding is Wadeye is one of them—isn't it?

**Ms Wilson**—It is the FaCSIA COAG trial, yes.

**Senator SIEWERT**—Has there been reporting back on that specific trial to the secretaries group?

**Ms Wilson**—There has certainly been discussion of each of the sites, I understand, at secretaries group.

**Senator SIEWERT**—Have any of the issues that have been apparent in Wadeye for some time been looked at? Has there been an evaluation—

**Ms Wilson**—The evaluations are currently under way.

**Senator SIEWERT**—Has there been any discussion about the success or otherwise of the trial in relation to the situation in Wadeye?

**Ms Wilson**—There has been some broad discussion of the trial in Wadeye, but the details of how that trial has been progressing in Wadeye and FaCSIA's involvement in Wadeye is most appropriately asked of that department.

**Senator SIEWERT**—When the trials were set up, were assessment processes and measures built into them in the first place?

**Ms Wilson**—There has certainly been an evaluation approach in place for a while. I am not sure exactly when the evaluation approach was agreed. I am afraid that that is a question for OIPC. The data collection and the undertaking of the evaluation have been happening for some time now.

**Senator CHRIS EVANS**—Has part of that evaluation looked at the fact that there are 148 houses for 2,500 people? Are those the sorts of things that are part of the assessment of the COAG whole-of-government trials?

**Ms Wilson**—The detail of the evaluation and the questions being asked are really issues for OIPC, who are undertaking that evaluation.

**Senator CHRIS EVANS**—Why? This is the whole-of-government, COAG process.

**Ms Wilson**—The evaluation is still under way.

**Senator CHRIS EVANS**—But you have had three years. Are you telling me you cannot tell me anything about the success or otherwise of COAG three years on when you represent the secretariat of the COAG trials? This is the brave new world; this is the coming together of a whole-of-government approach. What we know now is that there is rioting in Wadeye, that they have 148 houses to house 2,500 people and that they have no high school when there are 1,000 children in the community. Surely these issues have been raised as part of the assessment of COAG?

**Ms Wilson**—It is not an assessment of COAG.

**Senator CHRIS EVANS**—The assessment of the COAG trial in Wadeye. This is one of the sites where we have had many PR opportunities for federal ministers. They have gone out there and said that they are in touch with the problems and that they are impressed by the progress. They have been having photos and ceremonies. We have had no shortage of media opportunities for successive ministers in Wadeye. Now when there is a bit of focus on some of the problems that still exist despite the whole-of-government approach and three years of COAG investment—allegedly—in the community, you cannot tell me anything about it or whether COAG is actually dealing with the issues.

**Ms Wilson**—Both the secretaries group and the ministerial task force have had discussion about individual trial sites, but the detail in terms of the agreed outcomes for each specific trial—and there were specific areas of attention for the trials which were agreed with the community for each site—is, as I said, subject to this evaluation. I am not personally familiar with the specific evaluation questions that are being asked about each trial site.

**Senator SIEWERT**—Didn't warning signals come out of this trial? Have they been flagged?

**Ms Wilson**—There has certainly been discussion at the secretaries group about some of the issues at each of the trial sites, and they have been led by the secretary responsible for each of those trial sites.

**Senator SIEWERT**—But no action has been taken, because the evaluation of the trial has not finished. Is that what you are saying?

**Ms Wilson**—I am not saying that.

**Senator SIEWERT**—So you have had some discussion about it. Has there been action taken to address some of the issues that have come out of Wadeye?

**Ms Wilson**—The detail about Wadeye is really an issue for the Department of Family and Community Services and Indigenous Affairs, because it is their trial site. I am not familiar with the specific actions that they may have taken in the course of assessing how that trial is going or with any discussions they may have had or agreements they may have made with the Northern Territory government about any change in direction or emphasis.

**Senator SIEWERT**—The point is, this is supposed to be the new whole-of-government approach. These issues seem to me to cover more than FaCSIA; they seem to spread across all of government. What lessons have been learnt that we can take into the new whole-of-government approach that we are looking at now? Has there been any analysis of that done yet?

**Ms Wilson**—As I mentioned, the evaluations are currently under way. Some evaluations of the initial sites are expected by midyear, after which they will be drawing together the collective understanding of how these trials have operated, what one might do differently and what one might continue to do. But that work has not yet been completed.

**Senator MURRAY**—You say that the evaluations are being conducted. Would you be able to tell us by whom so that at the next estimates round we can have that official before us and they can give us the details?

**Ms Wilson**—The Office of Indigenous Policy Coordination is undertaking the evaluations of the COAG trial sites.

**Senator MURRAY**—Is there a specific officer who is responsible for that?

**Ms Wilson**—There is an evaluation branch within the office, the formal name of which just escapes me but I can certainly provide that.

**Senator CHRIS EVANS**—I thought they had outsourced the evaluations?

**Ms Wilson**—They have consultants undertaking the evaluations but it is managed by the Office of Indigenous Policy Coordination.

**Senator MURRAY**—Could I ask that you provide the committee with the name of an officer so that next round we can ask that officer our questions?

**Dr Morauta**—I think they will be appearing before you, won't they?

**Senator Minchin**—They are in FaCSIA, so you can question them this estimates.

**Senator MURRAY**—This officer is unable to answer the questions—that is my point.

**Senator CHRIS EVANS**—For Senator Murray's information, I did question OIPC about this at the last round of estimates. They have outsourced them. There are no benchmarks against which measurement will occur. There will be a sort of indicative discussion on feedback. Anyway, we can go to that at OIPC. The key point, Senator Murray, is that COAG

set up a national framework and PM&C is responsible for COAG—the secretariat for COAG is run out of PM&C. It is a question of whether people accept that it is satisfactory, three years on, for us to be unable to get any assessment or any advice out of PM&C about whether they are happy with the progress of the COAG trial. In particular we are discussing Wadeye.

**Mr Hoffman**—PM&C is not the lead agent in any of the COAG trial sites. We are aware that each of the sites is being evaluated and those evaluations will be completed over the next couple of months. Some will be completed very soon. Once completed there will be a comprehensive picture of the lessons learnt from the trials, which will be made available.

**Senator CHRIS EVANS**—I think we have a comprehensive picture of Wadeye now—it is in the papers.

**Senator SIEWERT**—The COAG trials were held up as a basis for the new whole-of-government approach and us going into the brave new quiet revolution, and yet there has been no evaluation done, no benchmarks set and we now have a media frenzy around Wadeye, which is one of the trial sites. We have gone into the brave new world where there is no evaluation and it seems that the trial is failing in Wadeye.

**Ms Wilson**—As we have indicated, the specifics of the success or otherwise of Wadeye are really for the lead agency and for the evaluation. One has to also look at the specific goals of each trial. Some are very broad and some are more focused. I do not have that information with me but the trials were about testing a different way of working with communities to address things that were a priority for the community, and they were then built in as the objectives of each trial site. Therefore, that is what the evaluation will look at: how did this work, did we engage correctly and those sorts of issues.

**Senator SIEWERT**—I would have thought that you would also want the outcome: are we moving forward on the overall Indigenous indicators we have been talking about? Is there going to be an assessment of the trials against those indicators, as well?

**Ms Wilson**—As I understand it, the evaluations are essentially more qualitative in nature than specific hard indicators because the sorts of indicators that we have been talking about in respect of health, economic development and so on are longer term and you are not necessarily going to see a huge difference in 12 or 24 months.

**Senator SIEWERT**—It is three years. Are there any benchmarks that you are using to actually say this is going to help get to where we want to be?

**Ms Wilson**—Across outcomes for Indigenous people generally, yes. That is the outcomes framework that we have discussed and that the Productivity Commission report is on. The trials themselves were really about responding to some specific community priorities and looking at a different way of working with communities in order to respond to those priorities.

**Senator CHRIS EVANS**—Can you tell us the specific priorities you responded to in relation to Wadeye?

**Ms Wilson**—As my colleague Mr Hoffman mentioned, PM&C is not the lead agency for Wadeye.

**Senator CHRIS EVANS**—What does the whole-of-government approach mean if you cannot even tell us that? What it means is that it is buck passing, surely?

**Dr Morauta**—I do not think that is quite fair. There is a department that is responsible for this evaluation and it will be appearing before Senate estimates. I am just going to get someone to confirm that it will be available to answer your questions on the evaluation. That is the responsibility of that department. It is orderly; it is just not us.

**Senator CHRIS EVANS**—Anyone who sat through the evidence yesterday about the progress of the national strategy for violence and what had happened inside the bureaucracy with that would dispute that it was orderly, Dr Morauta; it seems a complete damn mess and it seems to me that the ball has been dropped because of all those administrative changes. I am not blaming particular officers but we had trouble last night following where responsibility had gone.

**Senator SIEWERT**—Let alone knowing the outcome.

**Senator CHRIS EVANS**—If you say to me that you have a whole-of-government approach, if you say to me that you are doing it through COAG, if you say to me that the secretaries are taking responsibility and if Dr Shergold makes fine speeches about it then it seems to me that you ought to be able to answer a question about whether it is working or not. Every time we ask a question about whether it is working, the whole-of-government coordinating agency cannot tell me. They refer me off to the department. It is, quite frankly, like a scene out of *Yes, Minister*. If you say there is a whole-of-government approach, someone has to be able to respond on behalf of whole of government and not say, 'Handball to FaCSIA.'

**Senator Minchin**—With respect, that is a gross exaggeration. The responsible department remains FaCSIA; that is where the primary responsibility for Aboriginal affairs lies. Then you will have your opportunity to ask them your questions all day.

**Senator CHRIS EVANS**—That is not right.

**Senator Minchin**—It is right.

**Senator CHRIS EVANS**—Who is responsible for family violence legal services?

**Senator Minchin**—All I am doing is answering your attack.

**Senator CHRIS EVANS**—Attorney-General's.

**Senator Minchin**—Then you can ask them. It is your job to work out which programs are in which department. So if you want to ask about those programs, ask them.

**Senator CHRIS EVANS**—You triumphed the whole-of-government approach but you cannot tell me what is happening across the whole of government.

**Senator Minchin**—If you want to know about the performance of particular programs in particular departments, you ask those departments for the performance of those programs. Stop attacking these people in your questions about the performance of particular programs.

**Senator CHRIS EVANS**—I am happy to attack you instead, Minister. You trumpeted the whole-of-government approach.

**CHAIR**—Senator Evans, ask your questions.

**Senator CHRIS EVANS**—I am happy to ask my questions. I did not think I was attacking the public servants.

**Senator Minchin**—Well, you are.

**Senator CHRIS EVANS**—I am trying to nail down what is happening, Minister, because it seems to me that if you go out and say it is a whole-of-government approach, if you say you have got an arrangement with COAG and if you say the secretaries are running this because you have mainstreamed it and you need to have a whole-of-government approach, someone ought to be able to answer on behalf of the whole of government. Otherwise, some people might think that, after the publicity after the roundtable, the whole thing has fallen in a hole. When one of the trial sites, one of the examples of how successful this is supposed to be, is Wadeye, people will ask, ‘Hang on, if the place is as dysfunctional as the Minister for Families, Community Services and Indigenous Affairs says’—and it honestly seems so dysfunctional—‘what the hell is going on and what is the assessment by the responsible department?’

**Senator Minchin**—FaCSIA will give you that.

**Senator CHRIS EVANS**—No, they will not.

**Senator Minchin**—You want an assessment of the outcomes of a particular program.

**Senator CHRIS EVANS**—They will tell me how the one program is going. You had a national roundtable. The Prime Minister took personal responsibility to call a roundtable in 2003—not to mention the 1999 one; we will stick to more recent history. We do this every three or four years. We had the 2003 roundtable. I went through last night what happened after that and quite frankly it was a complete bureaucratic shambles where officers were struggling to remember where responsibilities ended up. What we are asking today is who is taking responsibility? If the whole-of-government approach and mainstreaming is the whole new way forward, the quiet revolution, who takes responsibility? Where does the buck stop? If you are telling me the buck stops at FaCSIA for a whole-of-government approach, I am incredulous.

**Senator Minchin**—We are trying to get through to you that your questions have to be addressed at the level at which they are put. If you are asking for comments or answers to questions on the performance of particular programs then, obviously, you go to the relevant department that administers that program.

**Senator CHRIS EVANS**—Absolutely.

**Senator Minchin**—And, by and large, in many cases that will be FaCSIA. If you are asking about responsibilities which lie here which are to do with coordination then this is the appropriate level to ask those questions. But you are attacking this department—

**Senator CHRIS EVANS**—We are asking about the COAG trial at Wadeye.

**Senator Minchin**—for not being able to answer questions which are not relevant to the role of this department.

**Senator CHRIS EVANS**—We established last night that this department is responsible to the secretariat for both COAG and for the secretaries group—responsible for coordinating and

servicing the whole-of-government approach. After three years of COAG trials and clear dysfunction at one of the example trials, which the minister himself—the department’s minister—is highlighting by saying something has to be done, I am asking what you have done about it. It is all right for the minister to wander the country saying, ‘Something has to be done,’ but the department’s evidence is that he is actually responsible for it. It is FaCSIA’s responsibility.

**Ms Wilson**—It is a tripartite trial. The lead agency at the Commonwealth level has been what is now the FaCSIA portfolio, in partnership with the Northern Territory government and the community. So there are three parties to the trial.

**Dr Morauta**—I have had somebody ring the OIPC. They confirm that they will be available at their hearing to take questions on the COAG trial and specifically on Wadeye.

**Senator CHRIS EVANS**—Thank you for that, but I actually knew that because I asked them last time. They would be on notice and would be preparing; I would have thought, given the publicity, that it might occur to them that they might get a couple of questions about it. That comes as no surprise but, while I appreciate that it was in response to Senator Murray’s question, the question I want to ask is about you being responsible for the whole-of-government servicing of the secretaries group and the whole-of-government approach. You now have an Indigenous policy branch of eight people inside PM&C. That is much larger than you have had in the past, according to your information to me last night. What is your assessment of COAG? What have you done to adjust it, if you think it is not working? Are you seriously saying to me that you are waiting for the departmental assessment, which will be provided 3½ years on, as the only reaction, feedback or response to what has occurred?

**Ms Wilson**—In respect of an individual site, there are specific goals that each trial sets itself up to attend to and address. I do not have the detail of what the specific things were in Wadeye. The secretaries’ annual report identifies that the priority areas were institutions and economic development, infrastructure and construction, social development and natural and cultural resource management. Some of the issues that have arisen in Wadeye may well lie outside of those four priority areas that the trial was established to address. Certainly, FaCSIA has been working with counterparts in the Northern Territory government in implementing the trial in Wadeye, and they can give you much more information about the extent to which they may have changed direction in the course of the trial. But the evaluation will tell us about how this arrangement worked—whether it did or did not. It seems to me that the issues in Wadeye are probably broader than those which the trial sought specifically to address.

**Senator SIEWERT**—Are the issues that are coming up at Wadeye the types of issues that would send up a flag for the secretaries group saying, ‘This is an issue that requires coordination or that we need to engage with’? It seems to me that it is a whole-of-government approach that needs to be taken there.

**Dr Morauta**—It is the sort of thing that might go on the agenda for a secretaries meeting, but it is a hypothetical question. Is it the sort of thing they might deal with? Yes.

**Senator SIEWERT**—All right; I will ask it anyway. Is it one of the issues that is now being flagged?

**Dr Morauta**—Is it on the agenda—is that the question?

**Ms Wilson**—Are you asking whether it is on the agenda?

**Dr Morauta**—We do not have an agenda?

**Ms Wilson**—I do not have with me a copy of the agenda for the next secretaries group meeting. From memory, the broad themes that the secretaries have agreed to discuss at the next meeting are early childhood, community safety, the progress of shared responsibility agreements and indigenous coordination centres. These are issues that I think would come up in a discussion on community safety. The agenda is set a couple of months ahead and then other items that might be more pressing are added as we come towards the meeting. But things do not necessarily have to await a secretaries group meeting. If an issue has come up in the interim that needs several agencies to get together, then we will do that and have a discussion across government about whether there is more we should be doing or whether there is some other more pressing activity. That may happen within a portfolio or across portfolios.

**Senator SIEWERT**—If you were doing that, would you then—I will use the Wadey example—look at some of the information and data that is coming out of the trial?

**Ms Wilson**—That would certainly be one avenue, but that is the extent to which those issues were captured by the trial and are the subject of the evaluation. There is other intelligence and information that departments would use to look at how things are working in a community, including bilateral discussions with their counterparts in the state and territory governments.

**Senator SIEWERT**—Other senators may know this, but I do not. Are the trial evaluations going to be public?

**Ms Wilson**—That is a question for OIPC and their minister.

**Senator CHRIS EVANS**—I think it was an open question.

**Senator SIEWERT**—Yes, that is how I—

**Ms Wilson**—I do not have an answer—

**Senator CHRIS EVANS**—Last time I asked OIPC it was an open question. My recollection is that they had not yet determined that.

**Mr Hoffman**—Because the evaluations generally involve three parties—the Commonwealth, the relevant state jurisdiction and the community—whether it becomes a public evaluation requires the consent of all three.

**Senator SIEWERT**—I have got a question about bilateral issues. Last night Senator Evans asked questions about the bilaterals, and you listed the four that had signed. Western Australia is not one of them?

**Ms Wilson**—No, not at this stage.

**Senator SIEWERT**—Is there a reason for that?

**Ms Wilson**—My understanding is that they are still in discussion. The Western Australian agreement is nearing completion but has not yet been completed, and discussions are occurring with the other states and the ACT.



**Senator SIEWERT**—How far have the other states progressed?

**Ms Wilson**—I do not have that detail with me, I am sorry. I can take that on notice and come back to you on it.

**Senator SIEWERT**—That would be appreciated.

**Senator CHRIS EVANS**—I have managed to pick up what the objectives are for the regional priorities according to the SRA in Wadeye: one is women and families; one is youth; and one is housing and construction. It seems to me that those are the sorts of things that are most in dispute here, and I think the objectives you read out earlier included infrastructure. Clearly one of the main Commonwealth responsibilities is housing—

**Ms Wilson**—Joint responsibilities.

**Senator CHRIS EVANS**—Yes, joint responsibilities. It is one of the things you have invested in. Are you able to tell me what investment the Commonwealth has made in Wadeye in the COAG trial?

**Ms Wilson**—No, I am sorry. That would be a question for the lead agency. The COAG trials themselves are a formulation that looks at priorities over and above what programs are already doing or how to get those programs to work better together in a particular site. But I do not have the detail of the expenditure that is going into Wadeye. That would be a question for FaCSIA to answer.

**Senator CHRIS EVANS**—Is it fair to say that the COAG trials have been largely replaced as the main vehicle now by the bilaterals?

**Ms Wilson**—Not quite. The COAG trials were testing a different way of working. I guess you could say that the shared responsibility agreement and regional partnership agreement models have come out of the COAG trials in those more remote or regional communities. The bilaterals are about a broad set of areas and specific priorities where the Commonwealth and the state or territory jurisdiction agree to work together and collectively with some specific attention.

**Senator CHRIS EVANS**—So you see the COAG trials continuing, bilaterals developing, regional responsibility agreements occurring and SRAs developing as well as a secretaries' group, a ministerial group, OIPC and individual department leadership on various trials. It seems a little messy.

**Ms Wilson**—I think what the new arrangements are about is horses for courses. In a specific area where there might be priorities over and above what a mainstream program can achieve because there is a concentration of a set of issues that are faced by Indigenous people then it supports a more intensive and perhaps specific way of working on a particular set of priorities. That is what the shared responsibility agreements are essentially about. That is what the COAG trials first tested.

In areas of less concentration of Indigenous people or in more urban or regional centres, the responsibility for addressing the needs of Indigenous people switches more towards mainstream programs and may not require as much intensive coordination given the more general distribution of Indigenous people within such a community. So it really is about horses for courses. There is intensive working where there are concentrated issues that require

a lot of coordination and specific setting of priorities with community, because there is a specific location. As you move away from those sorts of sites, you use different approaches to service delivery and administration.

**Senator CHRIS EVANS**—Have you had any concerns raised with you about the fact that so many ICC staff are now located in metropolitan areas or regional centres away from the regions that they are servicing?

**Ms Wilson**—Not with me, no.

**Senator CHRIS EVANS**—Are you aware of the problem?

**Ms Wilson**—I was not aware that there was a problem per se. There has been an ongoing discussion about how best ICCs can support particular sites. There are different ways of doing that across ICCs, depending on the characteristics of the area for which they are responsible.

**Senator CHRIS EVANS**—Does part of that debate include whether or not it is sensible to service them from metro regions that are a long way geographically from those regions?

**Ms Wilson**—That is part of looking at how we service particular sites and whether it is from an ICC. In some sites departments have funded workers on the ground to go in there for a period and work with the community to set up an agreement or implement something and then perhaps draw back to the ICC.

**Senator CHRIS EVANS**—Do you know where the ICC that services Wadeye is located?

**Mr Hoffman**—I believe it is located in Darwin.

**Senator CHRIS EVANS**—Are you aware that there are serious problems about vacant positions and staff turnover in the ICCs? Has that been brought to the central agency's attention?

**Ms Wilson**—Certainly the issue of staffing of ICCs has been discussed by secretaries. I understand that there were issues around turnover. Also, the skilling and training of ICC staff has been discussed by secretaries and there was a specific program put in place to assist with the training of staff. I think that earlier on there was an impression that the staff were not necessarily equipped with all of the skills and capabilities they needed to undertake what was quite a new role for them. So there has been quite a bit of concentrated effort put into that in conjunction with the Australian Public Service Commission.

**Senator CHRIS EVANS**—It has been put to me—and I cannot vouch for this—that one of the ICCs with a staff establishment of 14 has actually got two people there. Have those sorts of concerns been raised with—

**Ms Wilson**—I am not aware of that specific example. I am aware of general discussions about rate of turnover, and certainly when the secretaries group discusses ICCs it asks for a report about what is happening with staffing, how many positions are vacant and that sort of thing, but I am not familiar with that particular example, if it exists.

**Senator CHRIS EVANS**—What about the issue of the mass drop-off in Indigenous people involved in these processes? Has that been raised as part of the concern of the secretaries group—that so many Indigenous people have left the APS and these areas in particular?

**Ms Wilson**—The issue of Indigenous staffing in the Australian Public Service did result in a specific Indigenous staffing initiative that I think was launched in August or October last year.

**Senator CHRIS EVANS**—I know about the announcement. I am just dealing with the reality that you are losing them at a rapid rate and they are not being replaced by Indigenous people, and this is also true in the ICCs. I am wondering whether these issues have been discussed by the secretaries and whether there is concern about it.

**Dr Morauta**—I am quite certain that the issue of Indigenous participation in the APS has been discussed and measures have been put in place to try to address this.

**Ms Wilson**—One of the reasons why the Australian Public Service Commissioner attends the secretaries group is that she is a member of the secretaries group and it is a fairly regular reporting item.

**Senator CHRIS EVANS**—I know the general issue, and I know that so far it is not working and we have had a huge drop-off in numbers, and that is based on your own figures. But in terms of the ICCs, I am also advised that there is a huge reduction in the number of Indigenous people involved in delivering the program on the ground. Has that been raised as a specific concern?

**Ms Wilson**—I have not been present at a discussion where it has been. I can certainly take that on notice and explore that. But the general issue of staffing within ICCs—obtaining more stability in staffing and the skill levels and capabilities of ICC staff members—certainly has been a matter of discussion.

**Senator CHRIS EVANS**—Returning to the question of Wadeye, are you aware that the Prime Minister made some announcements for funding for these programs?

**Ms Wilson**—For which programs?

**Senator CHRIS EVANS**—It is my understanding that the Prime Minister has made some of these announcements about funding for COAG trials et cetera. Have you briefed him on those things?

**Ms Wilson**—I have not.

**Senator CHRIS EVANS**—I meant ‘you’ as in PM&C.

**Ms Wilson**—I would have to take that on notice. I do not have that information with me.

**Senator CHRIS EVANS**—Can anyone help me as to whether the Prime Minister has made any announcements about funding and initiatives in relation to COAG trials?

**Mr Hoffman**—I am aware that when the Prime Minister visited Wadeye last year he made a number of announcements. I was not with this department at that time but one of the announcements concerned the department that I was with.

**Senator CHRIS EVANS**—Which was that?

**Mr Hoffman**—The Department of Education, Science and Training.

**Senator CHRIS EVANS**—He made an announcement about DEST funding in Wadeye?

**Mr Hoffman**—For a particular project.

**Senator CHRIS EVANS**—Is it also the case that he made announcements in relation to FaCS programs?

**Mr Hoffman**—I could not say.

**Dr Morauta**—We can take that on notice and check it for you. We should be able to get that quite quickly.

**Senator CHRIS EVANS**—What if I told you he did?

**Ms Wilson**—You have the advantage over us, having Google open.

**Senator CHRIS EVANS**—I am not particularly good at it, though.

**Senator FAULKNER**—Me neither. I just accidentally sent an email to Mr Truss's office.

**Senator CHRIS EVANS**—Thanks for sharing that with us, Senator Faulkner.

**Senator FAULKNER**—I just though I would let people know how competent I was at these things. Yes, I should give up, I know.

**Senator CHRIS EVANS**—I do not think anyone here would dispute your incompetence at technology, Senator. I gather the DEST announcement was about improving school attendance and purchasing equipment for computers et cetera for the school. Is that right, Mr Hoffman—does that fit with your memory?

**Mr Hoffman**—I believe so, but I would have to ask the department to confirm that.

**Senator CHRIS EVANS**—But PM&C would have briefed the Prime Minister for his trip there?

**Mr Hoffman**—That is correct.

**Senator CHRIS EVANS**—That was back in April 2005, I think. So no-one here can help me as to the briefing provided to the PM when he went to Wadeye in April 2005?

**Dr Morauta**—We can take on notice when we provided it. But you have obviously found the result of it, which is whatever the announcements were.

**Senator CHRIS EVANS**—I found the press release, that is all. So it is not strictly a FaCSIA issue then, is it? The whole-of-government approach is reflected by the fact that the Prime Minister is travelling out there and announcing it.

**Ms Wilson**—The Prime Minister makes announcements about many things which are implemented by other departments.

**Senator CHRIS EVANS**—Sure, but on this occasion he is visiting the COAG trial site and making announcements across portfolios. That seems to indicate some sort of central, whole-of-government approach, doesn't it?

**Ms Wilson**—Each of the COAG trials has had a lead agency and there has been a tripartite agreement—with the community, the state government and the Commonwealth government.

**Senator CHRIS EVANS**—When the Prime Minister makes an announcement is there any follow-up or monitoring? Does the CIU monitor whether or not what he has announced happens? Obviously there is a bit more political responsibility if the Prime Minister has announced it; he might wear the flack if it did not happen.

**Mr Hamburger**—Not automatically; it would probably be unusual for the CIU to pick up something merely because the Prime Minister announced it. Given the scale of operations, 60 or so large initiatives at a time, it tends to pick the bigger and longer lasting ones. And the Prime Minister travels a lot and announces a lot of things.

**Mr Hoffman**—Senator, the announcements would have been more in the nature of projects rather than programs or initiatives.

**Senator SIEWERT**—Surely the projects would have been part of the broader program. Surely you do not pick a project that is out of context with everything else that is being done.

**Dr Morauta**—We have not got material here on this, Senator. We are happy to go and look it up, but we do not have more background here than you have got between you at the table.

**Senator CHRIS EVANS**—I think we have established they were largely in the DEST portfolio and related to the school at Wadeye: no school, no pool; funding for the school et cetera. I think Mr Hoffman was in the department at the time and he had some vague recollections that that was the area, and I have the press release. Maybe we can go to the broader issue: whether we do not follow exactly what the Prime Minister announces, whether it actually happens or not. For example, there was great fanfare in 2003 about the roundtable on family violence and child abuse in Indigenous communities. The announcement was made, there was a working group established. What reporting back to the Prime Minister has occurred on the progress of that working group?

**Ms Wilson**—I believe you may be referring to the working group that was initially established in PM&C.

**Senator CHRIS EVANS**—Yes, but I was not aware of that—I was going on the press release that said there had been a working group established. It did not actually say, as far as I can tell, what that working group was or who staffed it. You told me last night you thought it was a couple of staff inside PM&C.

**Ms Wilson**—As far as I understand.

**Senator CHRIS EVANS**—So the Prime Minister announces the working group in response to this roundtable on the national concern about Indigenous violence and child abuse. What then happens to keep the Prime Minister informed so he knows whether or not that is delivering results?

**Ms Wilson**—There is a range of ways. Initiatives may be picked up by the Cabinet Implementation Unit if they are of significance to government and government has agreed that that is the way they want to monitor their progress. It may well be something that a minister is asked to report back on—this is in the broad; it may be something that the department, that is, PM&C, would provide an information brief on; it could possibly be something that is reported to the secretaries group and picked up in the annual report; it may well be the subject of reporting back to COAG; and if it is a Commonwealth-state initiative, another mechanism for reporting back could be through one of the standing Commonwealth-state ministerial councils. So there is a range of ways in which governments receive information about the progress on measures and announcements.

**Senator CHRIS EVANS**—We established last night that, so far, arising from that working group were two projects—

**Ms Wilson**—Two programs.

**Senator CHRIS EVANS**—yes—that were announced in the 2004 budget.

**Ms Wilson**—The family violence prevention program resulted in over \$30 million worth of Commonwealth expenditure and around an equal amount of state and territory expenditure, and there was around \$22 million of expenditure for the family violence legal services, which has been supplemented further in the single Indigenous budget submission.

**Senator CHRIS EVANS**—I think we have established that those were both over four years—certainly the family violence prevention program. We also traced last night that, at the end of the day, after a bit of a circuitous route, the responsibility for the family violence prevention program ended up with Minister Brough's department, FaCSIA.

**Ms Wilson**—That is correct.

**Senator CHRIS EVANS**—So he is responsible for that program and for reporting back to the whole of government on the success of that program? The buck stops with FaCSIA basically, doesn't it?

**Ms Wilson**—For implementing that particular program and also in respect of the individual projects within it, with the jurisdictions with whom they have agreed those projects, because they are joint projects.

**Senator CHRIS EVANS**—I do not get them at estimates, though. You are the only one who gets that pleasure. In terms of the family violence legal services, the responsibility went immediately to the Attorney-General's Department and they are responsible for reporting back and monitoring the success or effectiveness of those programs. So we ought to hold the Attorney-General's Department responsible for those?

**Ms Wilson**—That is correct.

**Mr Hoffman**—We have some information on the question that was asked earlier about the progress of the bilaterals. With regard to Western Australia, the bilateral agreement is nearing completion. We expect that it will be completed within the next few months. Victorian officials are now meeting on the content of the agreement, and negotiations will continue over the coming months. In Tasmania there is an outstanding issue of 'indigenaety'—senators in Tasmania might be aware—which needs to be settled before the bilateral can progress. The ACT is keen to progress once they have completed the Territory's Indigenous strategy.

**Senator CHRIS EVANS**—Ms Wilson, you were going to get me some information last night. I appreciate that there was not much of a break between 11 o'clock last night and nine o'clock this morning. I certainly did not do anything effective between those two times—

*Senator Faulkner interjecting—*

**Senator CHRIS EVANS**—Yes, Senator, I know you say I did not do anything effective outside those hours as well. Thank you for your contribution.

**Senator FAULKNER**—No, I did not say that; I only thought it.

**Senator CHRIS EVANS**—At least I know which way the ring-road will go now, so I did get some benefit out of yesterday.

**Dr Morauta**—You asked last night about COAG consideration of Indigenous issues. We have an answer on that for you. Since the beginning of November 2000, there have been nine COAG meetings. One of those meetings was just about counter-terrorism matters, so it was not a regular meeting, and of the remaining eight meetings Indigenous affairs have featured in one form or another in all but one.

**Senator CHRIS EVANS**—But how much of that was about administrative arrangements? My question went to the outcome from the family violence national framework and that particular policy issue. I know you have been having a lot of discussions about the administrative arrangements and they have dominated a bit of that debate for the last couple of years. Are you able to break that down for me, Dr Morauta?

**Dr Morauta**—The information I have got here is simply about how many meetings there were with Indigenous matters on the agenda.

**Ms Wilson**—We are still following up what the reporting arrangements were on the family violence prevention program and whether there was a reporting back—

**Senator CHRIS EVANS**—Perhaps you could take on notice the question of whether or not and when issues of family violence and child abuse were actually on the COAG agenda rather than the broader structural agreements. You were also going to see if you could get for me the funding initiatives under the family—

**Ms Wilson**—Yes, we are checking that this morning with FaCSIA to make sure that it is the most up-to-date one available. We hope to have that available for you within the hearing.

**Senator CHRIS EVANS**—Great. Thank you very much.

**Senator SIEWERT**—The red light for family violence—when last year was that flagged as a CIU issue?

**Mr Hamburger**—I am not sure that we have conceded that there was a red light on family violence, and I have been trying to avoid getting into the detail of the advice that went to cabinet. There is a paper and I know the paper says that.

**Senator SIEWERT**—I presume they got that from one of the secretaries.

**Mr Hamburger**—Presumably so. I doubt that it was from mine, which is an issue for me. I think that last night we did establish some of the timing around that program and I think that what was established was that the program was announced in the 2004-05 budget. It required agreements between the Commonwealth and the states and territories and the intention was that spending would roll out during 2004-05. I think we have established that most of the agreements did not come into place until very late in the financial year or early the following year and that quite a lot of money has rolled out since then, or at least a lot of projects have been agreed since then. So that is the sort of time frame of the program.

**Senator CHRIS EVANS**—There was only \$300,000 spent on the second of those years, wasn't there?

**Mr Hamburger**—I think that is correct, yes.

**Senator CHRIS EVANS**—I think that \$14 million was budgeted for.

**Mr Hamburger**—That sounds plausible. It was budgeted for quite a lot more than was spent and most of the spending has occurred in the subsequent year.

**Senator SIEWERT**—My other question relates to flexibility of funding. One of the issues that has been identified with SRAs and RPAs—though there are not as many of those at the moment—is the requirement for flexibility. Are you monitoring for that? Is the secretaries group responsible for looking at that in an overall context as one of the issues that may prevent SRAs being implemented?

**Ms Wilson**—It is certainly one of the issues that secretaries have discussed in quite some detail. There is a flexible funding pool available to support SRAs. In addition, a number of portfolios have identified an amount of money that they will provide from within their existing programs on a flexible basis to support SRAs.

**Senator SIEWERT**—Does that go into the pool or is that—

**Ms Wilson**—It does not go into the pool per se but it is available as a minimum to support SRAs. It is on the table should there be relevant things that come up in shared responsibility agreements that would be appropriate, for example, for the Department of Employment and Workplace Relations to support from within its programs.

**Senator SIEWERT**—Is there a percentage identified?

**Ms Wilson**—I believe that there are dollar figures identified.

**Senator SIEWERT**—I am happy for you to get back to me on that one.

**Ms Wilson**—Okay, we will take that on notice.

**Senator SIEWERT**—If it is identified that that is not enough to deliver SRAs to communities as they are negotiated, is there an ability to be more flexible with the funding?

**Ms Wilson**—If there was a shortfall then certainly that is something that could be examined within an individual portfolio that might have funds available within an outcome but not that specific program. They could possibly transfer funds between programs within an outcome and that might happen. It could happen in the ordinary course of events. If there is more demand on one particular program and there is less demand on another and if they are within the same outcome then there is the ability to transfer funds between those sub-outcomes to address where the need is. That would possibly be available.

**Senator SIEWERT**—Will the secretaries group be monitoring to ensure that the processes built in now are producing the outcomes? In other words, is it flexible enough?

**Ms Wilson**—Yes, certainly. That has been a frequent topic of discussion. It is something that secretaries will return to when they consider shared responsibility agreements and their progress again.

**Senator SIEWERT**—Concerning charter letters for secretaries, are they public documents?

**Mr Hamburger**—No, they are not.



**Senator SIEWERT**—I presumed that they were not. Are the issues they cover public so that the community knows what secretaries are being asked to specifically deliver?

**Mr Hamburger**—Charter letters are from the Prime Minister to ministers. Successive prime ministers have chosen this method to give guidance to ministers on the government's main priorities. They are between the Prime Minister and each minister.

**Dr Morauta**—You asked me two things I could not answer on mental health, one concerning the mental health announcement by the Prime Minister: when did the department know and when did the minister know? The answer is 30 March.

**CHAIR**—Thank you for that.

**Proceedings suspended from 10.37 am to 10.57 am**

**CHAIR**—I call the committee to order. I have a couple of administrative matters to deal with. Firstly, I understand that the Inspector General of Intelligence and Security will not be required by the committee, so Mr Carnell does not need to turn up. Secondly, Mr Lewis, I understand that you have some other engagements later today, so, as part of general questions, we will now look at output group 3—international policy advice, including the APEC Taskforce. That will mean that you will not have to be here later this afternoon when you have other duties to attend to.

**Mr Lewis**—Thank you very much.

**Senator Minchin**—Does that mean that we have finished with output group 2?

**CHAIR**—No, it does not. We are still on general questions in effect, Minister.

**Senator Minchin**—This is a fast-moving committee!

**Senator FAULKNER**—To assist you, we are doing output group 3 now.

**Dr Morauta**—And then we will go back to 2.

**Senator Minchin**—Thank you. We appreciate that.

**CHAIR**—Minister, I understand that you also have an engagement this afternoon.

**Senator Minchin**—I have to go to the same NSC meeting as Mr Lewis, at least for a little while, but Senator Kemp will fill in for me while I am at that meeting, and then I will come back.

**CHAIR**—It might then be wiser to do output group 3.

**Senator CHRIS EVANS**—I think it is likely that we will be doing ANAO this afternoon.

**Senator Minchin**—Okay.

**Senator CHRIS EVANS**—I am not sure that that would be something that you would be particularly interested in.

**Senator Minchin**—Oh, no—I am keen on that.

[10.59 am]

**CHAIR**—That would be neater. In that case, we will now turn to output group 3.

**Senator FAULKNER**—What was the status of Mr Howard's meetings with Mr Bush on this current visit that is under way? How is that being described by the department? Is it a bilateral or a head of government meeting, or what?

**Mr Cox**—It is an official visit.

**Senator FAULKNER**—Okay. And the Prime Minister had a formal meeting or meetings with President Bush?

**Mr Cox**—Yes.

**Senator FAULKNER**—More than one?

**Mr Cox**—Yes.

**Senator FAULKNER**—Was the department involved in preparing briefings for those meetings?

**Mr Cox**—It was.

**Senator FAULKNER**—Were other agencies also involved in the preparation of briefings for those meetings?

**Mr Cox**—Other agencies provide us with draft material which we then rework for briefings for the Prime Minister.

**Senator FAULKNER**—I want to ask specifically whether a briefing was prepared in relation to the David Hicks issue.

**Mr Cox**—Yes, material was provided on that issue.

**Senator FAULKNER**—So ordinary briefing was prepared for the Prime Minister on that issue?

**Mr Cox**—Correct.

**Senator FAULKNER**—Are you able to say, Mr Cox, whether the issue of Hicks's internment at Guantanamo Bay was raised in discussions between the President and Mr Howard?

**Mr Cox**—No, I cannot at this stage. I have not been provided a briefing.

**Senator FAULKNER**—I thought that would have come back through cable traffic.

**Mr Cox**—It has not at this stage.

**Senator FAULKNER**—Can anyone at the table assist me with that? Can you, Dr Morauta?

**Dr Morauta**—No, I cannot.

**Senator FAULKNER**—You cannot?

**Dr Morauta**—No.

**Senator FAULKNER**—No cables have come back that deal with that matter?

**Dr Morauta**—I do not have access to cables in the department, and I am not aware of any.

**Senator FAULKNER**—Minister, are you able to assist me as to whether Mr Hicks and his incarceration at Guantanamo Bay was a matter that was discussed between President Bush and Mr Howard?

**Senator Minchin**—I am sorry but I am not in a position to confirm that.

**Senator FAULKNER**—We know that a briefing on this issue was prepared by the department. When you say that you are not in a position to confirm it, does that mean that you do not know or that you do know and you are not telling me?

**Senator Minchin**—No, I simply do not know. I am not conscious of the Prime Minister publicly saying whether he discussed that matter with President Bush.

**Senator FAULKNER**—I am not aware of that either. I now know that a briefing was prepared but I am just trying to establish—

**Senator Minchin**—You would expect the department to brief the Prime Minister on all possible subjects that might get raised. That would be obvious. Whether or not that subject was raised, I have no knowledge.

**Senator FAULKNER**—I would expect a briefing to be prepared—that is true—and I was not surprised with the answer that I received that it had been. I was hoping that someone from the department might now be aware as to whether the issue was canvassed in the meetings between Mr Bush and Mr Howard.

**Mr Cox**—We do not know.

**Senator FAULKNER**—I am disappointed that no-one—senior officials or the Leader of the Government in the Senate representing the Prime Minister in the Senate—knows whether this issue was raised. I am not going to the content of the discussion; just to whether the issue was canvassed.

**Senator Minchin**—I do not have the transcript of the Prime Minister's press conference subsequent to his meetings. We would only be at liberty to talk about or confirm those things which the Prime Minister himself had said on his trip that he had discussed with Mr Bush. I apologise for not having in my consciousness whether or not that was raised by the Prime Minister.

**Senator FAULKNER**—So will you take it on notice?

**Senator Minchin**—I am happy to do so.

**Senator FAULKNER**—I would appreciate your taking it on notice and providing an answer to the committee at the earliest available opportunity. I also wanted to ask—and this is also in your bailiwick, Mr Lewis—whether there is some form of IDC, working group or other committee that is involved in the broad in nuclear power issues. Has such a thing been established?

**Mr Lewis**—We are involved in at least one IDC process that I know of. I will ask Mr Cox to talk to this issue as well. He is right across the matter. But the answer is yes, we are involved in at least one.

**Senator FAULKNER**—Should I direct these questions to Mr Cox? Is that appropriate, Mr Lewis?

**Mr Lewis**—Yes, in the first instance, thank you.

**Senator FAULKNER**—Mr Cox, first of all, is this committee an interdepartmental committee, or IDC?

**Mr Cox**—We have had some discussions with DFAT and other agencies regarding nuclear energy and nuclear issues, yes, but I would not describe it as an IDC.

**Senator FAULKNER**—Let us just wind back two questions to a question I asked Mr Lewis, who said that a committee had been established. I am now focusing on that committee. I do not mind if it is Mr Lewis or if it is you, Mr Cox, but could someone give me some further detail on it? I am just asking about that committee. Does it have a name? Let us go right back to basics.

**Mr Lewis**—Yes. I have just caught up with my notes here. The group goes to the subject of the Global Nuclear Energy Partnership. Prime Minister and Cabinet is represented at a recently formed committee—and I cannot tell you precisely the date—that has been created. It is a DFAT based committee, looking at the issue of the Global Nuclear Energy Partnership.

**Senator FAULKNER**—So, first of all, DFAT is the lead agency for that committee.

**Mr Lewis**—That is correct.

**Senator FAULKNER**—Are you able to tell me what the status of the committee is? In other words, is it an IDC, is it a working group or does it have some other nomenclature?

**Mr Lewis**—I would have to take that on notice. I would not want to mislead you on this one. I have it reported here as an IDC. Whether that is formal or not, at this stage I do not know. I will need to check that. But there is a committee in existence.

**Senator FAULKNER**—You can double-check that. Your records show that it is an IDC. If we call it the Global Nuclear Energy Partnership IDC, is that what it looks like being?

**Mr Lewis**—That is right.

**Senator FAULKNER**—The lead agency is DFAT, and the Department of the Prime Minister and Cabinet is represented on the IDC. Is that correct, Mr Cox?

**Mr Cox**—That is right.

**Senator FAULKNER**—Can you say to me, then, who the PM&C representative on the IDC is or at what level the department is represented?

**Mr Lewis**—The EL1 level.

**Senator FAULKNER**—Are you the representative, Mr Cox?

**Mr Cox**—No. I am more senior than an EL1.

**Senator FAULKNER**—That is what I would have thought.

**Mr Lewis**—It is quite a junior officer.

**Senator FAULKNER**—What other agencies are on the committee?

**Mr Lewis**—I do not know. I would have to take that on notice. I am not sure who else is on it.

**Senator FAULKNER**—Do you know when the committee was established?

**Mr Lewis**—No. I said it was recently. I do not have the date.

**Mr Cox**—We do not have the date in the briefing, but it would have been recent.

**Senator CHRIS EVANS**—Does that mean in the last couple of days?

**Mr Cox**—Since the initiative was announced by the United States government, which was earlier this year.

**Senator FAULKNER**—So are we talking about the last couple of months or the last couple of weeks?

**Mr Cox**—The last month or so.

**Senator CHRIS EVANS**—There was a press report within the last couple of weeks claiming that the Prime Minister was about to form this committee. Is it that recent?

**Mr Cox**—I am not aware of that press report.

**Senator CHRIS EVANS**—I am not asking you if you are aware of the press report; I am asking you if it is in fact true that this committee has been formed in the last couple of weeks.

**Mr Cox**—As we said, we think it was in the last month or so, but I do not know the link between the formation of the committee and the press report that you are citing.

**Senator CHRIS EVANS**—Forget I mentioned the press report. Are you able to identify more closely for us when the committee was formed?

**Mr Cox**—No.

**Mr Lewis**—No.

**Senator CHRIS EVANS**—Can you take that on notice for us?

**Mr Lewis**—Yes.

**Senator FAULKNER**—Is there only one PM&C representative on the committee?

**Mr Lewis**—Yes, I believe that is right. We are represented at the EL1 level. I do not know whether that would necessarily have to change around depending on a person's availability, but there is one representative from the department that goes to each meeting.

**Senator FAULKNER**—Given that you have got a briefing note in front of you, can you say what other agencies are on the IDC?

**Mr Lewis**—No; I have already said I do not know that. I will have to take that on notice.

**Senator FAULKNER**—Couldn't we ask the officer who is representing the department? Couldn't that be done?

**Mr Lewis**—I am sure we can get an answer for you quite quickly.

**Senator FAULKNER**—A phone call to the department ought to be able to fix that one for us. These answers sometimes beget other questions, as you know. It strikes me that on something like this we ought to be able to do a bit better.

**Dr Morauta**—We are just hurrying for the answer now.

**Senator FAULKNER**—If you are getting some details on that, are you getting other details in relation to the committee?

**Mr Lewis**—Just that question on notice and the time of its first meeting.

**Senator FAULKNER**—All right. You do not know the other agencies. In PM&C do you archive or record decisions and minutes and the like? Who does the junior officer report to on outcomes?

**Mr Cox**—It would be reporting either to the head of, probably, the National Security Division or to me.

**Senator FAULKNER**—Have you had any reports?

**Mr Cox**—No, I have not.

**Senator FAULKNER**—Has it met?

**Mr Cox**—It has met, yes.

**Senator FAULKNER**—You have not had any reports?

**Mr Cox**—No, I have not received any reports.

**Senator FAULKNER**—Do you reckon anybody else has had any reports, or is it just there washing around in the ether at what you describe as a junior level of the portfolio?

**Mr Cox**—It is an informal coordination group—

**Senator FAULKNER**—No, it is not, it is an IDC.

**Mr Cox**—Well, it is an IDC that coordinates the latest information about the initiative, and I have not received any reports about it.

**Senator FAULKNER**—So you do not expect any follow-up action from the Department of the Prime Minister and Cabinet?

**Mr Lewis**—To try and put some shape around this: the committee is recently formed; I do not know this but I would say it might have only met once, but we will check that; and it is very much in the business of trying to scope the issue. So I do not expect any particular results to be coming back at this point.

**Senator FAULKNER**—But you would still have reporting mechanisms within the portfolio, wouldn't you, for someone who is representing the department on it?

**Mr Lewis**—For a committee process, the host department would be the department responsible for the production of the minutes of the meetings and any decisions or actions that were to be taken, and those minutes would be circulated, as you are aware, to other departments who were present and the minutes agreed.

**Senator FAULKNER**—Does the briefing note you have in front of you about this IDC tell you what the terms of reference for it are?

**Mr Lewis**—No—again, because I think the situation is one that is very fluid. It is essentially a fact-finding exercise to scope what this emerging initiative might entail. I have no further information than that.

**Mr Cox**—It is to share information and to develop an Australian perspective on this American initiative.

**Senator FAULKNER**—So a committee like this has been formed with government agencies serving on it and you are represented on it but you do not know what its role is, or it has got no terms of reference. It is all as clear as mud at the moment.

**Mr Lewis**—The government is seeking further information on the Global Nuclear Energy Partnership proposal and assessing the implications of that for Australia.

**Senator FAULKNER**—What is the department's role and involvement in that, apart from being represented on the IDC at a junior level?

**Mr Lewis**—It is no different to what it is with committees where we are just a member and not chairing—that is, we are there in our own right. We do have a purview for coordination across government, so if there was some sense coming from this committee or any other that there was an uncoordinated whole-of-government approach then we would obviously have a view and take whatever action was necessary to correct that and to provide advice to the Prime Minister.

**Senator FAULKNER**—I accept that your department has overarching responsibilities in the way that you describe—I accept that completely—but I do not see how they work if no-one is receiving any reports from the committee. No-one at a senior level in the Department of the Prime Minister and Cabinet knows what is going on, do they? That is the truth of it. I do not want to be disrespectful, but I have heard the evidence. No reports have been provided, and it does not appear as if you have a clue what is going on.

**Mr Lewis**—I do not agree with that characterisation. I think the process is embryonic and we are waiting for some firm outcomes, but we are not at that point yet. That is what I tried to explain earlier by saying that it is a newly formed committee and we do not have runs on the board yet from the committee.

**Senator FAULKNER**—Do you know how often the IDC is slated to meet?

**Mr Lewis**—No, I do not.

**Mr Cox**—I do not think it is slated to meet on a particular timetable. It meets as it is required to meet—from time to time.

**Senator FAULKNER**—So there is this recently formed IDC. Are there any other departmental groups that are canvassing the nuclear power issue in the broad? I am using that in the broadest sense. Are any other committees, groups or IDCs taking an interagency approach that you might be able to draw my attention to? I now know about the Global Nuclear Energy Partnership IDC—I seem to know as much as the witnesses know about it, which is not a huge amount, but at least I am aware of it. Are there any others? I see Mr Glyde is going to fill in all the gaps, so that is good.

**Mr Glyde**—I am not sure about that. This does not actually go to the question of nuclear energy or its further use in Australia. For completeness, there are a couple of other activities relating to uranium mining and export. I am not sure if they could be covered by the breadth of your question.

**Senator FAULKNER**—I appreciate that. I was going to go to that next. I thought if I tried to define this broadly you might pick that up in the net, so you are going well. That was my intention.

**Mr Glyde**—There is the House of Representatives Standing Committee on Industry and Resources, which is chaired by Geoff Prosser MP, which is looking at the various technical issues impacting on the development of the uranium sector, including a case study on the strategic importance of Australia's uranium resources.

**Senator FAULKNER**—Thanks for that, but that is no business of this committee.

**Mr Glyde**—A review has also been undertaken by the Minister for Industry, Tourism and Resources called the Uranium Industry Framework. It is a review that is being conducted jointly with industry. It is under way. I think the idea is that Minister Macfarlane will come to the cabinet with the outcomes of that review and a response will be considered in due course. As I understand it, the review is trying to identify opportunities for and address impediments to the development of the Australian uranium industry and make recommendations aimed at boosting the international competitiveness of the uranium industry. So I think they are more focused on uranium mining and utilisation than the nuclear energy end of the spectrum.

**Senator FAULKNER**—The review has been publicly announced, hasn't it?

**Mr Glyde**—Yes.

**Senator FAULKNER**—Does that have any direct or indirect involvement with the Department of the Prime Minister and Cabinet?

**Mr Glyde**—Not that I am aware of. We are just aware that the review is going on. I am not aware that there is a formal IDC. I suspect that, when the outcomes of the review are known, the machinery of government considering it will kick in and there will be broad departmental consideration by a range of departments of the review and where to in terms of options for a response to that review.

**Senator FAULKNER**—The review reports to the industry minister—is that right?

**Mr Glyde**—That is right. It is being undertaken by the Minister for Industry, Tourism and Resources.

**Senator FAULKNER**—But there is no PM&C or other agency involvement with that?

**Mr Glyde**—Not that I am aware of.

**Senator FAULKNER**—If there was, I assume you would be aware of it.

**Mr Glyde**—Yes.

**Senator FAULKNER**—I hope someone would be aware of it.

**Mr Glyde**—As I said, my understanding of it is that the other departments will get involved once the outcomes of that review have been finalised and the minister is in a position, having spoken with industry and others, about where to from here. That is generally the stage at which other departments would be involved.

**Senator FAULKNER**—So, currently, there is no interdepartmental group, committee or operation in the broad working in the uranium policy area—would that be right?



**Mr Glyde**—That is correct.

**Senator FAULKNER**—And the only one that the department can identify in the nuclear area—again, using the terminology in the broadest sense—is the Global Nuclear Energy Partnership IDC. Is that right, Mr Lewis?

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

**Senator FAULKNER**—That is all the department has knowledge of or involvement in?

**Mr Lewis**—Yes.

**Senator CHRIS EVANS**—What was the involvement of the National Security Division in the response to illegal foreign fishing in the lead-up to the budget and more generally? I am just trying to get a sense of your involvement.

**Mr Lewis**—In October of last year, the government asked the department to review Australia's fisheries compliance and enforcement programs in time to allow changes to be considered for the 2006-07 budget.

**Senator CHRIS EVANS**—Asked the PM&C?

**Mr Lewis**—That is correct. The department established a task force that commenced work on 28 November. I should correct something: last night, when we were talking about the duration of that fishing task force, I said December, January and February but, in fact, it first met on 28 November. But the February date is correct—28 November through to mid-February.

The work of the task force was guided by an IDC that was chaired by PM&C. The task force identified three streams of action to deal with Australia's maritime security with regard to fishing. The first one was preventative measures through enhanced bilateral and regional cooperation. The second one was on water compliance and enforcement. And the third, the pillar of the arrangement, was improved governance.

**Senator CHRIS EVANS**—Improved governance of what?

**Mr Lewis**—In particular, the establishment of a strategic maritime management committee, which I chair. That committee oversees maritime domain awareness; considers threats to Australia's maritime security, including illegal fishing; and advises on appropriate response arrangements within government. In other words—

**Senator CHRIS EVANS**—What is that called, sorry?

**Mr Lewis**—It is the strategic maritime management committee. The idea is to ensure that we have coordination over what are essentially the main thrusts of maritime security, fishing being one of those. It is to ensure that we are linked up horizontally.

**Senator CHRIS EVANS**—Who is on that committee? That will be an ongoing committee once the IDC's work has finished. Is that right?

**Mr Lewis**—That is correct.

**Senator CHRIS EVANS**—You are chairing that. Who else is on it?

**Mr Lewis**—I do not know whether this list is complete, but it certainly has the AFP, the Attorney-General's Department, Customs, DAFF, the Department of the Environment and

Heritage, DFAT, DIMA, DOTARS, ONA, Defence, the Department of Finance and Administration and the Treasury.

**Dr Morauta**—Are you talking about the strategic maritime management committee?

**Mr Lewis**—Yes. It has representatives from those folk on it. We can co-opt people as needed in addition to that.

**Senator CHRIS EVANS**—I do not think that there is anybody missing.

**Mr Lewis**—That is a fairly full hand.

**Senator CHRIS EVANS**—If there was any department not invited they would be a bit put out, I suspect. So the task force and the IDC have been disbanded?

**Mr Lewis**—That is correct.

**Senator CHRIS EVANS**—They were particularly formed to do the budget submission.

**Mr Lewis**—That is right.

**Senator CHRIS EVANS**—What were the terms of reference for that? What was the charter for that?

**Mr Lewis**—I do not have a full copy of the terms of reference for the task force here, but what I can say—and this is essentially paraphrasing what was in the terms of reference—is that the task force was to produce a submission for the consideration of government in the 2006-07 budget context to improve the maritime security arrangements, particularly as they applied to fishing in Australian waters, and to focus particularly on the coordination of our national efforts in that regard.

**Senator CHRIS EVANS**—All right. What informed your decision making? What assessment was done and by whom as to the extent of the problem?

**Mr Lewis**—The IDC process included all of those departments and agencies I just mentioned as part of the SMMC. Those departments and agencies brought with them to the IDC table their expertise. The task force comprised officers from fisheries and from Customs in order to bring in the necessary expertise. Based on that advice and expertise, the paper was produced for government consideration.

**Senator CHRIS EVANS**—Was there any formal assessment done? Did ONA or someone say, ‘We expect this many incursions,’ or was it just people bringing their various bits to the table?

**Mr Lewis**—An intelligence assessment was part of the deliberation.

**Senator CHRIS EVANS**—Was that the main source?

**Mr Lewis**—It was one of the main sources. In terms of hard-edge intelligence, it was the main source. Obviously, there were other non-intelligence based sources of information—particularly Fisheries, which had data on the increasing incidences of illegal fishing.

**Senator CHRIS EVANS**—In addressing that report and providing advice to cabinet, what were the parameters of the response? Was it supposed to be a zero tolerance policy—which seems to be a flavour of the month term—or was it an acceptable risk type policy? What was

the basis for it? It seems to me that you are never going to catch everybody in any endeavour, but what were the targets or parameters of the approach?

**Mr Lewis**—It was best described in the statement that emerged from the budget process. In the budget papers, there is a description of the measures that have been put in place, the funding that went to those measures and the object of the measures.

**Senator CHRIS EVANS**—I have read them but I am interested in the risk analysis. What are we trying to meet? I know in general terms what we are trying to meet, but I am interested in what the objective is. What is the reasonable level of success? How would we measure whether it has worked?

**Mr Lewis**—There are a number of yardsticks which you could use for measurement. Some of them are simplistic and of very limited use. At the end of the day, we are working towards having a manageable situation in terms of illegal fishing in our waters. It is a significant problem, as you know, and it requires the best coordinated and best resourced efforts we can put to the problem.

**Senator CHRIS EVANS**—You have talked about preventative on-water compliance and improved governance for your strategic maritime management. A lot of it seems to be about on-land responses and more about the processing than—

**Mr Lewis**—Indeed, some of it is. Certainly the notion of prevention goes to the heart of having to engage our neighbours near and far—the sources from where the illegal fishing vessels are coming—and trying to reduce the problem at source. But obviously there need to be a number of strands to a strategy. It is no use and is certainly not effective to rely on one. On-water compliance is important. We need to have sufficient disincentives in place for illegal fishermen coming into our waters to realise that the cost of so doing is very high for them. Then, of course, there is the issue of improved governance arrangements—that is, to make sure that we have the best coordinated arrangements in place so that those assets and those resources that we are putting at the problem are coordinated to best effect.

**Senator CHRIS EVANS**—How were they coordinated previously? What changes have you made in relation to the coordination? Obviously you have the strategic maritime management committee.

**Mr Lewis**—I think, previously, the most visible change that was made was following the report by Mr Tonkin—which you might recall—on maritime security towards the back end of 2004. I think it might have been tabled early in 2005. The result of that was the creation in March last year of the Joint Offshore Protection Command. JOPC was and is a very successful attempt, in my view, to bring together those Customs assets—the Coastwatch assets—that existed and those defence assets which can from time to time be brought in to support maritime security. That would be the thing that would be most visible.

**Senator FAULKNER**—Senator Minchin, you said that you are off this afternoon to the National Security Committee of cabinet.

**Senator Minchin**—Yes, briefly.

**Senator FAULKNER**—Fair enough. That is a priority.

**Senator Minchin**—My apologies. I would like to be here.

**Senator FAULKNER**—I think we all accept that those matters are priorities.

**Senator Minchin**—Thank you.

**Senator FAULKNER**—We are disappointed, however, that Senator Kemp will be replacing you.

**Senator Minchin**—A fine man.

**Senator FAULKNER**—Oh, well, you can't win all the time, can you?

**Senator Minchin**—I am afraid not.

**Senator FAULKNER**—Effectively, the support for the National Security Committee of cabinet comes from the Department of the Prime Minister and Cabinet. That is true, isn't it?

**Mr Lewis**—The secretarial support does.

**Senator FAULKNER**—These days, are you charged with providing that, Mr Lewis?

**Mr Lewis**—In part. There is, of course, the secretary of cabinet himself, who manages immediately the process, with the support of the Prime Minister as the chair of the National Security Committee of cabinet coming from our department. The note takers and various secretarial support functions that go on during the meeting are also drawn from our department.

**Senator FAULKNER**—Does the department also brief the Prime Minister on matters on the agenda for the National Security Committee?

**Mr Lewis**—We provide briefing material for the Prime Minister, yes.

**Senator FAULKNER**—But here I mean a separate briefing that might come from other relevant agencies. It might be an intelligence or security agency or the like, or another department or whatever. On those matters, does PM&C provide a separate briefing?

**Mr Lewis**—We provide a briefing on each of those matters, yes. I should say that from time to time an item might come up for which there is no formal briefing process. But, assuming that your question goes to a routine submission from another agency or department, the answer is yes.

**Senator FAULKNER**—There are agencies involved. First of all, there is the National Security Committee of cabinet and the heads of agencies committee. What is the current name of that?

**Mr Lewis**—The Secretaries Committee on National Security.

**Senator Minchin**—SCONS, they call it.

**Senator FAULKNER**—I know the acronym.

**Mr Lewis**—It is an unfortunate acronym.

**Senator CHRIS EVANS**—I hope you get them with morning tea.

**Senator FAULKNER**—Yes, all the SCONS get together and have scones! What I am interested in understanding is whether the department also provides briefings for Dr Shergold.

**Mr Lewis**—Yes.

**Senator FAULKNER**—Dr Shergold chairs SCONS. Is that still the case?

**Mr Lewis**—That is correct.

**Senator FAULKNER**—So, in this instance, your briefing for both the Prime Minister and the Secretary of the Department of the Prime Minister and Cabinet would involve a range of issues that would not necessarily be core business for Prime Minister and Cabinet. That is logical, isn't it?

**Mr Lewis**—That is correct.

**Senator FAULKNER**—There might be something from the Attorney-General's department or an intelligence agency or whatever.

**Mr Lewis**—We exercise those two verbs that go to the function of the department. We coordinate to ensure that, if there are several agencies that are bringing forward a submission, it is coordinated, and we provide advice to the Prime Minister.

**Senator FAULKNER**—One of the issues that has received some publicity is the terror hotline. Would you, Minister, unlike 99 per cent of Australians, know the number?

**Senator Minchin**—Not off the top of my head, no.

**Senator FAULKNER**—You do not know the number of the terror hotline?

**Senator Minchin**—I am sorry, I do not know the number off the top of my head. It is an honest answer.

**Senator FAULKNER**—You are a member of the National Security Committee of cabinet.

**Senator Minchin**—No, I am not, actually.

**Senator FAULKNER**—You are attending the National Security Committee meeting.

**Senator Minchin**—I am co-opted when they want to spend money.

**Senator FAULKNER**—I see. Are you the Leader of the Government in the Senate?

**Senator Minchin**—I think that is the correct description of my title.

**Senator FAULKNER**—And you are a member of cabinet.

**Senator Minchin**—I am a member of cabinet but I am not a member of the NSC. I am co-opted when they want to discuss budgetary matters.

**Senator FAULKNER**—But we have a problem here. This is a serious point. We have a real problem here.

**Senator Minchin**—Do you know the number?

**Senator FAULKNER**—Yes: 1800 123 400, I think it is.

**Senator Minchin**—Thank you. Now I know.

**Senator FAULKNER**—Now you know, so if you get into strife you will be able to ring on your mobile phone. The trouble with your mobile phone is that—I do remember, Senator Minchin—you do not actually get coverage in Parliament House. You made a formal complaint about that.

**Senator Minchin**—Yes. That is correct.

**Senator FAULKNER**—But there is a problem. It is a serious issue. I am shocked that you do not know the number. But should I be, because 99 per cent of Australians do not know the number? You should be setting an example, Senator Minchin. It is a serious point. Senior ministers like you should be setting an example.

**Senator Minchin**—I stand admonished.

**Senator FAULKNER**—What are you going to do about it?

**Senator Minchin**—I will memorise the number for you, if you like.

**Senator FAULKNER**—What are we going to do about this situation, where so many people, including senior cabinet ministers, do not know the number of the terror hotline? All the money that was spent on the advertising campaign has not worked. Even Senator Minchin, the Leader of the Government in the Senate, does not know the terror hotline number. Will you be raising that when you go to the National Security Committee of cabinet this afternoon, Senator Minchin?

**Senator Minchin**—I do not think that is on the agenda.

**Senator FAULKNER**—It ought to be.

**Senator Minchin**—Thank you. I will seek your advice whenever we are drawing up the agenda and make sure it is okay by you.

**Senator FAULKNER**—Has the Department of Prime Minister and Cabinet briefed either the Prime Minister or Dr Shergold, in his role as chair of the secretaries committee, about the research that has been done to show that 99 per cent of Australians do not know the number of the terror hotline. Some \$7 million has been spent and it seems to be for little return. Even Senator Minchin has not got a clue what the number is. Let us hope he does not get into trouble.

**Senator Minchin**—Be honest, you do not mean that. You do not hope that at all!

**Senator FAULKNER**—I thought I was very sincere when I said that. Has the department briefed on that?

**Mr Lewis**—I need to explain to you that at the COAG meeting on 27 September last year one of the items that came out of that meeting was the requirement to address this very point of public awareness—not so much of the hotline number, as that is a function run through the Attorney-General's Department, but of the general counter-terrorism arrangements that prevail in the country. I am conscious that there is not sufficient public awareness of those arrangements. It was made clear and discussed at the COAG conference on 27 September and we—that is, Prime Minister and Cabinet—are carrying forward, as part of the forward work agenda from the meeting, the matter of a public awareness campaign, and that is to go to COAG next July.

**Senator FAULKNER**—Hasn't \$7 million already been spent on a public awareness campaign?

**Mr Lewis**—Yes, it has and I—

**Senator FAULKNER**—And it has been so ineffective that the Leader of the Government in the Senate does not even know what the number is.

**Mr Lewis**—We have done some research which shows quite clearly that the public interest in matters that go to our national counter-terrorist arrangements spike immediately after any incident that might occur. In particular the Madrid bombings, the London bombings and those sorts of major world events show a spike in interest. Our purpose is to try and get a flattening out of that spike so that there is an enduring awareness among the community of what is required. I do not think it is particularly helpful to say that people do not know the number of the hotline. The fact is that people know that there is a hotline. There was a national campaign, as you recall, to ensure that people were aware that there were numbers they could call. The number of calls that come into the hotline—I do not have the figures; it is something that the Attorney-General's Department manages—is encouraging. A large number of people call into the hotline, which shows that it has got some penetration.

**Senator FAULKNER**—The reason I raise the issue is because there was a Morgan poll which showed that one per cent of Australians knew the number. There is a greater awareness, and you make that point about the hotline and I think that is a fair point to make. You said that 'we' had undertaken research: who is 'we' in this instance?

**Mr Lewis**—The National Counter-Terrorism Committee. One of my hats is to chair the National Counter-Terrorism Committee and the Australian Government Counter-Terrorism Policy Committee—one of the pieces of architecture of our national system. We had research done under the direction of the NCTC, the National Counter-Terrorism Committee, to understand better where the spikes were in response to the hotline.

**Senator FAULKNER**—Who conducted that research for you?

**Mr Lewis**—The Attorney-General's Department.

**Senator FAULKNER**—It is the lead agency in this. Even though it is 'we' as the committee, you are the lead agency for the committee—

**Mr Lewis**—I chair the committee.

**Senator FAULKNER**—But the Attorney-General's Department has conducted the research—or paid for the research?

**Mr Lewis**—That is correct—and conducted it.

**Senator FAULKNER**—Should I ask you some questions about the research or should I ask them questions about the research?

**Mr Lewis**—I do not have details on the research. I think that questions are better directed to the Attorney-General's Department.

**Senator FAULKNER**—We have got a very serious problem if the Leader of the Government in the Senate does not know—

**Senator Minchin**—Your leader in your party does not seem to know his own senators from South Australia, mate, so there you are. We all have these problems.

**Senator FAULKNER**—One thing we can be sure of with you, Senator Minchin, is that you would know who the senators from South Australia were. You have worked so hard to make sure that Senator Hill's replacement is someone you know very well, so congratulations.

**Senator Minchin**—I am sure you acknowledge that he is a very good replacement.

**Senator FAULKNER**—I had the pleasure of meeting our new senator yesterday. No-one will ever accuse you of not being intimately involved in—

**CHAIR**—Senator Faulkner, do you have any further questions on—

**Senator FAULKNER**—No, I think the point has been made.

**CHAIR**—I think it has.

**Dr Morauta**—We would just like to go back to one point. The troops are watching this in the department and they have picked up on something that Mr Glyde said that he would like to correct.

**Mr Glyde**—It was in relation to a question that Senator Faulkner asked about whether or not there was an IDC that supported Minister McFarlane's review of the uranium mining industry framework. I am informed that there is actually an IDC, which is chaired by ITR, that is supporting the Commonwealth's engagement in that framework. One of my staff members is represented on that. The IDC plays a coordination and supporting role, and we are on it just to be aware of what is going on. I might have misled you by suggesting that there would not be an IDC formed until after the review had been completed. I am now advised that there is indeed an IDC that has met a couple of times.

**Senator FAULKNER**—You did mislead me, Mr Glyde, but I appreciate your coming back and correcting the record as soon as possible. This gives me an opportunity to ask some follow-up questions, so I appreciate the fact that you have done that and I am sure the committee members would also.

**Mr Lewis**—I have additional information that we said we would get for you. Sorry; do you want to finish that exchange first?

**Senator FAULKNER**—I can come back to Mr Glyde in a moment.

**Mr Lewis**—Just going back to the Global Nuclear Energy Partnership discussion we had a few minutes ago, I was correct that the Global Nuclear Energy Partnership was an IDC chaired by DFAT. You asked who was in attendance. They are the Department of Foreign Affairs and Trade; PM&C; ONA; ASNO, the Australian Safeguards and Non-proliferation Office; ANSTO, the Australian Nuclear Science and Technology Organisation; DITR; Defence; and DEST.

**Senator FAULKNER**—Thank you for that.

**Mr Lewis**—Two meetings have been held, on 29 and 31 March. I misled you; I said there was one representative from the department. That is not true; on the meeting on 31 March—the second one—we had three people in attendance covering a span of responsibilities within the department. They were all junior officers, as I had described.

**Senator FAULKNER**—Thanks for that. Can we note, Chair, with appreciation the fact that Mr Lewis and Mr Glyde have corrected that evidence so quickly. I will follow up with Mr Glyde. I could follow up with Mr Lewis, and that is the advantage of this. It gives senators at the table the option, or opportunity if they wish to use it, to follow through on matters. Clearly, if information is not complete or accurate, you do not necessarily have the



opportunity to do that. So I thank the officers. Minister, I am sure you would endorse those comments.

**Senator Minchin**—Yes, thank you for making them.

**Senator FAULKNER**—This is helpful for the committee. Mr Glyde, let us go then to the IDC that you have now told us about, which I understand from what you are saying is an IDC that is supporting the department of industry in relation to the uranium review that is being carried out under the auspices of Minister Macfarlane. Is that correct?

**Mr Glyde**—That is correct.

**Senator FAULKNER**—Can you tell me the name of that IDC?

**Mr Glyde**—I cannot tell you that; I do not have that information. I am happy to provide that later. It is not in the new information I have got.

**Senator FAULKNER**—If you could provide that—again, that ought to be able to be done relatively quickly, I would hope.

**Mr Glyde**—Yes.

**Senator FAULKNER**—This is a question similar to the one I asked of Mr Lewis about the Global Nuclear Energy Partnership IDC: are you able to say to the committee what other agencies apart from Industry and PM&C are represented on the committee?

**Mr Glyde**—I am not in a position to do that. But, as I said earlier on, I can get that information. It is an ITR IDC; they are probably best placed to be able to give you the details about who is on the committee, what its purpose is and what they have been up to. But I can try to find that out.

**Senator FAULKNER**—It is a similar situation to this Global Nuclear Energy Partnership IDC. That is at DFAT, which is the lead agency. But, at the end of the day, PM&C must have records of these things if it is involved. I am interested in knowing, if you can assist me, the name of the IDC, effectively what its role and function or terms of reference are, when it was set up, who represents the Department of the Prime Minister and Cabinet, what other agencies are represented, the number of meetings that have been held and when they have been held, at least as a starting point.

In other words, I am interested in understanding, given that you have said that the committee is in place now, which means that obviously its role and function is a little different from the one that you outlined to the committee that you expected an IDC to fulfil once the review was complete. It would be useful to have as much detail as you are able to provide to the committee. I am limiting the information to the level at which Mr Lewis has already responded in relation to the other committee because it seems to me to be eminently achievable in pretty short order.

**Mr Glyde**—Yes. We should be able to do that.

**Senator FAULKNER**—Rightly, I think, Mr Lewis or you made the point that we can follow through with the lead agency on more detail about these committees—that is fair enough—but I think that it is more than reasonable for PM&C to be able to respond to that.

**Mr Glyde**—Yes, we can do that.

**Senator CHRIS EVANS**—In relation to the nuclear issue, were there briefings provided to the Prime Minister before he went overseas on the issue of nuclear nonproliferation and development of nuclear energy?

**Mr Lewis**—Yes, there were.

**Senator CHRIS EVANS**—Can you give me the dates of those. I am interested in the briefings you provided to the Prime Minister on the questions of nuclear energy and international proliferation. He has been talking about those issues while overseas in the last couple of weeks. I am interested in when you briefed the Prime Minister on those issues and whether you were the only department to brief him or he got briefings more broadly from other departments.

**Mr Cox**—The briefing material was collated and put together in a briefing package for the Prime Minister prior to his departure for Washington.

**Senator CHRIS EVANS**—Were there any verbal briefings?

**Mr Cox**—No. They were written briefings.

**Senator CHRIS EVANS**—Did anyone from PM&C with expertise in this area travel with the Prime Minister?

**Mr Cox**—The Prime Minister travelled with his party, including the head of our division, Mr Borrowman.

**Senator CHRIS EVANS**—Anybody else from your division?

**Mr Cox**—People from CERHOS also travelled, which is part of the international division.

**Senator CHRIS EVANS**—What is CERHOS?

**Mr Cox**—Ceremonial and Hospitality Branch.

**Dr Morauta**—The secretary of the department was travelling with the Prime Minister too.

**Senator CHRIS EVANS**—So you provided some briefing on those issues as part of his preparation for the trip.

**Mr Cox**—That is right.

**Senator SIEWERT**—Is there an interdepartmental committee that deals at an international level with Australia's engagement with oil supplies and the peak oil issue?

**Mr Glyde**—Given my spectacular lack of success last time around, I would refer you to the Department of Industry, Tourism and Resources. They have responsibility for those matters. I am not aware of whether or not there are IDCs in relation to international oil supplies.

**Senator SIEWERT**—So PM&C cannot tell me whether or not they have an engagement internationally—

**Mr Glyde**—No, I cannot. I am not in a position to be able to tell you that.

**Mr Lewis**—I can speak on behalf of the international division. We do not have that information on our side of the table and, if Mr Glyde does not have that information on his side of the table, I think it is safe to say that PM&C does not have carriage of that.

**Senator SIEWERT**—What about renewable energy in general?

**Mr Glyde**—There is the Asia-Pacific Partnership on Clean Development and Climate. It is an international grouping that has renewable energy as a project. The responsibility for the delivery of that program and that project and the interactions with the other member countries in that grouping is also a responsibility of the Department of Industry, Tourism and Resources.

**Senator CHRIS EVANS**—I have a question about the section's involvement with the arrival of the 43 West Papuans and the policy response. I will start from the general: what was the extent of PM&C's international division's involvement in relation to these matters? Were you involved centrally? Was there a task force formed?

**Mr Lewis**—With regard to the involvement of the Department of the Prime Minister and Cabinet, we are members of the people-smuggling task force, which meets to address issues such as the arrival of the 43 Papuans on 18 January.

**Senator CHRIS EVANS**—So the response was handled by the people-smuggling task force?

**Mr Lewis**—That is correct.

**Senator CHRIS EVANS**—When did it meet in response to the arrival?

**Mr Lewis**—It met on 13 occasions. In the month of January, it met on the 18th, the 19th, the 21st, the 24th and the 27th. It also met on 2 February, 8 February and 28 March. In April, it met on the 3rd, the 4th, the 5th, the 6th and the 13th. They are the dates of the PSTF meeting. I should also say that there was an IDC process running separately to that regarding unauthorised arrivals from West Papua.

**Senator CHRIS EVANS**—Are you saying to me that the majority of the work of the people-smuggling task force during that period—the 13 occasions of meeting et cetera—was focused on the West Papua issue?

**Mr Lewis**—That is correct.

**Senator CHRIS EVANS**—So, in addition to that task force concentrating on the issue, there was also an IDC set up?

**Mr Lewis**—That is correct.

**Senator CHRIS EVANS**—What was its function if the people-smuggling task force was dealing with these things?

**Mr Lewis**—That was an IDC chaired by the Department of the Prime Minister and Cabinet. Its purpose was to examine the issue of these unauthorised arrivals and to provide advice to government on how the matter might be addressed.

**Senator CHRIS EVANS**—So they, and not the people-smuggling task force, were doing the policy response. Is that fair?

**Mr Lewis**—That is correct.

**Senator CHRIS EVANS**—So what was the people-smuggling task force doing?

**Mr Lewis**—That was addressing the specific issue of the 43 unauthorised arrivals.

**Senator CHRIS EVANS**—So that was dealing with whether they were refugees, how they would be housed and those sorts of things. Or was it also dealing with whether there were more coming?

**Mr Lewis**—It was dealing, as I said, with the 43. That is, it was managing the situation as it presented.

**Senator CHRIS EVANS**—So the IDC had the policy response role.

**Mr Lewis**—That is correct.

**Senator CHRIS EVANS**—Who chaired that?

**Mr Lewis**—The Department of the Prime Minister and Cabinet.

**Senator CHRIS EVANS**—What level officer is the chair? Does that fall to you, or someone else?

**Mr Lewis**—I chaired one. It is chaired at three levels—secretary, deputy secretary and FAS level.

**Senator CHRIS EVANS**—The secretary chaired some of them?

**Mr Lewis**—As I recall, he chaired the first.

**Senator CHRIS EVANS**—And that IDC was responsible for developing what we call the new offshore policy. Is that right?

**Mr Lewis**—Providing policy advice to government.

**Senator CHRIS EVANS**—Which forms the basis of a cabinet decision. What research and analysis was done prior to that decision? Did you get ONA, again, to do an assessment?

**Mr Lewis**—Yes, that is right. There were assessments provided by the Australian intelligence community and that provided the basis on which further consideration was given. But, again, it is not only intelligence input; there are information inputs from a number of other sources and, of course, a number of matters that do not relate to information or intelligence that need to go into the mix.

**Senator CHRIS EVANS**—I presume the membership of the IDC was made up of the normal suspects?

**Mr Lewis**—Yes, if these people are suspects, indeed—ourselves excluded, I am sure: PM&C, DFAT, the Department of Immigration and Multicultural Affairs and the Attorney-General's Department.

**Senator CHRIS EVANS**—Not Customs?

**Mr Lewis**—I do not have Customs recorded as being part of it. They are members of the PSTF—the people-smuggling task force; not the IDC process.

**Senator CHRIS EVANS**—I just got used to the defence acronyms.

**Mr Lewis**—At least you and I are well prepared for this.

**Senator CHRIS EVANS**—Did you review the surveillance plan for Northern Australia and Torres Strait after the event? Was that part of the work that was done?

**Mr Lewis**—There is an ongoing process of review. Clearly, the procedures that are being adopted and have been adopted were re-examined. They were found to be adequate.

**Senator CHRIS EVANS**—The assessment was that the surveillance plan for Northern Australia was adequate?

**Mr Lewis**—That is correct. Quite clearly, when information is received that there is the potential possibility of unauthorised arrivals then, as you would imagine, if that is where the intelligence cue takes you then, obviously, assets are assigned to that cue.

**Senator CHRIS EVANS**—I understand government knew on 13 January that the group were coming.

**Mr Lewis**—I do not have the 13th. I am not sure about this but I thought it was on the 15th—in the evening or sometime during the 15th. That should not be characterised as information that they were coming; there was some very imprecise and vague information that there was a possibility that such a thing might occur, but it was terribly vague.

**Senator CHRIS EVANS**—When was the first meeting of the people-smuggling task force in response?

**Mr Lewis**—There was a meeting of the people-smuggling task force on 16 January prior to the arrival of the 43, and then the first meeting post the arrival was on the 18th, which is the start of that series of dates I provided.

**Senator CHRIS EVANS**—The meeting on the 16th would imply that your date of the 15th is more likely to be correct than mine of the 13th. As I say, it was just that my notes said the 13th. I am not arguing.

**Mr Lewis**—It was several days, certainly, before their arrival.

**Senator CHRIS EVANS**—Were you involved with the relations with Indonesia and dealing with their likely response? Were you involved in that or was that purely left with Foreign Affairs?

**Mr Lewis**—The matter of dealing with Indonesia in this matter was led by the Department of Foreign Affairs and Trade. We maintain a coordinating interest in that, quite clearly.

**Senator CHRIS EVANS**—Was that part of the IDC's work?

**Mr Lewis**—Yes. Quite clearly, one of the challenging issues in the consideration of the IDC was the matter of the international impact.

**Senator CHRIS EVANS**—Did the IDC provide advice on that formally or was it just a question that was considered?

**Mr Lewis**—I will not go to the nature of the specifics of the advice that was provided. I am prepared to say that the advice that was provided was comprehensive. It went to all of the three pillars that I mentioned before: prevention, on-surface response and our arrangements.

**Senator CHRIS EVANS**—And the prevention included the question of working with the Indonesians to prevent people from leaving, I assume?

**Mr Lewis**—I think there was recognition that Indonesia was part of the consideration and that went forward in the advice.

**Senator CHRIS EVANS**—There is just one other matter that I want to raise which arises out of the Flood review. Flood recommended that for ONA's assessment there should be an independent evaluation, not a self-assessment. That is one of the recommendations of the report. I understand that task has fallen to the National Security Division. Can you explain how that will work or is working?

**Mr Lewis**—It is working now. One of the recommendations of Mr Flood was, as you have described, that there be some form of independent assessment of the performance of the Office of National Assessments and, indeed, the wider AIC, the Australian intelligence community. The Department of the Prime Minister and Cabinet conducted an assessment in the last 12 months to go into an annual cycle. It is what I would describe as a maturing process. It was our first evolution in making an assessment of ONA's product. I think there was a good level of granularity and penetration in the assessment, but it is a process that will mature with successive evolutions.

**Senator CHRIS EVANS**—Was that based on one report or the totality of their product?

**Mr Lewis**—It was based on a customer survey, essentially. I was personally involved in this. I and another officer from the department visited each of the major customers, each of the major intelligence agency contributors to the ONA product, and, based on the evaluation, the survey and us—as we are one of the recipients of ONA product—an assessment was made.

**Senator CHRIS EVANS**—What did you do? Did you give them a questionnaire to fill in? Did you have a standard set of areas that you covered verbally with them?

**Mr Lewis**—A set of questions was sent to agency heads initially and that was followed up by a personal visit by officers from the department.

**Senator CHRIS EVANS**—To discuss their responses?

**Mr Lewis**—Yes.

**Senator CHRIS EVANS**—Was this done with the secretaries of the departments?

**Mr Lewis**—Agency heads in each case, except perhaps one where the agency head was not available. Essentially, agency heads were the target.

**Senator CHRIS EVANS**—Was there any interviewing of ministers or seeking of their views?

**Mr Lewis**—Yes, there was. We can get a quick answer on that. I seem to recall the defence minister and perhaps members of NSC. I will try and get you an answer quite quickly on that.

**Senator CHRIS EVANS**—All right. I am interested in who was asked for feedback and what the process was for getting their feedback. Obviously they are part of the customer base. What was the method? You told me about how you gathered the information. What criteria did you assess them against? What was the benchmarking?

**Mr Lewis**—There were a series of technical questions that went to matters of timeliness, accuracy and responsiveness of the reports that were produced by the agency, whether the reports were in manageable form and questions to do with both the process and the quality of the product.

**Senator CHRIS EVANS**—Have actual benchmarks been established?

**Mr Lewis**—I think this is one of the challenges. The reason that I said that the process is maturing is that we have been through the first evolution. The granularity and the precision of the benchmarks will, I am sure, improve through time. I think the process last year or the last evolution was adequate but it will, as I predict, improve.

**Senator CHRIS EVANS**—What was the judgment on the performance of ONA?

**Mr Lewis**—That they were producing very sound products.

**Senator CHRIS EVANS**—That is pleasing to hear. Who do you report your assessment of ONA's performance to?

**Mr Lewis**—It is reported to the National Security Committee of cabinet through SCONS.

**Senator CHRIS EVANS**—Is that going to be an annual report?

**Mr Lewis**—Yes, it will be an annual event.

**Dr Morauta**—Chair, we have another follow-up for Senator Faulkner.

**Mr Glyde**—Senator Faulkner, you were after the name of the IDC. It is called the Uranium Industry Framework IDC.

**Senator FAULKNER**—The Uranium Industry Framework IDC?

**Mr Glyde**—Yes. The membership is the Department of Industry, Tourism and Resources; the Treasury; the Department of Finance and Administration; our department; the Department of the Environment and Heritage; the Department of Education, Science and Training; the Department of Transport and Regional Services; the Department of Foreign Affairs and Trade; the Australian Taxation Office; the Office of Indigenous Policy Coordination—

**Senator FAULKNER**—Separately?

**Mr Glyde**—Yes. There is also the Attorney-General's Department and the Australian Bureau of Agricultural and Resource Economics.

**Senator FAULKNER**—Who is it chaired by?

**Mr Glyde**—It is chaired by Industry. You asked who represented PM&C. It is an executive level 2 officer in my division. Its role is support and coordination for the Uranium Industry Framework. PM&C do not have any specific terms of reference. ITR might have those. We were not able to turn any up in our quick search. The IDC first met in August 2005 and it has met, I am advised, a total of three times since then. Its most recent meeting was on 8 March. We are not sure when it will meet again, but obviously it will.

**Senator FAULKNER**—Thanks for that. I assume that the title Global Nuclear Energy Partnership is a direct lift from the US. Is that correct?

**Mr Lewis**—That is the title of the US program.

**Senator FAULKNER**—When was that announced?

**Mr Lewis**—It was announced by President Bush on 6 February.

**Senator FAULKNER**—So he announced it on 6 February. What was the start-up date of our IDC?

**Mr Cox**—29 March.

**Senator FAULKNER**—What are the aims of the US Global Nuclear Energy Partnership?

**Mr Cox**—The GNEP, as it is called, is a proposal to look at ways in which nuclear energy producing countries—that is, countries that make nuclear fuel—could look to provide nuclear fuel to user countries so that it stops the proliferation or helps stop the proliferation of nuclear fuel production in other countries that do not yet produce nuclear fuel.

**Senator FAULKNER**—But isn't nuclear leasing, or what is described as nuclear leasing, front and centre in this Global Nuclear Energy Partnership?

**Mr Cox**—Leasing is part of the arrangement whereby, as I understand it, nuclear fuel producing countries could provide this fuel to user countries. Leasing is one way, I suppose, of providing it.

**Senator FAULKNER**—Does nuclear leasing also conceptually deal with the issue of nuclear waste?

**Mr Cox**—I am not aware of that. I think that it does involve some plan whereby those countries that produce the nuclear fuel might then, at the end of the cycle, take back the nuclear fuel.

**Senator FAULKNER**—How do we define 'nuclear fuel' here?

**Mr Cox**—Processed nuclear fuel that could be used in civilian nuclear reactors.

**Senator FAULKNER**—I will have to find out a little bit more about the Global Nuclear Energy Partnership. I am sure others will be looking with interest, too.

**CHAIR**—Are there any further questions on output group 3?

**Mr Lewis**—Senator, I might just add to a question that I indicated I would come back on. Going back to your question on the evaluation of ONA, you asked about who the assessment evaluation team had visited and I mentioned ministers. In fact we visited, on this evolution, the chiefs of staff of Minister Downer and Minister Hill, not the ministers. The plan is that for the next evolution we will be visiting ministers themselves. There was an attempt to get ministers, but I understand it just was not possible due to diary clashes. We saw the chiefs of staff of those two ministers.

**Senator CHRIS EVANS**—Thanks for that.

**CHAIR**—Senator Siewert, you have some questions on the APEC task force. That comes within output group 3.

**Senator SIEWERT**—I am referring to some quotes that the Prime Minister made about APEC and the 100 days of meetings which are going to be in the lead-up to APEC 2007. I am interested in some of the current arrangements. Can you tell me how many staff have been employed to undertake the organisation of the meeting?

**Mr Lewis**—We have that detail. I will invite Ruth Pearce, who is head of the task force, to speak to that. As at the 30th of last month I think we had 148 staff.

**Senator SIEWERT**—That is at present?



**Ms Pearce**—Yes, we have 148 at present and I think our total by mid next year will be in the vicinity of 246.

**Senator SIEWERT**—That takes care of my next question, thank you. Do you have a schedule yet for the 100 days of meetings that will be held that the Prime Minister has been talking about?

**Ms Pearce**—Yes, we do have a schedule.

**Senator SIEWERT**—Is that able to be provided?

**Ms Pearce**—Yes. We are still negotiating on venues, but certainly we could give you a schedule of where, in what states, and the dates for the meetings across 2007.

**Senator SIEWERT**—I appreciate that finding venues may take a bit of time but if you could provide us with the states and the cities or towns that would be appreciated. Do you have that now?

**Ms Pearce**—Yes, we do.

**Senator SIEWERT**—You do not have to go through the whole lot right now. If you could provide the list that would be good.

**Ms Pearce**—Yes, we could do that.

**Mr Lewis**—We could provide it as a document.

**Senator SIEWERT**—Thank you, that would be great. Have you already worked out the list of organisations and officials who are going to be invited?

**Ms Pearce**—Yes and no—there is an APEC tradition, and it depends on the ministerial meetings. There are four senior officials meetings and a range of ministerial meetings. We issue invitations. I might ask my venues person to give more detail on that.

**Mr Page**—At this stage, the invitations are being worked through for the various different ministerial portfolios which are hosting the meetings over the year. It is intended that each ministerial portfolio that is hosting a meeting canvass as much support as they can for the meetings. We will just wait and see, as the year progresses in leading up to 2007, knowing full well that at the moment Vietnam is hosting and that is what they are preoccupied with.

**Senator SIEWERT**—When you provide the list of the towns et cetera, can you provide who is hosting those?

**Mr Page**—Yes, Senator, I can do that.

**Senator SIEWERT**—Thank you. That would be appreciated. Have all of the final schedules been completed for the meetings?

**Ms Pearce**—Yes.

**Senator SIEWERT**—So what you will provide to the committee is the final schedule?

**Ms Pearce**—Yes, it is. Senator, I will just clarify something on the staffing issue. I think it will be of interest to you to know that, of the numbers that we have at the moment, they include the New South Wales police command and an APEC security branch which is a PSCC branch. So it is not all Prime Minister and Cabinet staff.

**Senator SIEWERT**—Okay. Could you perhaps provide a breakdown of the data on where the eventual 246 fit in?

**Ms Pearce**—Indicative? Yes, we can.

**Senator SIEWERT**—That would be appreciated. I do not know whether my next questions are best kept for you or for DFAT. They relate to the fact that it has been indicated in the Prime minister's address to the APEC business dinner that we will discuss energy security. Should I be asking you or somebody else about this?

**Ms Pearce**—That discussion would include what? Industry security?

**Senator SIEWERT**—No, energy security.

**Ms Pearce**—That is certainly not the task force's mandate. We would not be across it or be able to give you any indication of that.

**Senator SIEWERT**—Who would I ask about that?

**Mr Lewis**—The Department of Foreign Affairs and Trade. They are responsible for the content matter of each of the meetings, including the one you have referred to.

**Senator SIEWERT**—Thanks. I will take that up with them.

**Mr Lewis**—And, I might say, I am not sure whether they are at a stage of preparation where they are able to give you a complete answer on that either.

**Senator SIEWERT**—I can ask and then follow it up later. Thank you.

**Senator CHRIS EVANS**—Who is organising the leaders' week events?

**Ms Pearce**—The task force is organising the logistics security aspects of the leaders' week in Sydney.

**Senator CHRIS EVANS**—What about the actual meetings or social functions et cetera?

**Ms Pearce**—No, that is our responsibility.

**Senator CHRIS EVANS**—Is Mrs Howard involved in that as well?

**Ms Pearce**—We have consulted the Prime Minister and his office and Mrs Howard on the aspects of the event that she will be formally, officially involved in.

**Senator CHRIS EVANS**—What does 'formally, officially involved in' mean? Is she hosting it?

**Ms Pearce**—It is the APEC tradition that the leader's spouse hosts a spouses' program, so that is the program that we have consulted Mrs Howard on through the Prime Minister's office.

**Senator CHRIS EVANS**—What sort of thing does that normally entail?

**Ms Pearce**—There is a great variety. As with the official hospitality for APEC, it is about showcasing Australia. The spouses' event is very much in that framework. The variety of activities is huge.

**Senator CHRIS EVANS**—Are we talking about one event or a program?

**Ms Pearce**—It depends, again, on the spouse, but it usually involves a couple of activities.

**Senator CHRIS EVANS**—The decision is for the spouse, effectively?

**Ms Pearce**—It is in consultation with the task force, the Prime Minister's office and the spouse.

**Senator CHRIS EVANS**—Mrs Howard will have some say over what these couple of events are?

**Ms Pearce**—We consult her; she has vast practical experience with the APEC spouses' meetings.

**Senator CHRIS EVANS**—Have you determined what you are going to do for that yet?

**Ms Pearce**—No, we have not yet.

**Senator CHRIS EVANS**—What sort of things have they done in the past?

**Ms Pearce**—For example, in Pusan last year the spouses went to monasteries. There was an official program in one of the monasteries. It includes lunches, special guests and women's networks in the relevant host country.

**Senator CHRIS EVANS**—That assumes the spouses are all women, of course, which I thought was very presumptuous of you.

**Ms Pearce**—I think about two of them are male.

**Senator CHRIS EVANS**—We have had that debate in parliament. Do they have to wear silly costumes as well, or are they spared that indignity?

**Ms Pearce**—No, there is not a fixed model for that.

**Senator CHRIS EVANS**—Is Mrs Howard considering that? Is that a decision for her?

**Ms Pearce**—It would be a matter of consultation, clearly.

**Senator CHRIS EVANS**—What sort of budget is allowed for the spouses' program?

**Ms Pearce**—It is part of our official hospitality, which is a whole week of events. We have yet to define the budget specifically for that spouses' meeting.

**Senator CHRIS EVANS**—What is the official hospitality budget?

**Ms Pearce**—It is an estimate and indicative at this stage, but we have set aside \$2½ million for the entire leaders' week activities. That is all the dinners, programs et cetera; not just for spouses.

**Senator CHRIS EVANS**—So \$2½ million for official hospitality for the leaders' week has been the estimated budget, and we are not clear what part of that will be for the spouses' program?

**Ms Pearce**—No, we have not yet sat down and worked through all the detailed options for that week.

**Senator CHRIS EVANS**—Can you give me a rough idea?

**Ms Pearce**—No.

**Mr Lewis**—I wonder if I might just make two corrections to the record from the session before dinner last night. One is on a question that Senator Evans asked. Senator Evans, with

regard to the department's response on 24 February to the Cole commission, your question was:

And you responded on the 24th after an electronic search of the G drive?

I answered:

That is right. That was the requirement of the subpoena.

I am a little confused; there was an electronic search done, but not of the G drive. It was the PCMS, which is our document handling record system. That is the first correction. With the second correction, I was asked by Senator Ray whether the department had sent cables to the commission. My answer needs correction. We did indeed send cables, as a generic statement. It was asked as a generic question and there is a generic answer: we did send cables to the Cole commission from the Department of the Prime Minister and Cabinet. I just want to make those two corrections.

**Senator CHRIS EVANS**—What are you saying: that you said no on the night?

**Mr Lewis**—I will read precisely what was said here:

Let us go to just your procedures for a moment—

**Senator CHRIS EVANS**—I am just trying to work out what you are correcting.

**Mr Lewis**—Yes. Senator Ray had asked me whether we sent copies of cables to the Cole commission as a general question, and I had answered no: that we had only sent other forms of correspondence. That is not right; we did send cables as well. It was all correspondence—cables, emails and ministerial submissions.

**Senator CHRIS EVANS**—Thank you very much for that. I appreciate the correction.

**Senator BRANDIS**—I would like to give you the opportunity to perfect the record. You were not meaning to concede Senator Evans's sarcastic assertion that anybody at the APEC meetings wears a silly costume, were you?

**Ms Pearce**—No, certainly not.

**CHAIR**—There are no further questions on output group 3. Mr Lewis, thank you for your assistance. Minister, I understand that general questions are now exhausted. Senator Murray and Senator Siewert have some questions on output group 1 and output group 2.

**Senator SIEWERT**—I asked my questions on output group 2 this morning, under general questions, but I have questions on output group 1.

**Dr Morauta**—Can we assume that we have now finished output group 3?

**CHAIR**—Yes, we can.

**Senator Minchin**—What about output group 2?

**CHAIR**—I am not sure about output group 2. We will have to wait and see because Senator Faulkner may have some questions on that.

**Proceedings suspended from 12.31 pm to 1.34 pm**

**CHAIR**—I call the committee to order. Dr Morauta, do you have anything for us, as you often do after a break?

**Dr Morauta**—I have one thing.

**CHAIR**—You do? I thought you might.

**Dr Morauta**—I have the APEC indicative program that we undertook to table. We will table that now.

**CHAIR**—Thank you. The committee will now examine output group 1, Economic and industry policy.

**Senator MURRAY**—Just leading into my question, which is a specific one on COAG, I notice that, when you look at the output groups as spelt out in the portfolio budget statements of the Prime Minister and Cabinet portfolio on pages 29 onwards, of the four groups, economic and industry policy is priced at \$15.7 million; social policy is \$9.9 million; and group 3, which is international and national security policy, is \$70.8 million. Of course, that is accelerated and distorted by the APEC costs and so on. Support services for government are priced at \$28.1 million. Just looking at the two outputs, economic and industry policy and social policy, I see there is a very substantial difference between the total prices listed there for output groups 1 and 2, at \$15.7 million and \$9.9 million—they are economic and industry policy and social policy respectively. Does that indicate less interest or less of an attention and fewer resources being given to the social policy area? Why is there such a difference between the economic and industry policy price and the social policy price?

**Dr Morauta**—I am not sure of the specific answer. There are two divisions represented in output group 1—the economic policy division and Mr Glyde's division. What is that called, Mr Glyde?

**Mr Glyde**—The industry, infrastructure and environment division.

**Senator MURRAY**—Are you looking at or have you found the portfolio budget statements at page 29?

**Dr Morauta**—Yes, we are looking at that.

**Senator MURRAY**—If you look at the bottom of output group 1, you will see that it says that the total price for output group 1 is \$15.7 million. If you then look at output group 2, you will see that it says that the total price for social policy, which is output group 2, is \$9.9 million. I want to know whether that indicates a bias away from social policy, where so many problems exist. Why is there such a difference between the two groups?

**Mr Glyde**—As Dr Morauta was trying to explain, there are two divisions captured within output group 1—economic policy and industry policy—and one division captured within social policy. The two divisions in output group 1 are my own division, which deals with a range of industry, infrastructure and environment issues, and there is also the economic division, which deals with economic policy, fiscal policy and taxation. I would not read too much into the fact that the totals for those two output groups are so different. It really is more of a consequence of how we have organised the divisions within the department. I do not think you could make the inference that social policy is more or less important than environment policy or infrastructure policy. We structure around the issues that come before the Prime Minister.

**Senator MURRAY**—I hear the government talking continually about its skills and strengths with economic management. I do not hear the same kind of boasting about social management. Yet, when we think of mental health, suicide, drug abuse, alcohol abuse and Indigenous problems—the list goes on and on—the biggest problems in our society tend to be social, not economic. At a glance, this indicates a much different resource allocation.

**Dr Morauta**—This is the allocation within PM&C. Of course, as you are aware, the allocations by government to health and education and so on are quite different.

**Senator MURRAY**—Yes, I am well aware of it. But I want to know if this indicates an approach by PM&C which is less attentive, if you like, to social policy. The reason I raise it is that the discussion earlier from senators at the table concerning Indigenous concerns indicated a real concern that PM&C is not putting enough effort into that area when compared to what you are doing within the economic area.

**Dr Morauta**—This reflects the demands placed on the department. We have attempted to resource between divisions in a way that reflects the advisory demands on us.

**Senator MURRAY**—It is an observation. I will look into it a little more deeply. I want to address an issue in output 1. The budget measures for supporting the Council of Australian Governments agenda shows departmental outputs of over \$4 million—\$4.039. For the next year, 2007-08, it shows \$3.286 million, which is a reduction. If I look at Budget Paper No. 2, the Council of Australian Governments ‘supporting its agenda’ column shows that the government will provide \$17.5 million over two years from 2006-07 to undertake new initiatives arising from the Council of Australian Governments meeting in February 2006. The figures I first quoted are in the first line of that allocation. The rest of the moneys come from expenditures from the Department of the Treasury, the Department of Industry, Tourism and Resources and the Department of Transport and Regional Services.

I well understand that specific Council of Australian Governments initiatives are often funded by the lead or key agency involved, such as Treasury or Transport. But I want to test you on this proposition: given the drive towards efficiency, international competitiveness, greater harmonisation and all those sorts of things, it seems to me that the onus on the Prime Minister and therefore through him his department to show leadership and to drive an agenda with the Council of Australian Governments is quite high.

I read just recently a very well put together speech by Gary Banks, the head of the Productivity Commission, on the regulatory program. The Productivity Commission produced a report which made a substantive number of recommendations. The government has accepted about half so far, but there is a huge need to overhaul conflicting, complex, inefficient, unproductive and obstructive regulations and to enhance those which work effectively to the benefit of the economy and society. Yet, on a raw reading of these figures, the Department of the Prime Minister and Cabinet’s commitment to the Council of Australian Governments process is diminishing.

**Dr Morauta**—The nature of the work of COAG is that it sets government officials tasks and then those tasks are completed. And then it sets another set of tasks. Last year, we had funding for some other COAG initiative which is now completed. This is funding for the next group. It does not mean that in two years time or three years time there will not be a

replacement set of initiatives from COAG. It is just the nature of the work of COAG that it comes in segments. They decide to have a burst of work in one area and then in another area. I do not think you can read into an allocation over two years any particular pattern, because by the second year they may well have started up some other work.

**Senator MURRAY**—Two things arise from that. Firstly, are these figures meaningless? In other words, will in fact initiatives arise which will require contingent funding? Is this just a base figure? That remark is accurate, because you have not got any estimates for the out years, which would indicate that you have no idea, and that is quite right that you should not put something in. Do you expect that this will be the minimum amount expended and that you will have to spend more as needs arise?

**Mr Glyde**—I think that is probably a fair assumption. As Dr Morauta has said, the role of PM&C is to take forward the issues that COAG has raised. We tend to do that in the first instance. The example that you mentioned earlier on—the Gary Banks task force report on reducing regulatory burdens on business—is being dealt with using the additional funds that we have now. PM&C is coordinating that process and other work on reducing regulation with the states and territories. I would imagine that, as we respond to the remaining recommendations, there will be proposals that arise out of that that may or may not require funding. The relevant agencies will probably get about doing that—either reducing red tape or streamlining and making things more efficient. The logic is that we will spend the next few months going through that process and figuring out what to do in response to Mr Banks' report. Then, over time, the real work will go on in other departments and they will take on the workload of reducing that red tape.

The same could be said right across the board whether it is work we are doing on competition reform, regulatory reform, water policy et cetera. There are quite a few things where the PM&C role is to take the initiative that has been started in COAG, work with our state and territory colleagues, get it to the next stage and then it is usually left to a line department or minister or group of ministers to get on with it. Often, significant expenditure can come in at that stage.

**Senator MURRAY**—I hold to the view that coordination tends to be a bureaucratic function and leadership is a political function. This is an area where leadership results in bureaucratic effort, if that makes sense to you. Do you have a list of the main items which constitute the expenditure of \$4,039,000?

**Dr Morauta**—Yes, we do. I think we actually ran through them when you were not with us. I will give you the numbers, if you like. The COAG regulation and competition reform area gets \$1.6 million in 2006-07 and \$1.5 million the next year. The human capital working area gets \$1.1 million and \$1.2 million in each year. Economic and fiscal analysis gets about \$100,000 in each of the two years. Work on therapeutic cloning gets \$200,000 in 2006-07. Work on the pandemic team gets about \$500,000 in 2006-07 and \$100,000 in 2007-08. The COAG secretariat, the coordinating group, gets one extra person at about \$100,000 a year in each of the two years. The water reform group within the department gets about \$400,000 in each of the two years. So the resources are for specific tasks.

**Senator MURRAY**—And there is no resource allocation for that regulatory project?

**Dr Morauta**—Yes, that is the first one. That is the biggest one.

**Mr Glyde**—That is within the allocation for the COAG regulation and competition reform branch.

**Senator MURRAY**—So that is specifically for that?

**Dr Morauta**—Yes, and that is the biggest.

**Senator MURRAY**—Have you produced a time line by which you would expect that process to be well embedded? I would think it would be an ongoing process, but you would hope to get most of the recommendations that you have reacted positively to done as quickly as possible. Do you have a time line out?

**Mr Glyde**—Yes. The intention is for the government to respond around the July-August period to the remaining recommendations that have not been responded to. There is also a time line—

**Senator MURRAY**—Sorry, but that was not my question. With respect to those you have responded to, you now have to coordinate with state and territory government. Have you a time line as to when that is likely to occur?

**Mr Glyde**—There are time lines for those aspects that need monitoring and management. Not everything needs that. Some of the things can be done immediately and have been done. I would like to make a distinction, just to avoid any confusion. There are two things going on here: one is in relation to the Banks' task force, which is primarily directed at the Commonwealth's red tape and reducing regulation and, separately, coming out of the February COAG, there has been a process looking at red tape more broadly between the Commonwealth and the states—areas where we can work together to try to reduce overlap and duplication between levels of government. There is a bit of cross-referencing between those two processes. So we are engaged in two separate processes: one at a Commonwealth level and another one at the Commonwealth and state levels, looking at working with our colleagues on those areas where we intersect.

**Senator MURRAY**—Will you producing what we used to call a PERT—a program evaluation review technique? It is a kind of process whereby we are told as the parliament, 'Here's the commencement of the process and where the end of the process is going to be.'

**Mr Glyde**—There are certainly some time lines set down as far as reporting back to COAG on those matters of interjurisdictional interest go.

**Senator MURRAY**—But that is about reporting back, evaluating and reviewing. What people really want to see is—

**Mr Glyde**—When does the red tape get removed and at what stage?

**Senator MURRAY**—That is right—or rationalised, harmonised, modernised or whatever the necessary result is.

**Mr Glyde**—The intention is that, for those areas where you need those sort of things, you do them. I do not think we do them for every single one of the, I think, 178 recommendations, but for those major ones, where you do need to make sure that the red tape is reduced or the



regulatory burden is alleviated in some way—and it takes some time; often these things do take a little time—

**Senator MURRAY**—Which is why I am asking you for a time plan.

**Mr Glyde**—And I am saying, as part of the response to those, that I imagine that we would be producing those sort of time lines. Our role within government is to make sure that those things do get done and that the responsible ministers and departments do follow through on those. I cannot say at this stage whether we are going to produce a Gantt chart for each and every recommendation.

**Senator MURRAY**—Probably not, but, for the major ones, to avoid government being pinned with the idea that it is a process of review and then in action, you would need an action plan with a time line to which you can be held accountable.

**Mr Glyde**—Exactly—and there may well be some that are judged to be sufficiently major to be picked up by the Cabinet Implementation Unit, as we heard earlier today and yesterday. If they are significant and there needs to be the involvement of a number of different ministers and portfolios, then some of them may well be picked up. What I am really trying to get to is that there will be different ways, depending on the significance and size of the issue, that we will be using to try and make sure that the commitments that are made by the Commonwealth government are delivered on.

**Senator SIEWERT**—I would like to ask about oil policy as it relates to economic policy. My understanding is that ABARE provides the government with its economic analysis.

**Mr Glyde**—ABARE is one of many areas that would provide economic analysis and advice to government. Obviously there is the Treasury as well.

**Senator SIEWERT**—Where would the government be getting its advice on oil from, regarding both prices and supplies?

**Mr Glyde**—I do not think I could give you an exhaustive list of the various sources that the government might draw on. It does not really fall within my division's area of expertise. Mr Tilley might be able to help me but, generally speaking, the government draws on a wide range of sources. There is the Treasury advising from within PM&C, plus ABARE, which is responsible for commodity forecasts and energy forecasts. There are a variety of sources the government would draw on.

**Senator SIEWERT**—I am particularly aware of the recommendations that ABARE has been providing. For example, they are providing recommendations on oil prices that seem to be at odds with most other forecasts in the world. Is it this advice that the government has relied on in formulating its current economic policy?

**Mr Glyde**—I am afraid that is a question best directed at ABARE. I am aware that there has been some criticism of ABARE and the conservative nature of its forecasts for the long-run price of oil, but other than that I cannot add anything to the answer.

**Senator SIEWERT**—Has the government done any modelling on the impact it would have across the entire economy if oil prices stayed at current prices or went higher? And I am not just talking about petrol prices; I am talking about its full economic impact.

**Mr Tilley**—I am not aware of any comprehensive modelling of that nature. Certainly Treasury and other agencies would be doing that sort of scenario planning and would be thinking about oil prices at a particular level. For a start, when they put the budget forecast together, they have to make some assumption about the future price of things like oil and other commodities. But, given the difficulties of forecasting some of those commodities, they will typically make some reasonably technical assumptions for the purpose of the budget, using the world oil price, the futures curve for oil prices, a technical assumption of the current price or the average price for the last 90 days. They will use some sort of central assumption like that, but they will have some sensitivity analysis around that. I do not have the right budget paper with me, but I would expect that there would be discussion around the nature of the risks if oil prices were a bit higher, a bit lower or stayed the same.

**Senator SIEWERT**—What about the long-term impact on the economy? I am talking about the international mixture out there, peak oil, the potential impact of increasing oil prices and decreasing oil supplies. Has there been long-term modelling like that?

**Mr Tilley**—In PM&C we have not done any of that sort of modelling. Obviously, that is not surprising. Analysis of that sort may have been done in Treasury or other agencies, but you would need to ask them.

**Senator SIEWERT**—I will ask Treasury. I know that ABARE has not done it, because I asked them. So PM&C has not asked for anything like that in formulating any of its economic policies?

**Mr Tilley**—No. The discussions we have had are of the nature I have just alluded to. I think you are alluding to something much more comprehensive and much more long term, about oil prices being significantly different from current levels into the long-term future. I am not aware of specific modelling like that, but Treasury may have done something—maybe not quite what you have in mind, but something along those lines.

**Senator SIEWERT**—Are you aware of any research that has been done, accepting that a peak oil crisis is potentially coming? I am aware that the US Department of Energy commissioned a report to look at the scenario and what would need to be done to get any alternative fuels online. Are you aware of any work that has been done in Australia, commissioned by PM&C or government, to look at a similar scenario in Australia?

**Mr Tilley**—I am not. An agency like Treasury would be in a better position to answer those questions. It has not been done in PM&C and we have not been involved in an exercise like that. If a major exercise like that were undertaken within government, I would expect that we would be aware of it. So I do not think there is a major exercise like that under way at the moment, but that does not mean to say that there is not some internal work going on that we are not aware of in an agency like Treasury, ABARE or other agencies for that matter. It is not in PM&C.

**Senator SIEWERT**—I know that ABARE is not doing it.

**Mr Glyde**—I am aware of a study that the Executive Director of ABARE released at the time of the Asia-Pacific partnership meeting in January this year. A range of scenarios looked at the impact of the introduction of more greenhouse-friendly technologies in the energy sector. There may well have been some work that ABARE did in that analysis that might have

gone to the question you are asking. That is the only study I am aware of. It would probably be a question that is best directed to ABARE.

**Senator SIEWERT**—As I understand it, that work did not relate to what I am asking about, because I have actually asked them about that.

**Mr Glyde**—That is the only study that I have any familiarity with.

**Senator SIEWERT**—When decisions are made about levels of investment and what to invest in for the future, looking at more oil resources and things like that, is that sort of work done? Are those scenarios looked at when a strategic decision is made that we need to invest more in facilitating oil exploration, for example? Isn't that sort of analysis done about where to best invest our resources to support specific industries or alternatives?

**Mr Tilley**—I am not aware of work of that nature in PM&C. I expect that the big companies out there would be doing work of that nature to decide where to invest their resources.

**Senator SIEWERT**—The government is putting extra resources into encouraging oil and gas exploration. The PM made an announcement about that not that long ago. That is why I am asking that question. I am aware that industry does it, but government has made a decision to invest money in oil and gas. Is some of this scenario work done around those economic decisions?

**Mr Glyde**—I am not familiar with the reference you made to the PM's announcement. As far as I am aware, the government is not investing in further oil and gas exploration.

**Senator SIEWERT**—They are helping to facilitate it. They have made announcements about encouraging further oil and gas exploration. They do not necessarily invest but they encourage.

**Senator Minchin**—Just for clarification, I think what you are referring to are some recent modifications to the resource rent tax to further stimulate particularly deep offshore exploration. I presume that is what you mean.

**Senator SIEWERT**—Yes. What policy analysis or economic analysis is done to make the decision that that is the best area to go into when we are looking at future energy security for Australia?

**Mr Tilley**—I am not aware of any analysis of the government to decide whether it is best to invest in oil or another product for a particular area. There may be more generalised changes to encourage exploration, but I am not aware of work in PM&C or in other agencies of quite the nature that you are referring to.

**Senator JOYCE**—The government has encouraged investment in alternative fuel strategies, such as ethanol, which has seen a reduction in excise and also grants for the production of ethanol facilities.

**CHAIR**—Welcome, Senator Joyce!

**Mr Glyde**—The government's policy stance in relation to its treatment of alternative fuels and other fuels is outlined in the energy white paper that was released in 2004. As Senator

Joyce has just said, that explains the rationale for and the government's policy stance in relation to that.

**Senator SIEWERT**—But as far as you know, the work that I have been referring to, on future scenario planning related to oil supplies and the impact on the economy, has not been done.

**Mr Glyde**—I am aware that during the production of the energy white paper the question of energy security, resource security, was considered. I do not have enough information about what analysis was done in the lead-up to the production of the white paper, but I am aware that the issue was considered. I suspect that the best place to go to get the answer to your questions will be the Department of Industry, Tourism and Resources, which has responsibility for energy policy and the like.

**Senator JOYCE**—It would be little bit difficult. Oil suppliers in the Middle East, being the predominant suppliers of oil, have not been audited since the early 1970s, so it would be a pretty hard thing to determine a quantifiable amount to put a value on.

**Mr Glyde**—I cannot comment. I do not have any knowledge of that. I am sorry.

**Senator SIEWERT**—Is it fair to say, though, that ABARE is the primary source of economic advice?

**Mr Glyde**—The primary source of economic advice to the government is the Treasury. ABARE has a particular role with regard to agricultural and resources issues.

**Senator SIEWERT**—I meant on those issues. Sorry, I should have clarified that. On those issues there would be a large emphasis put on their advice, beyond Treasury.

**Mr Tilley**—They are a bureau that researches those particular issues. In terms of research as opposed to direct policy advice, ABARE is the key agency in the government in those areas.

**CHAIR**—Are there any further questions on output group 1 or can we finally cross it off the list? We will cross it off the list. Senator Siewert, you had some questions on output group 2.

**Senator SIEWERT**—No, I have finished.

**Dr Morauta**—I have another answer to a question on APEC. Senator Siewert was asking about the breakdown of staff between the different areas. As of 30 April 2006, there were 95 PM&C employees, 30 from the Attorney-General's Department and 23 from the New South Wales Police.

**Senator SIEWERT**—That is the 148?

**Dr Morauta**—Yes.

**Senator SIEWERT**—Do you have a breakdown of the expected 246?

**Dr Morauta**—No, we do not have a complete breakdown, but roughly we expect the New South Wales Police security command element to be around 100 of that 246.

**Senator SIEWERT**—Okay, that makes up the difference?

**Dr Morauta**—Yes.

**Senator SIEWERT**—Thank you.

**CHAIR**—There are no further questions on output group 2. We have done output group 3—

**Senator CHRIS EVANS**—Chair, I want to ask a few questions about the smartcard issue. I just really wanted to get a sense of the department's role in the development of the smartcard proposal.

**Ms Wilson**—The department was represented on an IDC chaired by the Department of Human Services that did the advice to government on the smartcard. That was essentially our key role. We participated in that interdepartmental committee.

**Senator CHRIS EVANS**—When did that committee get formed?

**Ms Wilson**—It was established in mid-2005.

**Senator CHRIS EVANS**—You talk about it in the past tense.

**Ms Wilson**—Advice went to government and that was the cessation of that particular phase of the development. That committee is not meeting in its current form at present.

**Senator CHRIS EVANS**—When was the advice provided to government?

**Ms Wilson**—I will have to take that on notice for the exact date, I am sorry. The Prime Minister announced the decision to introduce the health and social services access card on 26 April, but I am afraid I do not have the specific date that the advice was forwarded.

**Senator CHRIS EVANS**—But basically that was the work—it was preparing for his announcement?

**Ms Wilson**—That is right.

**Senator CHRIS EVANS**—So effectively it should have ended around that point?

**Ms Wilson**—In terms of the policy advising, yes.

**Senator CHRIS EVANS**—You were on the IDC which Human Services chaired. What is the department's ongoing role, given that this is still a long way from finalisation?

**Ms Wilson**—At present we do not have a specific role other than what we do on broad matters within the Department of Human Services in providing advice and information and so forth to the Prime Minister. The Department of Human Services will be working on the implementation of the health and social services access card, but that is not something for—

**Senator CHRIS EVANS**—So you are not directly involved in the further development of the concept?

**Ms Wilson**—Not at this stage, no.

**Senator CHRIS EVANS**—I see that the Prime Minister said that the card would save \$3 billion over 10 years if it started in 2010. What is the basis of that advice?

**Ms Wilson**—That is really a question for the Department of Human Services.

**Senator CHRIS EVANS**—So you did not provide the \$3 billion figure?

**Ms Wilson**—No, certainly not.

**Senator CHRIS EVANS**—Was that something arrived at by the IDC?

**Ms Wilson**—There was some work commissioned by the Department of Human Services in terms of some external consultancy advice. But, again, the Department of Human Services would be able to give you more information about the specific source of that estimate.

**Senator CHRIS EVANS**—I assume the consultancy went to a cost analysis of potential savings?

**Ms Wilson**—It was a broad business case.

**Senator CHRIS EVANS**—Do you remember offhand who did that?

**Ms Wilson**—It was KPMG.

**Senator CHRIS EVANS**—I see—that was the KPMG report. Are these savings all related to fraud reductions, do you think, or were there other savings?

**Ms Wilson**—That is not really my area of expertise. That is a question for DHS.

**Senator CHRIS EVANS**—Were there security agencies represented on the IDC?

**Ms Wilson**—It was a very large IDC. DHS would have to give you the membership; I do not have it with me, I am afraid.

**CHAIR**—We will now move to output group 4—Support services for government operations. Are there any questions?

**Senator FAULKNER**—We have plenty.

**CHAIR**—Senator Evans, just on an administrative point before Senator Faulkner asks questions, after the committee has examined output group 4, I note that Mr Varghese will have to leave the committee at 4 pm to attend another meeting. After output group 4, should we then go straight to the Audit Office?

**Senator CHRIS EVANS**—In discussions with the secretary we indicated that, to allow Mr Varghese to plan his life, we would agree that he would come back after dinner—

**CHAIR**—Not before 7.30, in effect.

**Senator CHRIS EVANS**—Yes, if that suited him. The minister said that they were all required at this National Security Committee meeting. That was just an offer. I think we will have enough to keep us going until then.

**CHAIR**—Output group 4 plus the Audit Office will keep us going until 6 pm at least.

**Senator CHRIS EVANS**—I think there is no danger of us running out of material before then.

**CHAIR**—All right. The Office of National Assessments will be examined not before 7.30 tonight.

**Senator CHRIS EVANS**—If that suits them. That was based on Mr Varghese having to go to a meeting between about four and six. As long as he is confident that he is not still going to be in the meeting at nine o'clock. I know that you are only an occasional guest at that meeting, Minister. I would have thought that a man in your powerful position would be a permanent member of that committee.

**Senator Minchin**—You would think so, wouldn't you!

**Senator CHRIS EVANS**—I am still retained on ours, and I do not control the purse strings.

**CHAIR**—Senator Faulkner, how long do you think you will be on output group 4?

**Senator FAULKNER**—It might take an hour or two.

**CHAIR**—In that case, we will not deal with the Office of National Assessments before 7.30.

[2.12 pm]

**Senator FAULKNER**—I want to ask some questions in relation to government advertising. Chair, as you would be aware, at previous estimates committees I have suggested that it might save a lot of time and be a sensible way of approaching questions on the government advertising area if a consolidated document might be able to be provided or tabled at the committee. I thought this might have found some favour with the department. Mr Williams can tell me about that. I suppose I am going to ask this question: are we going to go the easy way or the agonising way?

**Mr Williams**—In anticipation, I have just such a document.

**Senator FAULKNER**—I thank you for that, Mr Williams. Experience has shown that this is a very good way of proceeding, because it does save a lot of time. When we have copies of that, we might address our questions to that material.

**Senator CHRIS EVANS**—It still does not mean that it won't be agonising, Mr Chair.

**CHAIR**—Quite right, Senator Evans.

**Senator FAULKNER**—The first thing that might be useful for you to do, Mr Williams, is to explain to the committee what the document you have tabled actually represents in relation to advertising campaign activity.

**Mr Williams**—The list of campaigns is similar in nature to the documents I have tabled at previous estimates committee hearings and they represent campaigns that we would consider to be active—that is, they are in the media at the present time in one way or another.

**Senator FAULKNER**—Campaigns you would consider to be active?

**Mr Williams**—Campaigns that are active at the moment, yes.

**Senator FAULKNER**—Do you have a similar document that goes to planned campaigns or campaigns for which there has been the voting of expenditure?

**Mr Williams**—In past Senate estimates committee hearings I have indicated that campaigns are not campaigns until they have been approved to be campaigns. There are certain projects under way which may result in campaigns and there are projects under way that may not result in campaigns. The formulation of this particular document that I have tabled to the committee today represents actual campaigns.

**Senator FAULKNER**—So you are drawing a distinction between campaigns and projects—would that be right? Is that what you are saying—or campaigns and future campaigns?

**Mr Williams**—We have been through this question and answer process before, and I have indicated that there are certain issues that might become campaigns in the future and there are certain projects that may not become campaigns. I have always felt it safer to be talking about campaigns rather than what might or might not be.

**Senator FAULKNER**—Let us just go through the campaigns that you have listed in front of us. Can you provide some information, first of all, about the timing of these campaigns?

**Mr Williams**—Certainly. The light and mild tobacco campaign has run from December 2005 and is going to finish this month. That was a campaign funded by the tobacco industry following ACCC action—I think it was in the Federal Court—and the three major tobacco companies among them have contributed something of the order of \$8 million or \$9 million to fund that campaign. The media spend for that campaign is \$7.8 million.

**Senator FAULKNER**—This is a campaign that ran from December 2005 to May 2006 at \$7.8 million.

**Mr Williams**—In media, that is correct. The next one is—

**Senator FAULKNER**—And the figures you are giving—let us be clear for the record—in relation to the costs refer to placement costs?

**Mr Williams**—These are the media placement costs. As I have explained before, we do not hold costs other than media placement costs. The next campaign, the bushfire awareness and preparedness campaign, began in October 2005 and will run until July 2006. That is basically alerting people as to how they can make their properties bushfire safe so, in a sense, it is alerting people to the dangers of bushfires and what they might do to make their properties safer in the event of a bushfire. That was a media spend of \$3.6 million. The next campaign is national security. That is a campaign that has been running from July last year and it will run till June this year, with a media spend of \$9.5 million. That is a campaign with a fair degree of longevity, obviously—it has gone the full year—and it has covered TV, press, magazines, outdoor advertising and a focus on non-English-speaking background groups.

**Senator FAULKNER**—This is to advise Australians of the hotline and to remain alert and report suspicious activity.

**Mr Williams**—That is correct.

**Senator FAULKNER**—This, of course, we learnt this morning because Senator Minchin was unable to tell us the terror hotline number. So it has been a demonstrable failure because even the Leader of the Government in the Senate did not know the hotline number, which is most disappointing. But you know it now, don't you, Senator?

**Senator Minchin**—I sure know it now.

**Senator FAULKNER**—Well, let's test you. What is it?

**Senator Minchin**—Let's not make this an utterly childish episode! 1800123400—is that right?

**Senator FAULKNER**—You have got it. Very good. See, there is a value in your attending Senate estimates committee.

**Senator Minchin**—There is. I have learnt a lot this morning, thank you, Senator Faulkner.



**Senator CHRIS EVANS**—And you were so lucky that your punt came off then!

**Senator FAULKNER**—If you keep listening to me you might learn a lot more.

**Senator Minchin**—I will keep listening, don't worry!

**Senator FAULKNER**—So that is the \$9.5 million campaign. People trafficking?

**Mr Williams**—As it says there, it is to inform people about the issue and to encourage victims to seek help and others to assist victims to seek help. That campaign is ongoing. There is no media spend associated with that per se, although we have negotiated with all newspapers to include a header advertisement in what I might call the personal services area in the classified ads which encourages users of those services to be alert that people in that particular business may wish to seek help. It also advises how they can assist those people to seek help.

**Senator FAULKNER**—What is the dollar value of that campaign?

**Mr Williams**—The dollar value, we would estimate, is probably more than \$1 million, but it is free advertising space that the particular media outlets have agreed to give us.

**Senator FAULKNER**—The AQIS bird flu campaign?

**Mr Williams**—That is a continuing campaign, for \$400,000, and it is essentially magazine and newspaper advertising. You will see an ad on that in the travel pages of the major newspapers. You will see it in the Qantas *In Flight* magazine. It is an ongoing campaign.

**Senator FAULKNER**—The AQIS information on quarantine requirements?

**Mr Williams**—The spend for the quarantine is \$3.3 million. That is a continuation of the very successful Steve Irwin campaign alerting Australians to the concerns about quarantine.

**Senator FAULKNER**—The 30 per cent child-care tax rebate?

**Mr Williams**—That is to raise awareness of the child-care rebate. The media spend for that is \$1.2 million. That is a print campaign.

**Senator FAULKNER**—What is the timing of that one?

**Mr Williams**—The timing of that is from May 2006 to November 2006. I should say that for quarantine the timing is July 2005 to June 2006, so it is a full-year campaign.

**Senator FAULKNER**—There is the ongoing Defence Force recruiting.

**Mr Williams**—That is right. The estimated media spend for that is between \$14 million and \$16 million.

**Senator FAULKNER**—Is that comparable to the spend in previous financial years?

**Mr Williams**—I might stand corrected here, Senator, but I think it is of the same order. I can take that on notice if you want more precision.

**Senator FAULKNER**—Smart Traveller?

**Mr Williams**—That is informing travellers about the Smart Traveller website, which they should visit before they are travelling overseas. That is a print campaign and it is \$2.2 million. That is run from August 2005 to June 2006.

**Senator FAULKNER**—The physical activity or obesity ads?

**Mr Williams**—That was to encourage children to undertake exercise as part of the campaign against obesity. That ran from February 2006 to May 2006, with a media spend of \$4.6 million.

**Senator FAULKNER**—Citizenship?

**Mr Williams**—That is a continuation of the existing campaign. It is being run from July 2005 to June 2006, and the media spend on that is \$1.9 million.

**Senator FAULKNER**—And the violence against women?

**Mr Williams**—Again, that is a further run of the advertising for that campaign. That will run from March 2006 till December 2006, with a media spend of \$9.1 million.

**Senator FAULKNER**—9.1?

**Mr Williams**—Yes. Before I go on, the media spend, as I said, is between \$14 million and \$16 million this year. Last year it was \$15.1 million—

**Dr Morauta**—This is on Defence.

**Mr Williams**—Yes, this is on Defence spending. In 2003, it was \$18.5 million. In 2002, \$25 million. So it has come down.

**Senator FAULKNER**—Yes, I thought it might have.

**Mr Williams**—But Defence Force Recruiting—and this is a question that is probably best directed at Defence—are using quite a lot of non-media strategies to encourage enlistments.

**Senator FAULKNER**—Having got that information, can you now explain for the benefit of the committee and the record whether this deals with all advertising campaign activity that is taking place in the current financial year? As I understand it, there are campaigns that have concluded earlier that are not on this list. Would that be right?

**Mr Williams**—Yes. There are what I call ‘inactive’ campaigns that have completed at some time during this financial year.

**Senator FAULKNER**—You use the terminology ‘inactive’. That does not necessarily mean ‘concluded’.

**Mr Williams**—It means that they have concluded. The list I gave you was for active campaigns.

**Senator FAULKNER**—Do you have a similar list for the financial year 2005-06 of inactive or concluded campaigns?

**Mr Williams**—I do not have here with me a list in a form that I could give you, Senator. The one I have contains other information. I have not been asked for it before.

**Senator FAULKNER**—It is a question of sorting out this information in a usable way. The document that has been tabled gives us campaign activity for active campaigns in the last financial year to date.

**Mr Williams**—Well, it gives you details of campaigns that are active as we speak. And some of those campaigns, as I have indicated, will go through into 2006-07.

**Senator FAULKNER**—It is the now, I suppose, that I am trying to work through. For example—I do not like raising a hypothetical but let's do it so that we are clear we know what we are talking about—if a campaign had concluded on 30 April 2006 it would not be here. Is that right?

**Mr Williams**—That is correct.

**Senator FAULKNER**—So this document goes to campaigns that are only active as of the date that this committee is meeting; is that right?

**Mr Williams**—Yes, that is correct.

**Senator FAULKNER**—First of all, how many campaigns have there been in calendar years 2005 and 2006 that would be described as either completed or interactive?

**Mr Williams**—There are eight that I would describe as inactive, and the list that you have here shows those that are active as at the time we are speaking.

**Senator FAULKNER**—Can you very briefly give us the information about the eight inactive campaigns?

**Mr Williams**—Yes.

**Senator FAULKNER**—Just the same type of information.

**Mr Williams**—Certainly. Super Choice, which was the campaign run to inform superannuation contributors that they had choice of fund, ran from April 2005 to September 2005 with a media placement of \$13.9 million. There was a campaign called Community Water Grants, which was advising communities of the availability of grants for community projects focusing on water, and that ran from June 2005 to September 2005 with a spend of \$1.3 million. There was a campaign on workplace relations reforms, which was run in October 2005 to inform employees and employers about proposed changes to the Workplace Relations Act, and the media spend on that was \$31.7 million. There was a campaign on illicit drugs, focusing on youth, which was to alert youth to potential risks associated with drug abuse. That ran from April 2005 to December 2005, and the media spend on that was \$8.7 million. There was the Students Online campaign, which ran from December 2005 to February 2006. That was basically to inform parents and students about the ability to update their payment details online. The media spend was \$1 million.

There was a campaign entitled Support the System That Supports You, which was a campaign for clients of Centrelink to advise Centrelink of any changes to their circumstances by way of income changes or relationship changes. That ran in October last year with a media spend of \$0.3 million. There was a campaign called Drought Assistance, and the aim was to advise the availability of support for farmers in exceptional circumstances and declared areas. That ran in September 2005, and the media spend was \$0.9 million. There was the More Help for Families campaign, which ran from May 2005 to July 2005, and that was to inform families about new entitlements under the family tax benefit programs. The media spend on that was \$1.6 million.

**Senator FAULKNER**—That is it, isn't it?

**Mr Williams**—There was a further campaign on tobacco labelling.

**Senator FAULKNER**—I have already got eight inactive campaigns. That is the ninth, is it?

**Mr Williams**—Yes, tobacco labelling. That was to inform smokers about changes that were being made to the labels on cigarette packaging. That was \$2.3 million. That was a completed campaign. That ran from February 2006 to March 2006.

**Senator FAULKNER**—Is that it?

**Mr Williams**—That is it.

**Senator FAULKNER**—For the inactive campaigns in this financial year, 2005-06, do you have a total figure? Has someone added those figures up?

**Mr Williams**—I do not have a total, but I am sure someone behind me can add those figures.

**Senator FAULKNER**—Can we get a total figure for the nine inactive campaigns? It is not eight.

**Mr Williams**—I only have—

**Senator FAULKNER**—You have given us—I promise you—nine.

**Mr Williams**—I have too. The other one was marginally finished in July 2005. That was the More Help for Families campaign. That makes nine.

**Senator FAULKNER**—So there are nine inactive and 12 active in this calendar year to date?

**Mr Williams**—That is correct.

**Senator FAULKNER**—If we could have the dollar figure for the 12 active and nine inactive—because you have such experts in PM&C doing these things and adding them up—that would be terrific. Thank you for that information. For future reference, it might be a useful thing to enhance the document—which, as I say, I appreciate you providing to the committee—to include in the tabulation the time period of the campaign and the media placement figure, which are matters for the public record.

**Mr Williams**—We are getting those figures added up, but I am not sure of the purpose of having them added up. It will not give you a spend for a particular financial year because some of those campaigns started before this current financial year, so there was a spend for the previous financial year, and some of those campaigns will be extended into the next financial year, so there will be a spend attributed to the next financial year.

**Senator FAULKNER**—Adding them up might be a political exercise. You do not have to add them up if you do not want to. The point I am making is not going to a political point; it is just about enhancing the document. If it is possible for the document to include the period of the campaign—which is material you have provided to us in each and every case and which is appreciated—and the cost of the media placements for both active and inactive campaigns over a financial year, it strikes me that it would be a more useful document and save more of the committee's time. It is a suggestion to officers at the table. It is not to suggest that we do not appreciate the fact the document has been provided—we do. But if we can improve it I reckon we ought to try.

**Mr Williams**—We will look at that suggestion.

**Senator FAULKNER**—I now want to go to some campaigns that are not only your list. The first one I want to go to is the access card/smartcard campaign. Are you aware of that campaign, which you will find in the budget papers?

**Mr Williams**—I am aware from the budget measures document that there is a campaign in prospect—there is a reference to it at page 296 of that document—but I am not aware of the timing and nature of the campaign.

**Senator FAULKNER**—Are you aware that it is a \$47.3 million campaign over four years?

**Mr Williams**—I am aware of it because I have read it in Budget Paper 2—

**Senator FAULKNER**—As you say, it is on page 296 of the budget measures—the same document that I have available to me, so that is how I am aware of it.

**Mr Williams**—What I am saying to you is that I am not aware of any more detail than that.

**Senator FAULKNER**—You do not know what it is for?

**Mr Williams**—It says here that it is for ‘a communication strategy to ensure all Australians are aware of the processes for registering for the card’. I would imagine—I would only be speculating—that as there is more precision around the development of the card and what it might look like and when it will be implemented, then a communications campaign will be developed to support that.

**Senator FAULKNER**—But isn’t it true—and the minister might assist us with this—that a health and social services access card is going to replace Medicare cards in 2008?

**Dr Morauta**—I think it might start replacing them. I do not think it will fully replace them by then.

**Mr Williams**—It says in this particular booklet that a requirement to hold the card to access Australian Government health and social services benefits will be from 2010. It may be that we are looking at a development phase for the card over a number of years. I would think that the associated communications campaign would be timed to fit with the development and implementation of the card, which may be some years off.

**Senator FAULKNER**—The \$47.3 million figure, which is contained in the budget measures 2006-07, is not exclusively a media placement figure, is it?

**Mr Williams**—I would imagine not; I would think that it would cover the normal elements of a campaign, which would be, as you say, the media spend, the cost of engaging a creative agency and the production of creative material. It would probably cover a public relations firm and it would certainly cover a market research firm. I would think it would cover a non-English-speaking background consultant—at a minimum. I cannot speculate because I do not know what the timing of the appointment of—

**Senator FAULKNER**—So from the budget measures there is \$43.7 million. Are you aware of the figure contained in Budget Paper No. 2 of \$36.1 million over five years for a communications strategy for the child support reforms?

**Mr Williams**—What page is that on?

**Senator FAULKNER**—It is on page 190.

**Mr Williams**—I do not believe GCU is aware of this particular campaign. That is not to say that we will not be aware of it.

**Senator FAULKNER**—Have you got page 190 of Budget Paper No. 2?

**Mr Williams**—I do. I can read it.

**Senator FAULKNER**—You are aware now.

**Mr Williams**—I am aware now that there is a proposal to spend \$36.1 million over five years. But I am not aware of the detail of that.

**Senator FAULKNER**—I am pretty sure, from the look of this, that I can fill in quite a few of the gaps in the detail. It is \$36.1 million over five years. We can confirm that from Budget Paper No. 2. We can confirm that there is \$9.2 million in 2006-07 and \$23.9 million in 2007-08. They are accurate figures from Budget Paper No. 2, aren't they?

**Mr Williams**—They are in the budget paper.

**Senator FAULKNER**—Yes, they are in the budget paper, so I am quoting them accurately. What I would say about that is that it looks to me—and this is political spin, so you do not have to comment on this, Mr Williams—like you can almost be certain that the vast bulk of this will be advertising prior to the scheduled 2007 general election. Senator Minchin can confirm that. That would be right, wouldn't it, Senator Minchin?

**Senator Minchin**—I have not got those details in front of me, but you will put your own spin on it and say what you want to.

**Senator FAULKNER**—I have put my own spin on it, but I was wondering if you could confirm that.

**Senator Minchin**—The people will make their judgment in October next year.

**Senator FAULKNER**—I wonder whether you can confirm that my spin is correct, given the figures that are available to us from Budget Paper No. 2?

**Senator Minchin**—I have not been following the figures closely—

**Senator FAULKNER**—That is handy.

**Senator Minchin**—so I cannot confirm your observation. I am sorry.

**Senator FAULKNER**—I commend page 190 of Budget Paper No. 2 to you, which will show you that there is going to be a \$36.1 million child support reform campaign. The vast majority of that advertising will occur before the next election. If you are not aware of that, Senator Minchin, no doubt you as the minister for finance would have at least as much awareness of these matters as you have of the terror hotline. You have really got up to speed on that terror hotline during the day.

**Senator Minchin**—Yes. I did well, I think.

**Senator FAULKNER**—Yes. So what about the health communication campaign? Mr Williams can confirm for us that according to Budget Paper No. 2 that is a \$52.1 million campaign to promote private health insurance. That is right, isn't it?

**Mr Williams**—I have read the document and it indicates that, yes.

**Senator FAULKNER**—Yes. That campaign includes a direct mail-out by Medicare Australia in April 2007, doesn't it?

**Mr Williams**—I think it says that.

**Dr Morauta**—It does not give a date for it, I do not think.

**Senator FAULKNER**—To quote, it is to 'raise awareness among those consumers who may incur a lifetime health cover loading if they purchase private health insurance after they turn 31'. That is another election gimmick, I assume.

**Mr Williams**—It does not indicate a time.

**Senator Minchin**—We know your party is totally hostile to private health insurance and wants to get rid of the 30 per cent rebate—we are aware of that.

**Senator FAULKNER**—Why I say it is a gimmick is because this is all advertising focused on the next election. There is \$43.7 million—

**Senator Minchin**—That is just a wild assumption. The country has to be governed.

**Senator FAULKNER**—for the smartcard, \$36.1 million in child support and now we have just had confirmed that there is \$52.1 million in the health department.

**Senator Minchin**—That is a very important campaign to identify to Australians the benefits of private health insurance, which brings considerable benefits to the country by easing the load on the public health system. I thought that would be something that you would support. But of course you do not—your party is totally opposed to private health insurance. We know that is your position, and your party has been rejected for four elections in a row partly because of that stance.

**Senator FAULKNER**—What I do not support is the misuse of taxpayers' money for these party political purposes.

**Senator Minchin**—There is nothing party political about promoting private health insurance.

**Senator FAULKNER**—I do not support the use of advertising programs—

**Senator Minchin**—Why don't you talk to some of your state Labor governments? What state Labor governments are getting up to these days is completely outrageous.

**Senator FAULKNER**—to promote partisan political campaigns.

**Senator Minchin**—What we do pales into insignificance compared to what your colleagues in the states do. You ought to go and talk to them about their waste of state taxpayers' money.

**Senator FAULKNER**—You are now getting very aggressive, Senator Minchin, which is disappointing to see. I think you ought to go and—

**Senator Minchin**—I calibrate my response to your level of—

**Senator FAULKNER**—do your homework. You have already dropped the ball once today pretty badly: a senior government minister not knowing the terror hotline number.

**Senator Minchin**—That will be on the front page tomorrow, I suspect.

**Senator FAULKNER**—I doubt that it will even be mentioned in the media. Nevertheless, it was a minor public humiliation for you, but we all live with these things in politics. I just want you to get up to speed on the advertising.

**Senator Minchin**—I am well up to speed. I totally support it.

**Senator FAULKNER**—So you know what a rort it is.

**ACTING CHAIR (Senator Murray)**—Senator Brandis, on a point of order.

**Senator BRANDIS**—My point of order is this: most of Senator Faulkner's questions—

**Senator FAULKNER**—You are lucky you have George to protect you.

**Senator Brandis**—have been to the public servants. Some of his questions, including those in the last few minutes, have been to the minister. Is it not orderly for the minister to be allowed to respond to the questions which have been asked of him without incessant interruption from the asker of the question?

**Senator FAULKNER**—A very wise, a sage, point of order.

**ACTING CHAIR**—It is a good point of order. But I was observing the discourse and the body language of the two contenders and—

**Senator BRANDIS**—That may be so, Mr Acting Chair, but you are not an observer; you are the acting chair.

**ACTING CHAIR**—Can I reply?

**Senator FAULKNER**—Do not interrupt the chair as he is ruling.

**Senator CHRIS EVANS**—A terrible performance.

**ACTING CHAIR**—I think it is disorderly to interrupt the chair when he is addressing the hearing.

**Senator FAULKNER**—Not if George does it.

**ACTING CHAIR**—Anyway, I thought the minister gave as good as he got—

**Senator FAULKNER**—I didn't, but you are entitled to your view!

**ACTING CHAIR**—and in good humour. Please don't interrupt me as well. However, it would be better if we returned to the matter at hand. You have the call, Senator Faulkner.

**Senator FAULKNER**—I judged that the minister's very aggressive and inappropriate response that the \$17.5 million that is noted in Budget Paper No. 2, which is to be spent in 2007-08 on a direct mail-out by Medicare beginning in April 2007, just had a tinge of the prospective election campaign about it. The minister has defended that by saying, 'Other governments do it,' so that is noted for the record also. Let us move along now. We have established that it is a political manoeuvre, but it is okay because—

**Senator Minchin**—That is not established, but I will not prolong the proceedings.

**Senator FAULKNER**—Now that you have said that—

**Senator Minchin**—I have not said that.



**Senator FAULKNER**—I think that was my, and a reasonable person's, interpretation of what you said—I think we can move on to Work Choices. Is it true that a phase of the Work Choices ad campaign has been scrapped? Can you tell me that, Mr Williams? You are the expert in this regard.

**Mr Williams**—I am not aware of any scrapping of the campaign. A campaign was run in October last year, and that is all I can say. There is some small-scale non-campaign advertising alerting employers and employees of seminars being conducted by the Department of Employment and Workplace Relations as part of their seminar program. That is all I am able to say.

**Senator FAULKNER**—If you go to the agency outcomes for DEWR on page 54, you will see that under 'Key priorities for 2006-07' one of the dot points says:

deliver effective communication, information and education services to employers and employees on the WorkChoices reforms;

Have you noted that?

**Mr Williams**—Which document are you looking at?

**Senator FAULKNER**—I am looking at the PBS for the Department of Employment and Workplace Relations.

**Mr Williams**—I do not have that.

**Senator FAULKNER**—Do you have Budget Paper No. 2?

**Mr Williams**—I do.

**Senator FAULKNER**—Let us go the page 67 of Budget Paper No. 2. If you look at the tabulation of expense measures up to the 2005-06 MYEFO, you will see that, under workplace relations reform, it lists communications campaign and information and education. I was interested in the zero dollar figure there. Why would that be?

**Mr Williams**—I would assume that there is no intention to run a communications campaign.

**Senator FAULKNER**—This is something that I can direct to them, but you are the lead agency in these things. Why would it be listed in the tabulation?

**Dr Morauta**—There are many lines in this table which have the same characteristic. It must be something to do with the department of finance template. I can see other ones on the opposite page which have a row of dashes across to them. I am not quite sure why they are there. It must be something to do with replicating something from 2005-06, even if there is not a spend in this year. It happens in different places on the page.

**Senator FAULKNER**—In fact, in October 2005, \$31.7 million was spent on media placements in workplace relations propaganda in just one month, wasn't it?

**Mr Williams**—An advertising campaign was run in October 2005. As I have indicated, the media spend was \$31.7 million. There is also a line under workplace relations reform on page 67 that talks about information and education. That also has a series of dashes.

**Senator FAULKNER**—Yes, I mentioned that. I mentioned both of those.

**Mr Williams**—My understanding is that the department is rolling out seminars to inform employers and employees. I think the question of why there are no numbers under the information is one that is best directed to the department.

**Senator FAULKNER**—I accept that it is best directed to them and I will do just that. But one thing I do not need to direct to them is the promotion of the independent contractors legislation, which is in Budget Paper No. 2 on page 170. It says:

The Government will provide \$15.0 million over four years to support proposed legislative changes to protect the status of independent contractors. This will include an information and education campaign ...

Are you able to add anything to that?

**Mr Williams**—No, I cannot.

**Senator FAULKNER**—Just that it will be a \$15 million campaign?

**Mr Williams**—Not on a reading of page 170, no—it will not be \$15 million. It talks about resourcing for the Office of Workplace Services, so if there is a campaign it will be a subset of that \$15 million, I would think.

**Senator FAULKNER**—I picked this up under ‘Independent contractors—communications and compliance’.

**Mr Williams**—Yes. I imagine the resourcing for the office is the compliance side of the \$15 million. There will be an element of the \$15 million for communications. But as to what that split might be, that is again a question best directed to DEWR.

**Senator FAULKNER**—The point is that the funding includes an information and education campaign.

**Mr Williams**—According to this, yes. It does not indicate what the quantum of that is, though.

**Senator FAULKNER**—Absolutely. That is true. It includes a campaign somewhere that will come in somewhere under \$15 million. I agree with you completely. Further, if we go to Budget Paper No. 2 again, on page 287, on fraud and compliance, it says:

A 12 month education campaign will be undertaken to encourage pensioners to inform Centrelink of any changes in the ownership or value of real estate assets...

Do you have any idea of the cost of that campaign?

**Mr Williams**—No, I do not.

**Senator FAULKNER**—What about on page 260 of the budget measures? There are just so many of these campaigns. There is just going to be an avalanche of government advertising. I take you to page 260 on promoting good health, under ‘COAG health services’. Halfway down the page it says:

The funding will also provide for information and training packages for primary care providers ... as well as establishing a health promotion fund to provide ongoing national media campaigns targeting chronic risk disease factors.

Do we know the costs there?

**Mr Williams**—No.

**Senator FAULKNER**—What about the new family system national education campaign? That is outlined on page 116 of Budget Paper No. 2. It says:

The Government will provide \$19.9 million over three years to the Attorney-General's Department to continue a national education campaign designed to increase awareness of the new family law arrangements ...

Is this related in any way to the child support campaign that we spoke of earlier?

**Mr Williams**—I do not know.

**Senator FAULKNER**—So there is that one. There is Connect Australia. Can I take you to Budget Paper No. 2, page 65. It says there is a 'consumer information campaign' for Connect Australia for \$4.1 million in 2006-07, \$1.8 million in 2007-08. Do we know what that is for?

**Mr Williams**—No, I cannot comment on that.

**Senator FAULKNER**—What about the child-care benefits rebate campaign? Do we know anything about that at all? I was not entirely sure about it myself, I have to admit.

**Mr Williams**—Which page is that on, Senator?

**Senator FAULKNER**—That is on page 291. Half way down it talks about compliance strategy. It says:

The key elements of the strategy include an information campaign for child care services and families ... Do we know about that?

**Mr Williams**—No.

**Senator FAULKNER**—Do we have a dollar figure for that?

**Mr Williams**—I do not know anything about it specifically. I did mention that there was a campaign on, I think, the 30 per cent child-care tax rebate. It may be related to that, but it is in a different portfolio. I could not help you any more than that.

**Senator FAULKNER**—If I take you to page 323 of Budget Paper No. 2, under child-care tax rebate, it says:

The Government will provide an additional \$2.3 million over two years (including \$1.1 million in 2005-06) for communications activities ...

**Mr Williams**—I guess that is an extension of the 30 per cent child-care tax rebate that is an inactive—

**Senator FAULKNER**—It looks like it; but you cannot be sure?

**Mr Williams**—I am assuming it is, but I cannot be certain.

**Senator FAULKNER**—That has not been drawn to your attention before?

**Mr Williams**—The additional funding? Not to my knowledge, but I can take that on notice, Senator.

**Senator FAULKNER**—Page 234 of Budget Paper No. 2 it says:

The Government will provide \$13.1 million over four years to continue and expand the current Smartraveller information campaign.

Another \$13.1 million. That is not included in the figures you gave me earlier.

**Mr Williams**—No. I have given you figures to the end—

**Senator FAULKNER**—So it is another \$13.1 million.

**Mr Williams**—Yes.

**Senator FAULKNER**—What about the illicit drugs and mental illness campaign on page 246—\$21.6 million. It says:

This measure will involve public information and education activities ...

This expenditure is an example of expenditure that may be very worth while. I do not suggest that all this expenditure is partisan. Some of it obviously is, and we are identifying some of that as we go through. It is certainly a motser in the year leading up to the election. Do you know anything about those moneys?

**Mr Williams**—As I indicated, I think there was a campaign run between April and December last year on illicit drugs. I can only assume it is a continuation of that in a form.

**Dr Morauta**—I think that one is actually part of the COAG mental health package. It is focused particularly on the links between the use of illicit drugs and the development of mental illness. I think that is the broad area it is in, so it might be a little bit different from the one you have been dealing with so far.

**Senator FAULKNER**—When you say that you think that—

**Dr Morauta**—I know that that is the focus of this measure.

**Mr Williams**—And there is a reference to the COAG mental health package in the measure.

**Senator FAULKNER**—On page 273 there is a \$25.2 million over four years national media campaign to discourage the abuse of alcohol. Do we know anything about that?

**Mr Williams**—The department of health has in the past run campaigns to discourage the abuse of alcohol, and I can only assume it is a furtherance of that particular campaign.

**Senator FAULKNER**—What about on page 297, where there is the Australian citizenship information campaign, which is \$4 million over four years to promote Australian citizenship through an information campaign?

**Mr Williams**—Again, in all likelihood it is a continuation of quite a lengthy campaign that has been run to date.

**Senator FAULKNER**—Then on page 299 there is a Living in Harmony initiative. Government provides \$6.5 million over four years in addition to the current funding of \$3.5 million per annum. The funding will support a public information strategy amongst some other activities, grants and so forth. Do you have any information on that?

**Mr Williams**—The department has run around Harmony Day each year some community service announcements in support of that particular day. They have not attracted a media spend, so there must some cost to the department associated with that. I assume Harmony Day will continue to be promoted in one form or another, but it has not been the subject of a campaign.

**Senator FAULKNER**—Do you have the totals for us of active and inactive campaigns?

**Mr Williams**—The figure for the active campaigns is \$58.6 million, and for the inactive campaigns it is \$72.1 million.

**Senator FAULKNER**—I do not claim that my reading of exciting documents such as Budget Paper No. 2, which I would recommend to anyone as a cure for sleeplessness, is exhaustive, but it is an absolute motser of planned campaigns, obviously with a focus on the 2007 election. If you think there has been a plethora of political advertising to date, just wait for what is going to happen over the next 12 to 18 months in advance of the 2007 election. Who is currently on the Ministerial Committee on Government Communications? Has Mr Georgiou been turfed off that committee?

**Mr Williams**—I will run through the current members. The committee is chaired by Minister Gary Nairn, who is Special Minister of State, and the permanent members are Mr Andrew Robb, Ms Sussan Ley, Mr Petro Georgiou, Mr Tony Smith and Mr Tony Nutt.

**Senator FAULKNER**—Does that represent any changes in membership, apart from the chair, which is a change of minister?

**Mr Williams**—The chair has changed. I think the most recent addition would be Mr Robb, but he has been on the committee for about 18 months now, so there have not been any recent changes.

**Senator FAULKNER**—Isn't it a tradition, Senator Minchin, to bring former national or state secretaries of the Liberal Party onto the committee?

**Senator Minchin**—I am not sure it is a tradition. The Prime Minister looks for the obvious talent in the party and makes his selections accordingly—

**Senator FAULKNER**—And does not go past the machine operators.

**Senator Minchin**—but, as you would know, those who have worked on that side of the party do have experience in dealing with advertising agencies and therefore perhaps have more experience of these sorts of things than others from other backgrounds. I am sure that would be the case in the Labor Party.

**Senator FAULKNER**—They may have certain experience. It is a very narrow experience, isn't it, in political advertising? But of course, when you start to think about it, I suppose it is relevant to what these characters are doing—

**Senator Minchin**—I would not have thought so—

**Senator FAULKNER**—because, after all, it is all about political campaigns.

**Senator Minchin**—but certainly experience in dealing with advertising agencies and media-buying companies is of course useful in their very important responsibility of ensuring cost effectiveness in government communications.

**Senator FAULKNER**—I had always thought that experience in running a Liberal Party advertising campaign was not necessarily the only requirement for a member of the ministerial committee on government advertising. I had hoped that that was not why they were chosen. But I am pleased now that you have been able to confirm on the public record

that it is their political partisanship and the fact that they can run effective political campaigns that gives them the edge over everyone else in government advertising—

**Senator Minchin**—That is of course not what I did, Senator Faulkner.

**Senator FAULKNER**—in other words, these are the characters that put the fix in for the Liberal Party. That is what it is all about.

**Senator Minchin**—You asked me about those with party experience on the committee, who in this case are Mr Robb and Mr Georgiou, and what experience they brought to bear. I indicated that in the case of those two gentlemen they had that relevant experience, which I think is very useful on that committee.

**Senator FAULKNER**—These are the ones that put the fix in. Now we know, and thank you for being honest enough to tell us on the record.

**Senator Minchin**—That was not what I said, as you know.

**Senator CHRIS EVANS**—Can I ask about the other aspects of the Work Choices campaign. At the last estimates we had a bit of a discussion about a few of these matters. For instance, are the call centres for the Work Choices campaign still operating?

**Mr Williams**—You would have to direct that question to DEWR.

**Senator CHRIS EVANS**—So the costs for that are coming out of DWER, not out of your budget?

**Mr Williams**—The Government Communications Unit does not have a budget to run campaigns. It facilitates the process of campaigns being developed and implemented by supporting the Ministerial Committee on Government Communications, but we do not have a budget as such. All costs associated with the campaigns, related call centres and direct mailing are all carried by the program area in the department.

**Senator CHRIS EVANS**—Yes, I did know that, I am sorry. What about the approval or the vetting of the publications, like the booklets et cetera—do they come through you?

**Mr Williams**—They go to the ministerial committee for its approval and they are authorised by the government following that process.

**Senator CHRIS EVANS**—You are not involved in that at all?

**Mr Williams**—To the extent that the booklets are generally done in combination between the creative agency who is putting the campaign together and the technical areas in the department who know the detail of the legislative changes, they work together. But in terms of scheduling the matters for consideration by MCGC, that is a responsibility of the GCU.

**Senator CHRIS EVANS**—So in terms of what is happening with further publications et cetera it would be best if we asked DEWR?

**Mr Williams**—That is correct.

**Senator FAULKNER**—I have seen media speculation that the plans to start up a second phase of the Work Choices advertising campaign have been abandoned and that it had been planned for the first half of this year. You cannot confirm that that is the case, Mr Williams?

**Mr Williams**—As I say, the GCU is somewhat reactive in that when ministers and departments want to run campaigns they approach us to, in a sense, get on the ministerial committee's radar. So a department comes to us, and in all the cases you mentioned in Budget Paper No. 2 I would expect at some stage we will hear from the relevant departments as to what their proposals are. DEWR has not come to us since the major campaign in October last year with a proposal to run a campaign this year.

**Senator FAULKNER**—So are you saying that you are not aware of a situation where a second phase of the Work Choices campaign was abandoned? Are you saying to this committee that you are not aware of that occurring?

**Mr Williams**—I am not aware of any proposal coming from DEWR to GCU about a campaign this year that has either been proposed or cancelled. As I said earlier, they are running some non-campaign advertising to support their program of seminars. Non-campaign advertising, as you would be aware, does not come through the GCU and MCGC processes.

**Senator FAULKNER**—My problem with what you are saying is that you are redefining the question that I asked you. Have you seen an article in the *Australian* newspaper of 11 May 2006 entitled 'Choices ad blitz deemed negative'?

**Mr Williams**—I may have, but I do not recall it.

**Senator FAULKNER**—I would have thought it would have come to the attention of the Government Communications Unit's clipping service. Have you got a clipping service?

**Mr Williams**—We have an electronic clipping service. It may have come—

**Senator FAULKNER**—This article was on page 17 of the media section of the *Australian* of just a couple of weeks ago—Thursday, 11 May.

**Mr Williams**—With all due respect to the media section of the *Australian*, there are a lot of inaccuracies in the stories that they print.

**Senator FAULKNER**—I am trying to find out whether there is an inaccuracy in this one.

**Mr Williams**—I cannot claim to have seen that particular story definitively.

**Senator FAULKNER**—This article says:

Long-time Liberal Party advertising favourite Ted Horton,—

and he is one of the advertising favourites that is not on the official government committee—

whose agency Dewey & Horton created the Work Choices advertising, has been dropped from the Department of Employment and Workplace Relations' advertising roster, sources confirmed this week.

Obviously, that source was not you, was it?

**Mr Williams**—No, we do not talk to the media.

**Senator FAULKNER**—Good. But can you talk to this estimates committee?

**Mr Williams**—Yes.

**Senator FAULKNER**—Have you heard any suggestion that Dewey and Horton were dropped from DEWR's advertising roster?

**Mr Williams**—What I can say—and this is again a question best answered by DEWR—is that Dewey and Horton were engaged to produce the campaign that ran in October 2005. I do not know the detail of the contractual relationship. It may have expired or it may have been ceased. I do not know. It is a question for DEWR.

**Senator FAULKNER**—Wasn't there a communications plan for a second phase of the Work Choices legislation that went to the MCGC?

**Mr Williams**—I do not recall what was in the—

**Senator FAULKNER**—That is worthy of Mr Downer—'I do not recall'! You cannot say that, Mr Williams.

**Mr Williams**—I recall that there was—

**Senator Minchin**—He can say that.

**Senator BRANDIS**—On a point of order, Mr Acting Chairman. Of course he can say that if it is an honest answer. He was asked whether he knows something and his answer was, 'I don't remember.' If that is the truth, then that is the only honest way to answer the question.

**Senator FAULKNER**—His actual answer was, 'I don't recall.'

**ACTING CHAIR**—That is correct. Move to your next question, please, Senator Faulkner.

**Senator FAULKNER**—If Mr Williams does not recall, there must be some sort of record of this. That is why I do not find the answer acceptable. It is one thing to say, 'I do not recall,' but it is not a personal question to Mr Williams. Senator Brandis does not understand this. Do not think that these questions are going to an individual; they go to a department through a minister. That is why an answer, 'I do not recall,' would never be accepted, and should never be accepted, and I would have thought that you would appreciate that, Chair. I am shocked that you supported Senator Brandis in that preposterous interjection and the pompous performance he just put on.

**ACTING CHAIR**—Senator Faulkner, I do appreciate that but I would have thought there is a follow-up question: therefore can you provide the information? In both respects both you and Senator Brandis were correct, so could you move to your next question?

**Senator FAULKNER**—The point I am making through the chair and the minister to Mr Williams—whether Mr Williams recalls or not—is that I would appreciate an answer from the department to my question. I often ask questions, as I am sure you would appreciate, Chair, through the minister of the witnesses at the table who do not have knowledge of those matters. I accept that. I am not critical of that at all and I do not expect witnesses at the table to have every bit of information at their fingertips. But that does not in any sense invalidate or diminish the importance of the question that is being asked.

**Mr Williams**—Senator, I want to take that question on notice.

**Senator FAULKNER**—All right. I have some other questions in output 4. I think that most of them are 4.6 and other areas, but I think I had interrupted my leader who was in full flight.



**Senator CHRIS EVANS**—I am not sure that that version of history is correct, Mr Chairman, but nevertheless, are you able to answer the question, Mr Williams, about the GCU budget for me?

**Mr Williams**—Yes, I can attempt to do that.

**Senator CHRIS EVANS**—I noticed that in answer to some questions about your staffing that you have got \$11.5 million establishment. But I noticed also that in your travel budget for the first half of the year 2005-06 you have almost spent the whole lot. I wonder whether you could explain that to me.

**Mr Williams**—You are referring to the answer to the question on notice, I assume?

**Senator CHRIS EVANS**—Yes. It seems like you spent \$50,000 on travel in the first six months of the 2005-06 budget period.

**Mr Williams**—I am just looking for the answer we gave. What I can say is that since we had a change of chairman at the beginning of the year we now tend to have our non-sitting week meetings in Canberra, whereas with the previous chairman, who was based in Hobart, it was more effective for the committee to meet in Melbourne because three of the members are based in Melbourne and the minister was based in Hobart. That meant a degree of travel for four GCU staff members. This year there has been one meeting in Melbourne, I think, since the appointment of the new Special Minister of State, whereas typically we would expect to have one or two meetings in a non-sitting fortnight in Melbourne.

**Senator CHRIS EVANS**—That would explain a drop-off in recent times—I accept that—but it does not explain why your general travel budget of about \$50,000 was spent in the first six months to 31 December 2005.

**Mr Williams**—The travel budget is somewhat demand driven. It is based on the number of interstate meetings that the GCU has to attend. In the first six months of the financial year there were quite a number of meetings in Melbourne and the expenditure was quite high. For the second six months of the year, it would be quite low, because it is a demand driven budget.

**Senator CHRIS EVANS**—What drove the travel in the first six months of the financial 2005-06 or the second half of 2005?

**Mr Williams**—I do not have details of the number of meetings but I would think we had a significant number of meetings in Melbourne which drove that travel expenditure.

**Senator CHRIS EVANS**—Was that driven by the Work Choices campaign meetings?

**Mr Williams**—In part that would have been the case because we would have been meeting in non-sitting weeks in the period leading up to the release of that campaign.

**Senator CHRIS EVANS**—I think you have given us the dates of those meetings previously. Is that correct?

**Mr Williams**—I think we did in a previous answer to a question on notice.

**Senator CHRIS EVANS**—Yes, I think we discussed here too.

**Mr Williams**—I think there were quite a number of meetings, and quite a proportion of those would have been held in Melbourne.

**Senator CHRIS EVANS**—Were these meetings of the MCGC?

**Mr Williams**—Yes, they were meetings of the MCGC.

**Senator CHRIS EVANS**—And the travel costs are for the GCU staff to attend the meetings of the MCGC?

**Mr Williams**—That is correct.

**Senator CHRIS EVANS**—It is all clear to me now!

**Senator FAULKNER**—We have had another acronym thrown in.

**Senator CHRIS EVANS**—I thought you would like it—

**Senator FAULKNER**—I do like a good acronym.

**Senator CHRIS EVANS**—because the meetings of the MCGC have been in Melbourne, Senator Faulkner, as you would expect. I only wish the courtesies that seem to have been extended to Senator Abetz about meetings in Melbourne were extended to Western Australian senators—which was rarely the case in my experience, Senator Murray.

**ACTING CHAIR**—Very rarely.

**Mr Williams**—When Senator Ellison was chair of the committee, we also met in Melbourne because it was easier. Indeed, when Senator Minchin was chair of the committee, we often met in Melbourne because it was an easy way to do it.

**Senator CHRIS EVANS**—The Western Australian lobby is a cross-party lobby but is largely ineffective in its claims.

**Mr Williams**—I think the GCU would have been pleased to have had a meeting in Perth, because it is a nice place to go to, but I think the costs were against it.

**ACTING CHAIR**—We are unified in our inadequacy.

**Senator CHRIS EVANS**—The way the economy is going at the moment, I think the cessation argument will reappear.

**Senator FORSHAW**—Mr Williams, you appeared before the inquiry that was conducted by the Senator Finance and Public Administration References Committee inquiring into government advertising and accountability. Do you recall that?

**Mr Williams**—That is correct.

**Senator FORSHAW**—That committee tabled its report in December last year. I am sure you will recall—because we referred to this in the report—that, at the time that the report was tabled in the parliament, there were still outstanding questions that had been taken on notice. The committee had not received answers from a number of departments, including the Department of the Prime Minister and Cabinet. Do you recall that?

**Mr Williams**—My recollection is that we did respond to all the questions on notice directed to PM&C. I might stand corrected on that.

**Senator FORSHAW**—Sorry, could you explain that to me?

**Mr Williams**—My recollection is that we did respond to the questions on notice put to PM&C, but I would have to check that.

**Senator FORSHAW**—So when you say that it is your recollection that you responded, you prepared answers and then forwarded them to who—the minister?

**Mr Williams**—My recollection is that answers were provided to the secretariat of that committee, but I might stand corrected on that and I would prefer to take it on notice.

**Senator FORSHAW**—I would ask you to take it on notice, but this is the problem that we encountered in that inquiry and have encountered in a number of inquiries—and we made specific comment about this in the report. I know that Senator Murray will recall that he had questions on notice on these issues which had been lodged and were not answered for around 12 months.

It is one thing to take questions on notice, but the problem is getting the answers in a timely fashion, particularly where the committee is working to a deadline to present a report. So I ask you to go back and check whether or not you had prepared answers to those questions that were taken on notice by your department, and also check that your section was responsible for them. What happened in that inquiry was that PM&C appeared on behalf of all other departments in terms of their advertising arrangements.

**Mr Williams**—There were a number of agencies that were called to give evidence before that committee.

**Senator FORSHAW**—Yes, specifically, and in the end they agreed to appear. But PM&C was the lead department that put in the submission and appeared here. What I want to know is, ‘When were those answers finalised and what happened to them when they were sent through to the secretariat?’ because my clear recollection is that they had not been received in time for the committee to publish its report.

**Mr Williams**—I will take that on notice.

**Senator FORSHAW**—Yes. And I want to know if they were sent to the minister and if that is where the hold-up was—

**Mr Williams**—I will take that on notice.

**Senator FORSHAW**—or the Prime Minister, I suppose, in this case. Thank you.

**ACTING CHAIR**—Senator Evans do you have any more questions on output 4?

**Senator CHRIS EVANS**—Yes, we have another section, but it might be wise to have the break first. It is a different section.

**ACTING CHAIR**—We will return with the same officers?

**Senator CHRIS EVANS**—It goes to the ceremonial and hospitality section.

**Senator FAULKNER**—That mainly reflects what I am going to deal with: the ceremonial and hospitality section—and of course official establishments and all that sort of stuff.

**ACTING CHAIR**—That is what they will be dealing with.

**Senator FAULKNER**—Whoever deals with party central, down there at Kirribilli House—I would like to have them.

**ACTING CHAIR**—Thank you very much.

**Proceedings suspended from 3.32 pm to 3.54 pm**

**ACTING CHAIR**—I welcome to the hearing the Minister for the Arts and Sport, Senator Kemp. It is always good to see you, Minister Kemp. Before we begin the next round of questions, I think Dr Morauta has some answers to previous questions.

**Dr Morauta**—That is right. One is a correction. I was given a note about APEC staffing when the project was in its most elaborate form. I gave the answer that the 100 New South Wales police that were estimated to be there were inside the total of 246 staff. I am now advised that in fact the 100 New South Wales police are on top of the 246 PM&C staff. So the record should be corrected to show that. Ms Wilson has some further information on Indigenous matters, largely.

**Ms Wilson**—That is correct. I want to clarify a response that I made to a question from Senator Evans last night, just to make it clear that the Associate Secretary of the Office of Indigenous Policy Coordination is a member in his own right of the Secretaries Group on Indigenous affairs. I think we got to that point, but that is just to make it absolutely clear for the record. Secondly, Senator Evans asked when the IDC on smart technologies and services—the health and social services access card—completed its work, and that was at the end of September last year, when the interdepartmental committee report was finalised.

Senator Evans also asked what schedules were attached to the overarching bilateral agreement on Indigenous service deliveries with the Northern Territory. There were three schedules attached at the time the agreement was signed off: one on housing, one on arts and one on regional authorities. Subsequently, a schedule on employment and economic development has been agreed.

Finally, Senator Evans asked whether I would be able to table a listing of projects that have been approved under the Family Violence Partnerships Program. It is the Family Violence Partnerships Program which is a subset of the family violence prevention package, and I have a table here for tabling which reflects those projects for which funding agreements have been signed as of today. Not included in this table are a further 14 projects which have been approved but for which project funding agreements are still being negotiated, so they have not been announced. I would like to table that. Thank you.

**Senator FAULKNER**—I am not sure who the relevant officials are, but I know that they are in output 4. I want to know what support the department provided to Her Majesty on her recent visit to Australia.

**Mr Leverett**—I am not clear what you mean by ‘what support did we provide’.

**Senator FAULKNER**—Was there any support provided by the Department of the Prime Minister and Cabinet for the visit?

**Mr Leverett**—Yes, we coordinated the logistical arrangements for the visit in the usual way.

**Senator FAULKNER**—How big was the party?

**Mr Leverett**—There were 16 or 17 people. I can give you the exact number; I have got it here.

**Senator FAULKNER**—I hear what you said about supporting this; you said you coordinated the logistics. Were they your words?

**Dr Morauta**—We are just counting the number of people.

**Mr Leverett**—Including Scotland Yard police officers, there were actually 28 in the party.

**Senator FAULKNER**—The party was a party of 28. Does that 28 include the Queen and the Duke of Edinburgh?

**Mr Leverett**—Yes.

**Senator FAULKNER**—Could you outline for the record what the role of the Department of the Prime Minister and Cabinet is in support of a visit like this?

**Mr Leverett**—As I said, in a general way we coordinate the arrangements. What that means is that, in discussion with a range of agencies—Buckingham Palace and so on—we determine a program for the visit and then we make the necessary arrangements to make that program work. This includes accommodation, ground transport, air transport and those sorts of issues.

**Senator FAULKNER**—Did you have a role in relation to the visit of the Earl of Wessex?

**Mr Leverett**—We did not.

**Senator FAULKNER**—In relation to the visit by the Queen, what costs are borne in such a visit by the Australian taxpayer? What proportion, if any, of those costs are borne by the Department of the Prime Minister and Cabinet?

**Mr Leverett**—I can only tell you what costs are borne by the Department of the Prime Minister and Cabinet. We pay for international air travel, domestic air travel, ground transport and accommodation. We incur a number of other lesser expenses. There are some minor security costs and some staff costs and so on. I can give you those if you wish.

**Senator FAULKNER**—Yes. If you could perhaps give me those figures, I would appreciate it. Let us run through the costs in the broad categories. Just so we know what we are talking about, Her Majesty's party was a party of 28. Did the Commonwealth bear the costs for all 28 on a visit like this or are some of those costs not borne by the Commonwealth?

**Mr Leverett**—There is not a simple answer to that. I will try and explain it to you. First of all, we can remove the security officers, because the Scotland Yard police officers pay their own costs. Of the balance, the Australia government accepts responsibility for the whole party. However, the Queen, the Duke of Edinburgh and about six others stayed at Government House in Canberra and in Government House in Melbourne, so in an accommodation sense there was no cost—to PM&C at least. I cannot give you a costing for that.

**Senator FAULKNER**—Just for the completeness of the record, I did raise these issues with the official secretary to the Governor-General, so I appreciate that point. The Commonwealth pays for a core group of the delegation, does it?

**Mr Leverett**—The bulk of the delegation.

**Senator FAULKNER**—Okay. Having established those broad parameters, let us see what it cost.

**Mr Leverett**—The visit cost the Department of the Prime Minister and Cabinet \$1.46 million. That breaks down as follows: air travel was \$548,388.

**Senator FAULKNER**—Is that both domestic and international air travel?

**Mr Leverett**—It is, and I would like to explain that either now or later if I could.

**Senator FAULKNER**—Please.

**Mr Leverett**—Now?

**Senator FAULKNER**—I will cease—

**Mr Leverett**—No, I did not mean it that way. Two of these costs I would like to explain a little bit about, but I am happy to do it at the end or as we go—whichever.

**Senator FAULKNER**—Go for it.

**Mr Leverett**—That air travel includes international and domestic travel. For the last three or four visits at least the position has been that the Australian government has contributed to a dedicated charter aircraft. That was the case again for this visit. For the last visit in 2002 we contributed \$600,000. On this occasion, we contributed \$500,000 to the charter aircraft. The balance of \$48,388 was for various domestic flights.

**Senator FAULKNER**—What was the aircraft—a 747 or something?

**Mr Leverett**—No, it was a British Airways 777.

**Senator FAULKNER**—So we chartered a British Airways—

**Mr Leverett**—No, we did not charter it. The Palace chartered it. We were one country in a wider itinerary. They chartered their own aircraft and we contributed to the cost. I do not know what the total cost was.

**Senator FAULKNER**—I understand. So that aircraft was also then capable of carrying the Queen's entourage on the domestic routes in Australia?

**Mr Leverett**—Yes. But it did not do all of the domestic legs. It did one domestic leg.

**Senator FAULKNER**—Okay. So \$548,388 was spent on air travel.

**Mr Leverett**—Ground transport was \$78,239. Hospitality was \$606,449. That is an unusually high figure—

**Senator FAULKNER**—Certainly it seems one awful lot of hospitality to me.

**Mr Leverett**—and it is one that I need to explain. This visit was a little different from normal royal visits in the sense that there is a Canberra component traditionally where there will be government hospitality and then you move on to other states, and state governors and premiers and whatever host events and state governments pick up a lot of the costs. The major events for this visit outside Canberra were Commonwealth related and as it is the Australian government that is a member of the Commonwealth, not the state governments, the events were Australian government hosted. Events that we would not normally be responsible for, we were responsible for on this occasion.

On Commonwealth Day, which was the Monday of the visit, we were asked by both the palace and the Commonwealth Secretariat to host the traditional Commonwealth Day service. As you may know, there is in London a major service at Westminster Abbey. The Queen attends and it is a celebration of the Commonwealth. It is a church service, a multi-faith service, with a cultural component that represents the diversity of the Commonwealth. We were asked to do that and the government agreed that we should do that. In Sydney we had, first of all, a ceremonial welcome and there were costs in mounting that in Sydney as opposed to Canberra. There was a cost for the Commonwealth Day service at St Andrews Cathedral and there was a reception following the service. The service itself catered for about 600 people and there was a reception for 600 people after that. So there were three major events on the Monday.

The Prime Minister and Mrs Howard hosted a major dinner in the Great Hall on the Tuesday night and on the Wednesday the Prime Minister hosted a lunch in Melbourne at the Exhibition Building for around 1,200 people. The number was very large and the Exhibition Building is not well geared for catering so there was a lot of extra cost in terms of bringing in kitchens and so on. So for those various reasons that figure is much higher than we would normally expect. Many of those costs would normally be on a visit but they would be borne by state governments. The expense is not that much greater than normal but the distribution of the expense is more centralised on this occasion.

**Senator FAULKNER**—Does that complete the disaggregation?

**Mr Leverett**—No. Accommodation cost \$81,800. Security cost \$70,577, and the reconnaissance visit by four palace officials cost \$42,592. That leaves a shortfall of, I think, \$70,000 or \$80,000, which was for a number of much smaller things, things like meal allowances and cabcharge and we hired a few extra staff on a short-term basis, and so on.

**Senator FAULKNER**—The total was \$1.46 million. This was a three- or four-day visit?

**Mr Leverett**—Five.

**Senator FAULKNER**—So there were three official functions on the Monday. Tell me what the official functions were.

**Mr Leverett**—There were more than I have just outlined. The things that I outlined were the events that the Australian government or the Prime Minister hosted. There were other official activities in the program.

**Senator FAULKNER**—But they were not Commonwealth government sponsored or organised?

**Mr Leverett**—Correct.

**Senator FAULKNER**—There were three Commonwealth government official events on the Monday—

**Mr Leverett**—Correct. The ceremonial welcome.

**Senator FAULKNER**—The service.

**Mr Leverett**—And the related reception.

**Senator FAULKNER**—And there was the one major dinner in the Great Hall of Parliament House on the Tuesday?

**Mr Leverett**—Correct.

**Senator FAULKNER**—And there was the Commonwealth sponsored lunch on the Wednesday.

**Mr Leverett**—Correct.

**Senator FAULKNER**—So it is those five events, effectively?

**Mr Leverett**—Yes.

**Senator FAULKNER**—I assume that the three on the Monday are associated events.

**Mr Leverett**—Correct.

**Senator FAULKNER**—Who works out the guest lists for these events?

**Mr Leverett**—My branch does most of the work on that. We talk to a wide range of people, agencies and organisations to get ideas and suggestions. We have our own ideas and thoughts which we add and then guest lists are put to the Prime Minister's office for final approval.

**Senator FAULKNER**—How many attended the major dinner in the Great Hall at Parliament House?

**Mr Leverett**—About 650.

**Senator FAULKNER**—Were all parliamentarians invited to that?

**Mr Leverett**—They were.

**Senator FAULKNER**—Do you know how many attended?

**Mr Leverett**—Not off the top of my head, but certainly the vast bulk did.

**Senator FAULKNER**—Of the 226?

**Mr Leverett**—I do not know but I think it was a very high number.

**Senator FAULKNER**—I imagine drawing up an invitation list of 1,200 people would be a bit of a task, wouldn't it?

**Mr Leverett**—Yes, but the focus of that lunch was the Commonwealth Games, so it had a sporting flavour to it—though not exclusively. There were 70-odd Commonwealth Games teams in Melbourne, so each of those was represented by athletes and officials. There were lots of athletes and former athletes like John Landy, the Governor of Victoria, the Governor of South Australia, Marjorie Jackson, Raylene Boyle and those sorts of well-known Australian athletes who have competed.

**Senator FAULKNER**—Did we support or provide any gifts for the Queen? This also, to some extent, seemed to coincide with the Queen's 80th bash as well. People, naturally enough—it seems to me—drew that link.

**Mr Leverett**—We did provide a gift on the occasion of the visit, as opposed to a gift for her birthday, which is a separate issue. For the visit, yes, there was an official gift.



**Senator FAULKNER**—Where was that presented?

**Mr Leverett**—That was presented at Government House on the Tuesday morning.

**Senator FAULKNER**—It was not that photo thing that I heard about?

**Mr Leverett**—No.

**Senator FAULKNER**—No, that was the Governor-General's own gift. My heart sunk when I heard that the gift that the Governor-General had given the Queen a photograph of himself, basically, and a few other governors as well. Wow, you can get lucky!

**Senator CHRIS EVANS**—The chair actually has the official photograph of the committee on his wall.

**Senator FAULKNER**—He would.

**CHAIR**—Fortunately, the senator is a not a full member—so you do not appear.

**Senator FAULKNER**—Touche! Did the Prime Minister or the Governor-General make the presentation?

**Mr Leverett**—The Prime Minister did.

**Senator FAULKNER**—At Government House?

**Mr Leverett**—Yes, at Government House. On the Tuesday morning there were calls on the Queen by the Prime Minister and the Leader of the Opposition, which is a traditional part of a visit. At the end of the Prime Minister's call—

**Senator FAULKNER**—Which took place at Government House.

**Mr Leverett**—Yes.

**Senator FAULKNER**—So tell us what the official gift was.

**Mr Leverett**—Two watercolour paintings—reverse views. One was painted from what is called the Vista Suite at Government House, which is the suite that the Queen stays in, as do other official visitors—looking out that window down to the garden. The other one was a view from the garden looking back up to the house.

**Senator FAULKNER**—Who chose those? Did you get the style police in?

**Mr Leverett**—They were not chosen; they were specifically painted. An artist was chosen.

**Senator FAULKNER**—Who made the decision to commission an artist to do two paintings of Government House to give to the Queen for her 80th birthday?

**Mr Leverett**—I do not know the answer to that. The decision was conveyed to us from the Prime Minister's office that that was what the gift would be.

**Senator FAULKNER**—So it was a prime ministerial decision?

**Mr Leverett**—I do not know that.

**Dr Morauta**—That is not the 80th birthday gift, though, is it?

**Mr Leverett**—No.

**Dr Morauta**—That is the visit gift.

**Senator FAULKNER**—I am assuming that this is a special gift for the occasion of the visit.

**Mr Leverett**—That is correct.

**Senator FAULKNER**—That is what Mr Leverett said to us.

**Dr Morauta**—That is right.

**Senator FAULKNER**—Were they watercolours?

**Mr Leverett**—There were two watercolours.

**Senator FAULKNER**—If these watercolours were commissioned, they cannot have been commissioned out of thin air—somebody must have done it. Who was the artist?

**Mr Leverett**—It was a local artist. I do not have a name. I can get the details of the artist and the cost for you.

**Senator FAULKNER**—I was going to ask you what the cost of the paintings was.

**Mr Leverett**—It was not particularly high. I do not know it offhand, but I can get it for you.

**Senator FAULKNER**—I am sure you would appreciate that, if an artist is commissioned to paint two watercolours to be an official gift of the occasion of a visit of Her Majesty Queen Elizabeth II of Australia for the purposes of opening the Commonwealth Games, someone must have decided that that was a good thing to do and commissioned the artist to paint it.

**Mr Leverett**—I think I indicated before that the decision was taken in the Prime Minister's office. I do not know by whom. My branch does not get personally involved in the choice of gifts on official visits. The Prime Minister's office deals with the official gift supplier, as the secretary of a delegation deals directly with the gift supplier to choose gifts when a parliamentary delegation travels overseas. That is the way the system works.

**Senator FAULKNER**—Yes, but you have to pay the bill.

**Mr Leverett**—Yes, I do, as I do for parliamentary delegations.

**Senator FAULKNER**—I appreciate that, but I am saying that you have to pay the bill, so you would not want someone commissioning a very expensive gift.

**Mr Leverett**—It was not expensive.

**Senator FAULKNER**—But it could have been, because you have no say in it.

**Mr Leverett**—But it was not. I am made aware of the choice before it is finalised, but I am not involved in the process of dealing with the gift suppliers.

**Senator FAULKNER**—So two watercolour paintings were given to the Queen as a visit gift, cost unknown, artist unknown at this stage.

**Mr Leverett**—Yes.

**Senator FAULKNER**—There is also an official 80th birthday gift, isn't there?

**Mr Leverett**—There is.

**Senator FAULKNER**—From the Commonwealth. Has that actually been handed over?

**Mr Leverett**—No, it has not. It is still being compiled.

**Senator FAULKNER**—When is it planned to hand that over?

**Mr Leverett**—In June, on the official birthday.

**Senator FAULKNER**—What is the date of the Queen's birthday?

**Mr Leverett**—It is the second Monday in June. I think it is the 12th this year, but I am not absolutely certain of that.

**Senator FAULKNER**—When you say it is the official birthday, it is not the actual birthday, is it?

**Mr Leverett**—No, that is in April.

**Senator FAULKNER**—So she has two birthdays. Does this mean she gets two presents?

**Mr Leverett**—No.

**Senator SIEWERT**—In WA we do not celebrate it then either.

**Senator FAULKNER**—That means she has three birthdays. It is on the official birthday, which is celebrated by a holiday in a number of states of Australia, isn't it?

**Mr Leverett**—Yes. It is celebrated in London as well.

**Senator FAULKNER**—So the plan is for the Prime Minister to present that.

**Mr Leverett**—Not personally. There is no intention to be London to present it. The gift will be forwarded via our high commission.

**Senator FAULKNER**—Is a personal presentation planned?

**Mr Leverett**—We would leave that to the high commission. We will forward it to the high commission—

**Senator FAULKNER**—We could not seriously stick the Queen's birthday present in the back of a courier van.

**Mr Leverett**—No, we would send it via the foreign affairs system.

**Senator FAULKNER**—It is going to go by diplomatic bag.

**Mr Leverett**—Not through the diplomatic bag but with the foreign affairs courier.

**Senator FAULKNER**—What are we giving her?

**Mr Leverett**—It will be a series of photo albums that represent her 15 visits to Australia.

**Senator FAULKNER**—Are they being prepared now?

**Mr Leverett**—Yes.

**Senator FAULKNER**—What is the cost of that?

**Mr Leverett**—I do not have a cost. I do not want to speculate, but I do not think it would be a huge amount.

**Senator FAULKNER**—But there is no plan for somebody to personally present the gift. That surprises me. I suppose the Queen gets so many gifts that it is a dime a dozen, isn't it?

**Mr Leverett**—I do not want to speak on behalf of the High Commissioner, but I imagine he would seek an opportunity to present it.

**Senator FAULKNER**—So we do not know.

**Mr Leverett**—I do not know.

**Senator FAULKNER**—Similarly, let us now move to another visit—obviously not of the same status. There has been a comparatively recent visit to Australia by Condoleezza Rice, the serving US Secretary of State. I am not sure of the dates of the visit; you may know, but it is comparatively recent.

**Mr Leverett**—Yes, it was in late March.

**Senator FAULKNER**—Does the Commonwealth bear costs for those sorts of visits as well?

**Mr Leverett**—Yes.

**Senator FAULKNER**—Did the Department of the Prime Minister and Cabinet bear costs for Dr Rice's visit?

**Mr Leverett**—Yes.

**Senator FAULKNER**—Can you outline those costs for the committee?

**Mr Leverett**—I do not have the precise breakdown, but I can get that fairly quickly for you. Her visit was treated like any other ministerial visit under the Guest of Government Program. We paid for a suite for her, a room for one other staff member, up to two vehicles and domestic air travel—which of course we did not provide, because she flies in her own aircraft. But had she flown commercially, we would have provided that. There would be one official hospitality occasion. Mr Downer hosted an event.

**Senator FAULKNER**—If you could provide that breakdown for the committee I would appreciate it. In relation to the visit of the Queen, does Buckingham Palace bear any costs for the visit?

**Mr Leverett**—The charter aircraft cost much more than \$500,000, so I do not know—

**Senator FAULKNER**—Yes, but that is shared among the nations that she is visiting.

**Mr Leverett**—Yes, but I do not think that would have covered the whole cost. So there is certainly that. But within Australia I think there would not be too many costs borne by the palace. Most of it would be paid by the Australian government.

**Senator FAULKNER**—So no costs that you are aware of were borne by the palace. All were borne by the Australian taxpayer.

**Mr Leverett**—Yes, I cannot think of any costs.

**Senator FAULKNER**—The Queen is getting plenty of gifts; does she actually give any gifts herself?

**Mr Leverett**—Yes.

**Senator FAULKNER**—I assume she would.

**Mr Leverett**—Yes, she did. I do not know what she gave to individuals, but I know she gave gifts to most of the senior people she met with and I think all of the staff who worked on the visit for her.

**Senator FAULKNER**—So in this case gifts would go to the Governor-General, the Prime Minister, the Leader of the Opposition et cetera.

**Mr Leverett**—Yes, and state governors and premiers.

**Senator FAULKNER**—Of course, if the value of such a gift for a parliamentarian—let us take the case of a federal parliamentarian like either Mr Howard or Mr Beazley—reached a certain level it would have to be declared, wouldn't it?

**Mr Leverett**—Correct.

**Senator FAULKNER**—It would be declared or it would become the property of the Commonwealth. Are you aware that any such gifts have become the property of the Commonwealth?

**Mr Leverett**—From the royal visit?

**Senator FAULKNER**—Yes.

**Mr Leverett**—No.

**Senator FAULKNER**—While we are dealing with visits, Mr Howard is of course currently on an overseas trip.

**Mr Leverett**—Yes.

**Senator FAULKNER**—‘Lap of honour’ is possibly a better way of describing it, but I would not be so unkind. We will get to the current trip in a moment, but just so we are clear: what are the forward travel plans that your division is organising for Mr Howard?

**Mr Leverett**—I do not think I should discuss forward travel plans.

**Senator FAULKNER**—Why not?

**Mr Leverett**—For a number of reasons. One is that most of it is not confirmed, so if we were to say that the Prime Minister is going to X place and then, for whatever good reason, that does not happen, there would be questions such as: ‘Why didn't it happen?’ and mischief could be made of that fact alone. There are issues of security. In this day and age you do not telegraph too far in advance where people of the Prime Minister's stature are travelling, for fairly obvious reasons. I do not think it is for me to indicate where the Prime Minister will be travelling in the future.

**Senator FAULKNER**—Are you seriously suggesting to this committee that the Prime Minister's future travel plans are now a secret from a parliamentary committee?

**Mr Leverett**—No, I did not say they were secret. I said I did not think it was appropriate for me to be disclosing them.

**Senator Kemp**—Senator, I think it was explained by the officer at the table that he does not feel free to provide any information on this matter, and I fully agree with him.

**Senator FAULKNER**—Have we had a situation before where future travel plans were secret? I believe these matters have been outlined before parliamentary committees previously. Future travel plans have been flagged with the committee. We are not talking here about all the nitty-gritty details, and I accept that not all of that would be worked out. But the work of this division of PM&C is to organise these sorts of visits.

**Senator Kemp**—What level of detail are you after?

**Senator FAULKNER**—I am just after the very broad brush of—

**Senator Kemp**—What nations?

**Senator FAULKNER**—What nations and when: the general planning. I do not want to go into any detail. This has been asked regularly and, I might say, answered at this committee.

**Senator Kemp**—We will take Senator Faulkner's question on notice and see whether there is any information that is able to be provided.

**Senator FAULKNER**—The point of taking things on notice is when you do not know the answer to the question—fair enough, take it on notice. If Mr Leverett were to say to me: 'There are no plans at this stage,' fair enough. But that is not the case, is it, Mr Leverett?

**Senator BRANDIS**—That is not right either.

**Senator FAULKNER**—Let me ask this question: are there plans? Is that a reasonable question?

**Senator Kemp**—This is an issue on which the officer—I think quite rightly—feels that he is not free to provide information to the committee. However, because I am a minister who likes to help senators—as you know, Senator Faulkner, I have a long history of this—I thought I might take the question on notice and see whether there is any information that can be provided. I think that is the best way through this.

**Senator FAULKNER**—My question is—

**CHAIR**—Minister, Senator Faulkner can ask his question and then we will see where that takes us.

**Senator FAULKNER**—Senator Faulkner can ask any question he wants to!

**CHAIR**—I am trying to be helpful.

**Senator Kemp**—Senator Faulkner can certainly ask his question, but I do not want the officer to feel that he must respond. I think the officer has stated the principle that, to me, is a very sensible principle. Nonetheless, Senator Faulkner can ask a variety of questions and we will take those ones on notice.

**CHAIR**—Is the generality of the question—

**Senator FAULKNER**—My first question is a general question.

**CHAIR**—There has been speculation in the media about this.

**Senator FAULKNER**—Of course there is.

**CHAIR**—That is my point.

**Senator FAULKNER**—Of course there has been media speculation. In other words, it is all right to tell people in the fourth estate; it is not all right to tell a parliamentary committee. This is outrageous!

**CHAIR**—That is why I am inviting you to ask your question.

**Senator FAULKNER**—My first question is: is the department currently undertaking forward planning for any prime ministerial trips?

**Mr Leverett**—Yes.

**Senator FAULKNER**—Thank you. So that one passes muster.

**CHAIR**—That is right, Minister.

**Senator Kemp**—I think the officer is very generous.

**Senator FAULKNER**—It was an appropriate question and it was an appropriate answer. Can the officer indicate the number of trips for which forward planning is being undertaken? I am not going to the countries; I am going to the number of trips. Is it one prime ministerial trip? Is it two, three or four? We are just dealing with the number.

**Mr Leverett**—Could I preface my answer by saying that my knowledge of those things is not as great as I think you assume. I am aware of some future prospects—trips—but we in CERHOS are not part of the negotiating and determining of what might or might not be part of future trips. They are based on—

**Senator FAULKNER**—Could I interrupted you—and I do not like to do this. Let me say that is a fair point, so I am not going to ask you questions or expect you to provide answers to my questions that are outside your experience or knowledge. I do not put that demand on you. It would not be reasonable for me to do so and I do not do that. You have said that you know about future planning; that, yes, there is planning. My next question is: are you aware of the number of trips for which planning is under way?

**Mr Leverett**—I am not aware of how many trips are being planned. What I can say is that it is on the public record that there are certain annual events. For instance, there is a South Pacific Forum every year, an APEC meeting every year and now there is an East Asia Summit meeting. Those three things will happen later this year. I do not know whether or not the Prime Minister is going and I will not speculate on that. I do not know whether any planning is under way for those.

**Senator FAULKNER**—Fair enough. Are any plans being prepared for possible prime ministerial travel before the end of this financial year?

**Mr Leverett**—I would rather not answer that question at the moment.

**Senator FAULKNER**—Why would you rather not answer it?

**Mr Leverett**—It is leading back to the original question. I do not want to discuss where the PM is going to be travelling. It is not my place to announce that.

**Senator ROBERT RAY**—Could you take that question on notice and seek advice? You have undertaken to do that?

**Senator Kemp**—That is excellent advice. In fact, it is exactly what I was putting to the committee 10 minutes ago. We will go back and follow Senator Ray's and my advice.

**Senator ROBERT RAY**—Minister, it was very specific advice, because previously at this committee we have asked witnesses at the table not to take questions on notice that they know the answer to unless it is for the purpose of seeking such advice. So, yes, we are in agreement on that.

**Senator Kemp**—Good.

**Senator ROBERT RAY**—Not that that will preclude Senator Faulkner from following through on his question.

**Senator Kemp**—I think it has somewhat spiked him, actually.

**Senator ROBERT RAY**—No, I do not think so.

**Senator FAULKNER**—I am used to being spiked. Having spent 10 years in opposition, you get spiked quite a few times. Senator Ray was quite right: it will not prevent me from asking a question. Is it true that the Prime Minister is travelling to Europe prior to 30 June this year?

**Mr Leverett**—That is part of the question we will take on notice.

**Senator FAULKNER**—Are there any plans for the Prime Minister to attend the World Cup soccer matches?

**Dr Morauta**—I think the officer has said that we will take on notice—

**CHAIR**—Three questions ago Senator Ray suggested that the officer may take it on notice.

**Senator FAULKNER**—Senator Ray suggested that and I listened to his suggestion.

**Senator ROBERT RAY**—I suggested that if it be taken on notice, Chair, that it be done so for the purpose of seeking advice, not because the officer could not answer it, which is a very precise way of doing business at this committee—something that we have had a disagreement on early in the committee proceedings. I am not necessarily saying that he is right to take it on notice; he might be.

**Senator FAULKNER**—What I am asking, Chair, is what trips are being planned or organised by this department—planning might not necessarily be involved, but the actual organisation, the payment, bookings and all those sorts of things are undertaken by the department. I am asking about that. There is an expenditure of public money involved. I am not asking about it into the wild blue yonder; I am asking about it before the end of this financial year. It seems to me to be core business of this estimates committee. I would like to know what trips are being planned. I have specifically asked if the Prime Minister is proposing to go to Europe, and I would like to ask when. And I have specifically asked whether there is any suggestion he might attend a World Cup soccer match.

**Senator ROBERT RAY**—Football.

**Senator FAULKNER**—Football, as Senator Ray prefers to call it. I don't know why he has a prejudice in that regard!



**CHAIR**—Mr Leverett, you would rather take that on notice?

**Mr Leverett**—Yes.

**CHAIR**—Senator Faulkner, I think the officer has said that the department will take that on notice.

**Senator FAULKNER**—I am sorry, Chair?

**CHAIR**—Mr Leverett has flagged that the department will take that on notice.

**Senator FAULKNER**—I am asking for an answer to those questions now.

**Mr Leverett**—I do not think it is appropriate for me to be announcing the Prime Minister's travel arrangements.

**Senator FAULKNER**—I suppose what you can tell us about is the Prime Minister's current trip.

**Mr Leverett**—Yes.

**Senator FAULKNER**—Is it true that the Prime Minister is returning from the trip early? I read some press speculation that he has cut the trip short and is returning to Australia—is that right?

**Mr Leverett**—It is not entirely right. There were always two options for the return. The official program in Dublin finishes in late afternoon of Tuesday, Dublin time, and there was the issue of: do you then get in a plane and fly through the night or do you have a rest and then fly home the next morning? Those two options were always part of the planning for this visit. The RAAF had contingency plans for both options. I am not on the visit so I do not know what discussions have taken place, but clearly they have chosen option A rather than option B. But they were both on the table from the start.

**Senator FAULKNER**—I see. Can you confirm for me, or the minister might be able to confirm for me, a story that has appeared. I do not put any particular strength on the validity of this story at all, but you might be able to assist the committee. A Christian Kerr has written on crikey.com:

Why is the Prime Minister returning home a day early? Well, according to the rumour of the week—so there might be a rumour—

his own incompetence and negligence and that of his Deputy and his Foreign Minister, combined with AWB ...

**CHAIR**—Senator Faulkner, I am not sure that this is an appropriate question—this does not relate to expenditure.

**Senator FAULKNER**—It gives a very different view—and it might not be right; I want to test it—than what the official said. Anyway, let's not worry about the preamble, let's cut to the chase—

**Senator Kemp**—I think basically Senator Faulkner wants a free sub to crikey. That is why this has been raised.

**CHAIR**—Or a T-shirt.

**Senator ROBERT RAY**—Under the new ownership you don't get one!

**Senator Kemp**—Don't you?

**Senator ROBERT RAY**—No.

**Senator Kemp**—Someone should have told Senator Faulkner that.

**Senator ROBERT RAY**—Under the Beecher regime you don't get one, I am sure.

**Senator FAULKNER**—I do not have a free subscription to *crikey* and I do not want one. I do have, however, a subscription, so that is how I know. Anyway, let's put the spin away; it is a long sentence, so cut to the chase. This is the point: the claim here is, effectively, that a range of political circumstances have prevented the Prime Minister from 'stopping off in Iraq to show support for the country's first democratically elected government'. In other words, the issue that is suggested here—it may not be right; you can confirm this or otherwise—is that the intention was to visit Iraq and that that part of the trip has been cancelled for whatever reason. Let's put the reason aside, let's put the politics aside, and ask: were there plans for the Prime Minister to visit Iraq?

**Senator Kemp**—I do not think we will make any comment on those issues, Senator, to be quite frank. I have no knowledge of this and I do not know whether the officers do.

**Mr Leverett**—I am happy to answer the question. The answer is: categorically not.

**Senator FAULKNER**—So you do not mind an answer being given now, Senator Kemp?

**Senator Kemp**—Sorry?

**Senator FAULKNER**—I thought you said no answer was going to be given.

**Senator Kemp**—As I said, I happen to have no knowledge of this, but I listen, as always, to the officers.

**Senator FAULKNER**—If the answer suits you, you are happy to hear it.

**Senator Kemp**—I am always happy to take advice, as you know.

**Senator FAULKNER**—Mr Leverett, are you running for the Senate for the state of Victoria?

**CHAIR**—Mr Leverett, do not be brought into this. Senator Faulkner, please ask a question.

**Senator FAULKNER**—So that has been denied. You are saying that the reason for the Prime Minister coming early was that you had a plan A and a plan B for the return visit and either of those options was effectively doable. Is that right?

**Mr Leverett**—That is correct. The two return options were part of the plan before they left Australia, before they left for America. They were always based on the fact that it was a longish visit. Coming to the end of a long stay away, it was a question of how the party feel when they get to the end of the visit. Do they want to fly through the night or have a rest and fly home?

**Senator ROBERT RAY**—I think it depends on who has a bed on the plane.

**Mr SWAN**—I am not with the party. I do not know what discussions took place, but clearly the decision was to fly through the night.

**Senator FAULKNER**—From the press, we read that the Prime Minister has been in New York. I think he stayed overnight in New York. Is that right?

**Mr Leverett**—No.

**Senator FAULKNER**—Washington?

**Mr Leverett**—Washington, Chicago, Ottawa—

**Senator FAULKNER**—And Dublin?

**Mr Leverett**—Correct.

**Senator FAULKNER**—Can you say how big the prime ministerial party is on the current trip?

**Mr Leverett**—It is 16, plus eight AFP officers. There were teams in different places, so the eight did not accompany him throughout. Eight in total covered the whole visit. A couple of the 16 did not do the whole visit. There were advances who only went to some places. Therefore, there were probably about 14 who accompanied him throughout.

**Senator FAULKNER**—Do you know what hotel the Prime Minister stayed at in Washington?

**Mr Leverett**—He stayed at Blair House, which is the official government guesthouse.

**Senator FAULKNER**—And in Chicago?

**Mr Leverett**—The Peninsula hotel.

**Senator FAULKNER**—Any particular suite there at the Peninsula hotel?

**Mr Leverett**—I am sure there was a particular suite, but I cannot tell you which one. There would have been the usual process of assessment by the post and a decision taken by the secretary of our department before the party left.

**Senator FAULKNER**—Ottawa?

**Mr Leverett**—The Fairmont Chateau Laurier Hotel.

**Senator FAULKNER**—How many nights in Ottawa?

**Mr Leverett**—Thursday night and Friday night.

**Senator FAULKNER**—Two?

**Mr Leverett**—Two nights.

**Senator FAULKNER**—How many nights in Chicago?

**Mr Leverett**—One.

**Senator FAULKNER**—What about the accommodation in Dublin? Was that in the post?

**Mr Leverett**—No, that was at what is called Farmleigh House, which again is a government guesthouse.

**Senator FAULKNER**—Do you have any idea of the costs of the accommodation? First of all, do you have any idea of the broad costs of this particular trip? Obviously, it has not all been acquitted yet. I would not expect it to be.

**Mr Leverett**—I do not, but my branch and this department do not bear much of the cost of the PM's overseas visits, so it is not my responsibility. I do not know.

**Senator FAULKNER**—But it is borne by DOFA?

**Mr Leverett**—Correct.

**Senator FAULKNER**—Unless I am wrong, the department or the Prime Minister's office are responsible for bookings and all those sorts of things—that is correct, isn't it?

**Mr Leverett**—Yes.

**Senator FAULKNER**—Is it the PM's office?

**Mr Leverett**—No, my branch.

**Senator FAULKNER**—So, for example, when you book something like the Peninsula hotel you do know what the costs of accommodation are. I assume you would ask that question.

**Mr Leverett**—We certainly would know. I do not personally know but that is a figure we can get for you. You asked about the cost of the whole visit.

**Senator FAULKNER**—I asked whether you had any idea, and I realise that the costs would not even be acquitted yet. I would have thought that in booking you might have been able to shed some light on this.

**Mr Leverett**—We certainly can, and we can do that very quickly for you.

**Senator FAULKNER**—I thought you might be able to for future trips as well.

**Mr Leverett**—What future trips?

**Senator ROBERT RAY**—You are going to get the cost of the one night in Chicago and the two nights in Ottawa? The other would have been provided gratis by the country—

**Mr Leverett**—Correct.

**Senator ROBERT RAY**—It would be good if you could provide those estimates.

**Senator FAULKNER**—Are you aware of any plans for the Prime Minister to visit the Western Front?

**Mr Leverett**—I think that comes under the earlier question.

**Senator FAULKNER**—Some of these things take a bit of planning, don't they?

**Dr Morauta**—Senator, we have taken on notice the questions on future travel plans for the Prime Minister.

**Senator CHRIS EVANS**—In relation to the Prime Minister's trip to the US, there was a state dinner held in his honour in Washington. I also understand there was a whole range of Australian guests at the dinner. Was the Prime Minister given the opportunity to invite people to the dinner or were the invitations purely those of the American government?

**Mr Leverett**—I cannot answer that question. I can find out, again, fairly quickly for you. When we do the reverse, when we host functions here, we certainly give the guest of honour the option of nominating some guests, but whether the Americans do that, I do not know.

**Senator CHRIS EVANS**—You will have to forgive me, I am not particularly au fait with state dinners so I am unaware of the protocols. But you say it is not uncommon here for us to do that so it is possible that they might well have given the Prime Minister that option. As I understand it, a range of people who are actually Australian residents attended and not just Australians living there. I assume the Americans might invite some of the more prominent Australians living in America, but apparently there was a whole range of people invited who are Australian residents. When you say ‘quite quickly’ does that mean that somebody in the room is able to help us?

**Mr Leverett**—No, but once I am finished I can make a phone call and get that answer, I think, fairly quickly.

**Senator CHRIS EVANS**—Are you aware of who was invited?

**Mr Leverett**—No.

**Senator CHRIS EVANS**—If the Prime Minister were to have been given the opportunity to invite guests, who would have coordinated that for him—a protocol officer or the Prime Minister’s personal staff?

**Mr Leverett**—It would have been a matter within the Prime Minister’s office.

**Senator CHRIS EVANS**—So there would not have been any PM&C involvement?

**Mr Leverett**—Only if we were asked for suggestions. Then we would happily come up with some.

**Senator CHRIS EVANS**—Your suggestions are unlikely to be the Liberal Party luminaries who appear to have attended. So if he had been invited to submit a list of names, we can take it that that would have most likely come from the Prime Minister’s personal office?

**Mr Leverett**—I do not know. I would need to ask.

**Senator CHRIS EVANS**—I do not want to take you out of your area of expertise. As you have no knowledge of the invitation list, I will leave it until we hear back as to whether or not the Prime Minister was given that opportunity. Were there any consultations between the American government and the Australian government about the invitation list—apart from the personal invitation list?

**Mr Leverett**—For this dinner?

**Senator CHRIS EVANS**—Yes.

**Mr Leverett**—I do not know.

**Senator CHRIS EVANS**—I will leave it at that. Thanks very much.

**Senator FAULKNER**—Can any of the officials at the table or the minister confirm whether the Prime Minister will be attending any of the football World Cup matches in Germany? Can anyone assist me with that question?

**CHAIR**—Doesn’t this fall under—

**Senator FAULKNER**—I am not asking you. You would be the last person to know, Senator Mason—be fair.

**CHAIR**—That is probably true.

**Senator FAULKNER**—It is true.

**Senator CHRIS EVANS**—A combination of the Prime Minister and sport—I do not think you are there, Senator Mason.

**Senator FAULKNER**—Mr Howard is more likely to have confided in me than in you.

**CHAIR**—Thank you for that, Senator Faulkner.

**Senator Kemp**—I do not think I can help Senator Faulkner.

**Senator FAULKNER**—Can anyone at the table rule that out?

**Mr Leverett**—I think that comes within the ambit of what we have taken on notice.

**Senator FAULKNER**—Is there a witness at the table who is willing to rule that out? You have ruled other things out, Mr Leverett.

**Senator BRANDIS**—Point of order, Mr Chairman. That is not a fair question. It is not a fair question to the witnesses or to the minister.

**Senator FAULKNER**—So you do not like that question, George?

**Senator Kemp**—That is absolutely right. We have a discussion on the questions that can be put to the officer.

**CHAIR**—On prospective trips.

**Senator Kemp**—The officer has been more than helpful, and indicated that he is prepared to take it on notice and seek advice on these matters. We should leave it there, Senator Faulkner. That sounds to me the best way forward.

**Senator FAULKNER**—When I asked the question, Chair—which the minister decided he did not want to answer—about Mr Howard’s alleged early return from Dublin—

**Senator BRANDIS**—Alleged by you and falsified by the evidence.

**Senator FAULKNER**—No, there is an early return from Dublin; it was not alleged at all.

**Senator BRANDIS**—No, the officer said there were two options, option A and option B, and they were always part of the program. There is no early return.

**Senator FAULKNER**—I am saying ‘alleged early return’ because of a proposed visit to Iraq. That is a perfectly proper use of the English language. It is not alleged by me. It is quoted by me, certainly.

**Senator Kemp**—It is more accurate to say there were two options for the return.

**Senator FAULKNER**—Anyway, when that was put to a witness it was ruled out categorically—fair enough. Now I am asking whether a witness at the table is willing to rule out the attendance of Mr Howard at the football World Cup. That is what I am asking. Is someone willing to rule it out like the Iraq issue was ruled out a few moments ago?

**Senator BRANDIS**—And my point of order, Mr Chairman, is that it is not a fair question because, whereas the witness freely answered questions concerning the Prime Minister’s current trip, he made the qualification about taking questions on notice in relation to all

possible future travel, so it does not bear comparison with his answer concerning the falsely alleged proposal to visit Iraq at all. That is why it is an unfair question.

**Senator Kemp**—It is best that we rely on the Robert Ray rule here—the principle that Robert Ray—

**Senator ROBERT RAY**—You are verballing me.

**CHAIR**—It is pretty clear that Mr Leverett and Dr Morauta have said that these questions about prospective travel are best taken on notice.

**Senator FAULKNER**—So it is not going to be ruled out?

**Senator ROBERT RAY**—Chair, may I follow this up with the witnesses?

**CHAIR**—Yes, Senator Ray.

**Senator ROBERT RAY**—You both understand about the cut-off date for replying to answers?

**Dr Morauta**—We certainly do, yes.

**Senator ROBERT RAY**—And the next time you come to estimates you will be able to tell us when you submitted the answers for approval? You see, it is possible that they will come back late, but it may not be your fault; I am just giving you some insurance now—you will note that. That is understood? You will have to say yes; you cannot nod your heads.

**Mr Leverett**—Yes, Senator.

**Senator Kemp**—I am sure the officers have noted your views, Senator.

**Senator ROBERT RAY**—You were not here to hear that every question out of the last round, bar one, was late. But we do not attribute blame for that, because, as you would realise, Minister, not you but some other ministers are slow to clear answers. They do not have the sort of rapid turnover and incisive mind that you do!

**Senator Kemp**—Exactly. That is very understanding of you.

**Senator ROBERT RAY**—Irony has always been one of my strengths.

**Senator Kemp**—I did not take it that you were being ironic.

**Senator ROBERT RAY**—The defence rests.

**Senator FAULKNER**—We have heard about the Prime Minister staying at Blair House in Washington and Farmleigh House in Dublin, and we appreciate that evidence. We also know that the Prime Minister is travelling in a party of between 20 and 24. Would it be fair to say that not all of the party was staying at Blair House or Farmleigh House?

**Mr Leverett**—I would need to confirm this answer, but my understanding is that all but a very few stayed at Blair House and all did stay at Farmleigh. I am a bit hesitant with that answer; I need to confirm that. Certainly, the bulk of the party stayed at both places.

**Senator FAULKNER**—How many at any time would that be? There are 16 in the party and there are eight security. In rough or round figures we are talking about 20 at any time—would that be fair to say? I am not going to hold you to this.

**Mr Leverett**—According to our program there were 14 staying at Blair House and therefore the balance in hotels; and 20 stayed at Farmleigh House.

**Senator FAULKNER**—So there would be a small number at other places?

**Mr Leverett**—Yes.

**Senator FAULKNER**—Can you confirm for the committee, Mr Leverett, whether the Prime Minister is leaving Australia on 27 June. Has that been made public?

**Dr Morauta**—Senator, this is also part of the—

**Senator FAULKNER**—Well, has it been made public? If it has been made public elsewhere, why can't it be made public at this committee?

**Mr Leverett**—I do not know if there are plans and if they have been made public or not. I do not want to speculate. I better take it on notice. If it has been made public then so be it, but I am not aware of any 'it', whether public or not. There may or may not be plans or an announcement—I do not know.

**Senator FAULKNER**—So the Department of the Prime Minister and Cabinet cannot confirm to this Senate estimates committee whether the Prime Minister is leaving Australia on 27 June?

**Senator Kemp**—Senator, we seem to be going on roundabouts here. We have indicated regarding future travel that these are matters that the officer will take on notice and seek advice on, and we will respond as appropriate to the committee. I think that is the way we should leave it.

**Senator FAULKNER**—So the department cannot confirm whether the Prime Minister is leaving Australia on 27 June?

**Senator BRANDIS**—Chair, I think it is about time that you drew the attention of Senator Faulkner to standing order 196.

**CHAIR**—What does that say?

**Senator BRANDIS**—It is about tedious repetition, which I think includes asking the same question about 45 times in the space of 10 minutes.

**Senator Kemp**—I think we do have a way forward on this. There is general agreement on how this should be handled: in a bipartisan nature. Perhaps we should move on.

**CHAIR**—Have we finished?

**Senator FAULKNER**—No. We are waiting for you to rule on the point of order, aren't we? No? I do not know what we are waiting for.

**CHAIR**—We are waiting for you, Senator Faulkner.

**Senator FAULKNER**—Why? I did not have the call.

**CHAIR**—I thought we had reached an impasse that you were going to battle through.

**Senator FAULKNER**—I was not surprised that there was no response to my question. I did not expect one.

**CHAIR**—Any further questions?



**Senator FAULKNER**—Not from me on that matter; I do not know if others have questions.

**CHAIR**—Any further questions on output group 4?

**Senator FAULKNER**—This question probably goes to those responsible for Kirribilli House. That is not you, Mr Leverett, is it?

**Dr Morauta**—No—somebody else does that.

**Senator FAULKNER**—Whoever it is these days. I am not sure who it is. This is in relation to a couple of questions on what is happening at Kirribilli House—party central. Information has been provided about some damage to artworks and other heritage items at Kirribilli House. The information was provided in answer to a question on notice. I wonder whether Ms Patterson or the relevant official can provide us with a little bit more information about the cost of repair of these items. The first one was a broken lock on a Gothic cabinet which was repaired by a conservator. Do you know what the cost of that repair was?

**Ms Patterson**—I am unable to give you that information here, but we can provide that to you. I do not have those costings with me.

**Senator FAULKNER**—Do we know what was wrong with the item?

**Ms Patterson**—I understand that there was a broken lock on the Gothic cabinet.

**Senator FAULKNER**—Do we know how it was broken?

**Ms Patterson**—No, we have no further information on how it was broken.

**Senator FAULKNER**—Do we know what the nature of the break was?

**Ms Patterson**—I do not have any further information on the nature of the broken lock.

**Senator FAULKNER**—It was a Gothic cabinet?

**Ms Patterson**—That is what I am advised.

**Senator FAULKNER**—What was that cabinet used for? Probably wine—grog.

**Ms Patterson**—My colleagues have reminded me that I have seen those cabinets. They are rather tall—seven or eight feet tall—and they are displaying emu eggs. They are displaying items that have been allowed in the house by the Australiana Fund.

**Senator FAULKNER**—So you do not know what the cost of repair was?

**Ms Patterson**—No, I do not know.

**Senator FAULKNER**—Did anything go missing?

**Ms Patterson**—I have no knowledge of anything that has gone missing. I think part of our answer at that time was that we had no knowledge of anything missing.

**Senator FAULKNER**—What was the value of the china plate that was broken and repaired? Was it something you pick up at Woolies for a few bob, or was it something a bit more special?

**Ms Patterson**—Again, I have no additional information other than that which we supplied. I can only assume it was something other than a cheap Woolworths plate, but I can undertake to get you that information.

**Senator FAULKNER**—I made the same assumption, but once one of these plates is broken and repaired the value is effectively lost, or at least massively diminished, isn't it?

**Ms Patterson**—I cannot answer that question.

**Senator FAULKNER**—You do not know what the value was?

**Ms Patterson**—No, as I said, I do not have the values.

**Senator FAULKNER**—Who owned the plate? Did the Commonwealth own the plate?

**Ms Patterson**—It is unlikely that the Commonwealth owned the plate. It is more than likely that the Australiana Fund owned the plate, but I would need to check that. These were items that were on loan either from the Australiana Fund or from the National Gallery.

**Senator FAULKNER**—Yes, but if they were from the National Gallery they are likely to have Commonwealth ownership, aren't they?

**Senator Kemp**—If they were purchased by the Australiana Fund, the owners are the Australiana Fund.

**Ms Patterson**—Yes.

**Mr Williams**—If they were from the National Gallery they would be owned by the Australian government, but if they are owned by the Australiana Fund they are owned by the Australiana Fund.

**Senator FAULKNER**—I know that, but you are saying we do not know who owned the plate.

**Mr Williams**—That is correct.

**Senator FAULKNER**—All we know is that it is owned by either the Australiana Fund or the National Gallery.

**Mr Williams**—We have agreed to take that question on notice.

**Ms Patterson**—I have just been informed that all of these items that we listed are Australiana Fund items.

**Senator FAULKNER**—We have spoken about this before. Do you actually have insurance values for them?

**Ms Patterson**—We have insurance values, which we have provided in attachment A, for all of the items. I am not able to double-check an item in one of the attachments, as there are—

**Senator FAULKNER**—There are a lot of them.

**Ms Patterson**—That is right. I would need to clarify which one was actually which.

**Senator FAULKNER**—That is what I was going to ask. You do not actually know which item the china plate that was broken and repaired was.

**Ms Patterson**—No, I do not.

**Senator FAULKNER**—Do we know how it was broken?

**Ms Patterson**—I do not.

**Senator FAULKNER**—Do we know what the minor repair work that was undertaken on the silver salt and pepper shakers was?

**Ms Patterson**—I do not.

**Senator ROBERT RAY**—Could you find out and give us a cost?

**Ms Patterson**—Yes.

**Senator ROBERT RAY**—Please take that on notice.

**Senator FAULKNER**—Do we know how the stain that required repairing on the Tasmanian musk and Huon pine table occurred?

**Ms Patterson**—No, I do not.

**Senator FAULKNER**—There seems to be a lot of rough handling at Kirribilli House. Is that right?

**Ms Patterson**—I think that is incorrect.

**Senator FAULKNER**—How did all these things happen?

**Ms Patterson**—As I said, I do not have that information. I can undertake to provide it and I can provide that against the list that we have here to supplement the information that we have provided. But I note that this is for a period of three years, and there were eight pieces of repair work that needed to be undertaken in that time.

**Senator FAULKNER**—And I suppose I have to compare that to Government House and Admiralty House, where there were no repairs needed. I am not suggesting that Mr Howard is down there at Kirribilli House—party central—throwing around china plates, but I just wondered if we knew how it had happened.

**Senator Kemp**—How would you compare it with the breakages in the Faulkner household over that period?

**Senator FAULKNER**—Not too many things break in the Faulkner household, but I would say this: none of it would be that valuable. That is probably the difference. It is far more likely to have come from Woolworths.

**Senator ROBERT RAY**—I tell you what: after last Sunday's performance, Senator Kemp, there would be a few plates flying around your place!

**Senator Kemp**—Do not even mention the football, please, Senator Ray—it is too hurtful!

**Senator FAULKNER**—Do we know how that occurred? We do not know how this damage occurred. I hear the point you make about the amount of damage but, as I say, all we have to compare it with in terms of the official establishments are Government House and Admiralty House. I asked similar questions yesterday of the Office of the Official Secretary to the Governor-General, and they have had one item stolen—an Albert Namatjira painting—but

they do not have any record of any damage to anything on loan from the Australia council or any other lending institution.

**Senator Kemp**—The officer is not sure of the reasons and he said that he will seek advice. I think that is a very sensible—

**Senator FAULKNER**—If the officer is not sure, that is helpful. Can we identify this particular table: the Tasmanian musk and Huon pine table? I assume that is something that is able to be identified from the inventory. It is not like a china plate.

**Mr Williams**—It is listed in the answer in attachment A as ‘Tasmanian musk and Huon pine occasional table’ with a value of \$12½ thousand. It is in the answer.

**Senator FAULKNER**—Is it the same table?

**Mr Williams**—I assume it is. It is the same description.

**Senator FAULKNER**—I was assuming and I just wondered if we knew.

**Mr Williams**—As Ms Patterson said, we will take it on notice and get back to you. The full answer to the question is on the 18 items repaired. It seems to me that that is probably it.

**Senator FAULKNER**—Is the dining table that also had a stain repaired in November 2004 the very large dining table?

**Mr Williams**—It could be the dining table described. It would be safer to take these questions on notice so we do not mislead the committee.

**Senator FAULKNER**—I would appreciate it if you could establish the value of the dining table, the value of the repair and the cost of repairing the console table. I note that that was damaged in transit. I would assume that, in relation to the Australiana Fund, these costs of repair are met by the insurer. Would that be right?

**Ms Patterson**—That was my understanding.

**Senator FAULKNER**—It is mine, but I just want to be clear on it.

**Ms Patterson**—I will double-check on the point about the transit of the item and whether that makes any difference.

**Senator FAULKNER**—Whether that has any effect, yes. It is possible that that those costs might be borne by the company involved—whoever was contracted to do that work. There has been an indication in answers to questions on notice of some concern at Kirribilli House and the Lodge about conformity to the recommended light levels in spaces in those two houses. You would be aware of that?

**Ms Patterson**—I was not aware that there was an unresolved concern other than that I was aware that the houses are quite old houses and that light does come in in ways that would not necessarily come in in a purpose-built museum, but that steps had been taken to locate the paintings, with the advice of the National Gallery staff, in positions away from direct light and from the light causing problems. The paintings and their positions are kept under review and looked at on an annual basis as well.

**Senator FAULKNER**—Senator Evans asked questions on notice on 14 February 2005 at additional estimates. The answers were provided to questions six to 12. The answer to question 12 says:

All areas used to display works of art have had light readings previously recorded and the check of light levels is taken during the NGA annual condition checks.

Then on 14 February it goes on over the page:

The residences do not conform to the recommended light levels in all spaces. Due to the nature of the houses where these works are displayed there are varying amounts of sunlight entering the rooms which are determined by seasonal variation.

That all sounds logical enough. Has that been addressed or is it a concern and, if it has not been addressed, has that an impact on the items that are on display?

**Ms Patterson**—My understanding is that that is addressed insofar as actions are taken. It goes on to advise either closing curtains or positioning the paintings away from the less favourable light conditions and says that the paintings are monitored by National Gallery staff.

**Senator FAULKNER**—So this goes to placement in a room or in a particular part of the residence, does it? Is that what you are saying?

**Ms Patterson**—Yes. So rather than being positioned close to a window where the sun comes in and hits the painting, they will have positioned it away from that—and there are other things.

**Senator FAULKNER**—I see. So you just accept the advice of the experts from the National Gallery about where any individual piece of artwork is displayed. That is the upshot of this, is it, where the light is not appropriate in some places?

**Ms Patterson**—The artworks are located in a position that is agreed with the National Gallery people with the expertise in these matters and monitored there in the situations where the artworks are put. We in the department have no direct role in suggesting otherwise.

**Senator FAULKNER**—Senator Evans has also been told in answer to question on notice No. 16 of 14 February that items on loan from the NGA are chosen in consultation with the Prime Minister of the day and that the department does not have a loan arrangement with any of the parliamentary departments. Just in relation to the National Gallery and the consultation with the Prime Minister, can someone tell me how that works? I assume it is not the Prime Minister himself who walks around a collection in the Gallery and makes these decisions. It might be, but is it done on his behalf? Is it a departmental decision or an office decision? How does it work?

**Ms Patterson**—I might just work from the position at the moment: there are a number of art pieces in the household. When the Gallery, for example, wants to take a piece back or it is at the end of the period, they provide the department with a list of alternatives and the department then has a discussion with the Prime Minister's office and with Mrs Howard about the items that might go in the house. So the Gallery is attempting to meet the needs of the occupants of the house so that they are comfortable with the paintings that are going up.

**Senator FAULKNER**—In relation to the Lodge and Kirribilli House, have there been any capital works at either of those establishments in the last six months or are there any planned for the period ahead?

**Ms Patterson**—Yes. At Kirribilli House, a new fire panel was installed. The fire panel that was there was repeatedly registering false alarms. The new panel was installed for a cost of \$10,031. The driveway at Kirribilli House was widened to allow cars to pass each other in the driveway. That cost was \$2,366. And—

**Senator FAULKNER**—Just hang fire there. Why do cars have to be able to pass each other in the driveway at Kirribilli House? It is not a raceway, is it?

**Ms Patterson**—No. The situation was that, when there were a number of cars arriving to drop off guests at official functions, the cars coming around this way were not able to get past and move off for other cars that were lining up coming in. So it was just to allow a smoother flow of traffic. That is three items for Kirribilli House. For the Lodge—

**Senator FAULKNER**—I thought that was two items.

**Ms Patterson**—I am sorry, I had started on the third: replacement outdoor furniture—two tables and 12 chairs, for a cost of \$3,642. That was replacing some cane furniture that was no longer functional. At the Lodge, a non-slip treatment was applied to the rear outdoor cement area. The price for that was \$4,112. And an existing garden bed was refreshed, with improved soil and a more efficient water irrigation system, costing \$4,990.

**Senator FAULKNER**—Okay. What works are planned or in progress at the two establishments?

**Ms Patterson**—At the Lodge, there is a plan to remove a coastal redwood tree that has developed a very dangerous lean. I think the quote that we have accepted for that at the moment is \$570. At Kirribilli House, similarly, there is a rather large tree that has died, and another one with overhanging branches. It is a camphor laurel. The estimated cost that we have for having that removed is \$4,500.

The slate roof at the Lodge has also been planned for replacement for some time now, and that is scheduled for the upcoming financial year as well. We do not have an actual cost on that just yet but estimates that the department has gained are in the order of \$200,000.

**Senator FAULKNER**—Is it going to be replaced with another slate roof?

**Ms Patterson**—Yes, it will be replaced with another slate roof, and a particular quality of slate. It is planned that that slate will last quite a long time. There were difficulties with the slate that was put on the roof several years back and it has deteriorated quite badly.

**Senator FAULKNER**—When did the last replacement occur?

**Mr Williams**—In the mid-1980s. The view is that the slate that was used was of very poor quality and we have not got anything like the expected lifetime out of that slate.

**Senator FAULKNER**—What are the problems with the roof? Is it leaking?

**Ms Patterson**—Yes, it has been leaking in parts and it has been patched up with metal and other bits and pieces to keep it acting as a roof. It has had quite serious leaks. One part of the roof fell off recently.

**Senator FAULKNER**—That is going to be around \$200,000?

**Ms Patterson**—That is an estimate. The planned works for Kirribilli House are renovations to the bathrooms as well. This is a renovation to remove single flush toilets and to replace them with dual flush toilets, to remove one bath and replace it with a shower and to update other parts of another bathroom. The estimated cost is \$30,000. A grill which is on the harbour front—it is a small boat entrance off the harbour—has a hole in it that is a security problem. That grill will be replaced. The protective security coordination centre of the Attorney-General's Department will pay for the replacement of that grill as it is a security issue.

**Senator FAULKNER**—That is down near the waterline, is it?

**Ms Patterson**—It is right on the waterline.

**Senator FAULKNER**—I noticed on the news last night that a cabin cruiser or something like it managed to run into the rocks adjacent to Kirribilli House.

**Ms Patterson**—I think it was more adjacent to Admiralty House.

**Senator FAULKNER**—Was it? Is there a bit of a navigation hazard there?

**Mr Williams**—I think the boat driver, if I can call him that, was breathalysed and found to be twice the legal limit. That may have been a contributing factor.

**Senator ROBERT RAY**—Appropriately in party central, Senator Faulkner.

**Senator CHRIS EVANS**—That was a bit of a lash outside the off stump—are you relying on information?

**Mr Williams**—I am only relying on what is in the media, Senator, and that is a bit risky at times, as you well know.

**Senator CHRIS EVANS**—That is your usual position, yes.

**Senator FAULKNER**—They are the only plans for either the Lodge or Kirribilli?

**Ms Patterson**—At this stage, yes.

**Senator FAULKNER**—You may not be aware of the changes to the office arrangements here in Parliament House—the establishment of a small dining room in the Prime Minister's suite. Are you aware of that?

**Ms Patterson**—No.

**Mr Williams**—No.

**Senator FAULKNER**—I was wondering where the costs for entertaining in that Parliament House facility will be drawn? If you do not know, you can take it on notice.

**Dr Morauta**—I do not think it is even our department. We will check it out.

**Senator FAULKNER**—Why would it not be your department?

**Mr Williams**—I think it may be the Department of Parliamentary Services.

**Senator FAULKNER**—They do not pay for entertainment costs.

**Senator ROBERT RAY**—He is not asking about capital costs now; he is asking about servicing the dining area.

**Mr Williams**—We would need to take that on notice.

**Senator FAULKNER**—Is there a cabinet fund these days, Senator Minchin?

**Senator Minchin**—A cabinet fund? Do you mean a fund to which cabinet members contribute?

**Senator FAULKNER**—Yes, for catering and the like.

**Senator Minchin**—Yes.

**Senator FAULKNER**—So I assume there is a cabinet fund and I am aware, in a general sense, of the catering arrangements that occur in the official establishments. At a previous estimates round we heard about the establishment of what I described as a smallish dining room attached to the Prime Minister's office, and I was wondering whether there were any arrangements in terms of how those costs were going to be met. Anyway, take it on notice and let us know.

**Senator ROBERT RAY**—I think there are four official establishments. In the last 12 months, have any staff been dismissed?

**Ms Patterson**—I have responsibilities in relation to two of the official establishments.

**Senator ROBERT RAY**—Let's concentrate on those two.

**Ms Patterson**—To my knowledge, there have not been any—and, definitely, no.

**Senator ROBERT RAY**—I assumed that you covered all four, but the other two would be for the secretary to the Governor-General, wouldn't they?

**Ms Patterson**—That is right.

**CHAIR**—Are there any further questions on output group 4? Are there any more questions for the Department of the Prime Minister and Cabinet?

**Dr Morauta**—Mr Leverett is able to shed light on some of the questions he took on notice, if people would like us to do that at some stage.

**Senator ROBERT RAY**—That would be good.

**CHAIR**—Dr Morauta, that may be helpful.

**Mr Leverett**—I took a number of questions on notice and I have answers to most of them. The two watercolours given to the Queen were painted by a local artist. Her name is Romola Templeman. The cost was \$4,285.45. The cost of the Condoleezza Rice visit was \$66,748. With respect to the banquet at the White House, the Australian Embassy was invited to nominate 12 to 14 people, with no guarantee that those names would necessarily be included. The embassy did in fact forward some names, and I think in the end they were all included. There was no consultation on the wider guest list. As one would expect, it was a White House guest list and they finalised that themselves.

**Senator CHRIS EVANS**—Do you have a copy of the Australian Embassy guest list?

**Mr Leverett**—I do not have a copy of it.



**Senator CHRIS EVANS**—Are you able to get that, or should I ask the Department of Foreign Affairs and Trade for that?

**Mr Leverett**—I will have to ask. I certainly cannot produce it now.

**Senator CHRIS EVANS**—Perhaps you could take on notice whether you can supply a list. If you cannot, that is fine.

**Mr Leverett**—Yes.

**Senator ROBERT RAY**—Have a look at the AEC donors list. It is about the same.

**Senator Minchin**—The only problem with that is that you get a list of who the embassy recommended and then you have another list which shows who was accepted.

**Senator CHRIS EVANS**—I think the officer said it was the same.

**Senator ROBERT RAY**—Only if it is the same.

**Mr Leverett**—We will check that point.

**Senator CHRIS EVANS**—I am only asking for those who were invited.

**Mr Leverett**—The Prime Minister was a guest of the Canadian government, so the suite that he stayed in was provided and paid for by the Canadian government. He stayed at The Peninsula hotel in Chicago and the suite cost \$US900 a night. I do not have the standard room costs, but I think that information came through then with the phone call. The only other question I had was about prospective travel, which we have agreed to take on notice.

**Senator FAULKNER**—Thank you.

**CHAIR**—There are no further questions for the Department of the Prime Minister and Cabinet. Dr Morauta, thank you very much for your assistance, as always.

[5.38 pm]

#### **Australian National Audit Office**

**CHAIR**—Welcome.

**Senator CHRIS EVANS**—I want to ask about the recent audit report on the Australian Tiger attack helicopter.

**Mr Chapman**—I am pleased to be here. I take this opportunity to pass on Ian McPhee's apologies for not being able to be with the committee this evening. We have the audit manager for that particular audit. He will be joining us very shortly. Perhaps there is another matter that we could deal with in the intervening period.

**Senator CHRIS EVANS**—They are all on defence, I am afraid. Is he the person to answer them all?

**Mr Chapman**—Yes. You caught us a little short. We did not quite pick your timetable.

**Senator CHRIS EVANS**—Is he also the person to deal with the question of the reservation on Defence financial reports, or is that something I should talk to you about?

**Mr Chapman**—We will have the appropriate officer in attendance for that as well. They are both travelling up at the moment from the parliamentary canteen.

**Senator MURRAY**—Mr Chapman, I want to ask you about the organisation of the Audit Office with respect to Defence. Please correct me if I am wrong but, as I understand it, whilst the Auditor-General's department develops officers with core expertise, it tends to spread the work across a range of officers, so there is no real specialist division. Is that accurate, or do you have a dedicated group of audit officers who attend to Defence audits?

**Mr Chapman**—The broad structural organisation of the Audit Office—I think you may be aware of this—is two broad groupings, one dealing with performance audit and one dealing with the assurance or financial statement auditing activity. The performance audit activity is specialised by portfolio. There is a team, ably led by Mr Cronin, which conducts all the performance audits in the Defence portfolio arrangement. Within the assurance or financial statement audit part of the business, we have a dedicated senior team. At the more junior levels, we tend to bring people together for particular tasks, but there has been a continuity of a sort among the senior people for a couple of years now, so they are getting quite knowledgeable.

**Senator MURRAY**—If there is an audit team approach to Defence, are you saying that that is relatively recent—in the last two or three years—or has it always been the case?

**Mr Chapman**—I might seek advice on that issue, but my belief is that for a number of years now we have had people who have undertaken the Defence audit each year. On that aspect of it—the financial statement audit—I will introduce Mr Michael Watson, who is the group executive director.

**Mr Watson**—We have had a team approach for some years on the audit of Defence, on the financial statement side of it.

**Senator MURRAY**—Do you discuss the ways other countries who are close to us in style and administrative practice, such as the United Kingdom and Canada and others, conduct Defence audits? Do you discuss with their auditor-general departments how they organise their work and their teams for Defence audits?

**Mr Watson**—Broadly speaking, on the financial statement side we might have some contemporary ideas about the way we do the audit vis-a-vis, say, the English or the Americans. But I could not say we are specifically intimate with that.

**Senator MURRAY**—I asked the question deliberately, because Australia is not an orphan with respect to Defence audit difficulties. Other countries have had the same problems with project overruns, with getting proper financial controls and with asset control—all those sorts of problems. Therefore I would assume that, if the qualified or difficult audits such as we have had in the Audit Office recently are continuing, it might pay to assess how the United Kingdom, the United States, Canada, New Zealand and perhaps a few other countries that you would think relevant may approach maximising the efficiency and effectiveness of the audit process.

**Mr Watson**—I know that the Americans, for argument's sake, do not even prepare a set of accounts under the accrual method. The English, as far as I know, have only adopted some sort of partial accrual. We have had discussions going back five or six years with the National Audit Office about particular aspects of the Defence accounts. One of the things that intrigued us or intrigued them was the componentisation with assets—but, again, we are aware broadly

but not specifically enough to engage in. I think the reporting regimes are different under the US and the UK models.

**Senator MURRAY**—You might be misunderstanding me. I am, of course, interested in the content and structure of an audit, but I am really asking you about the organisation of the Audit Office and its ability to take a long-term cooperative, developmental approach with Defence. I have had something of a look at the British system, and it seems to me that they have a more integrated and strategically developed and more structured approach than I understand to be the case with our own Audit Office. But I might be wrong, because I have not spent a lot of time on that. My question is whether, from a professional perspective, you are discussing the best ways of maximising utilisation of resources and ensuring the best benefit, because it is a long-term program. You cannot fix an organisation like Defence in five minutes. That is what lies behind my questioning. Can you add to your answer? Have you had full—

**Mr Watson**—From an organisational perspective, I do not think as an organisation we have gone a great deal into the sort of integration between performance audit and financial audit vis-a-vis the UK model. From an organisational perspective, we have definitely given serious consideration to the approach of the audit per se on the financial side of things.

**Senator MURRAY**—My impression from what I have read of the reports—and again I must stress that I am no expert on this—and seen of the British progress in this area is that they have made very considerable progress and qualifications are coming out of their reports now. That is a sign that the way in which their audit office and defence have organised themselves and structured their relationship and achieved the resources, targets and goals has been effective. In view of the negative climate in Australia surrounding some of Defence and Defence audits at present, I thought that I should ask you whether you have pursued that area.

**Mr Watson**—In the audit last year there was quite a bit of involvement with our performance audit as well as our financial audit. On the financial statements, we got some synergies on both sides of the equation. It is a bit different, I suspect, to the UK model from the way you have described it.

**Senator MURRAY**—Perhaps I will pursue this further with you through the Joint Committee on Public Accounts and Audit.

**Senator CHRIS EVANS**—I have some questions about the qualification of defence accounts for some of your project auditors after dinner. I am particularly going to be interested in your Tiger helicopter audit. I have some questions regarding the Seasprite, the frigates and your more recent explosive ordnance report. I can assure you that the two people most interested in this are Senator Minchin and I. We both value your work.

I want to ask a broader group of questions relating to your qualifying of the financial statements of Defence. I think this is the fourth time that you have had to qualify the Defence financial statements. Have you had to qualify the statements of any other department in recent years?

**Mr Watson**—Again, in fiscal 2003-04 there were some serious qualifications on the Australian Taxation Office. In fiscal 2004 there were, as you say, qualifications on Defence as well as in fiscal 2005. But the two biggest ones were Tax and Defence.

**Senator CHRIS EVANS**—But in 2005 Tax did not receive—

**Mr Watson**—In fiscal 2005, Tax's accounts were clear. The whole-of-government accounts—the consolidated financial statements—were qualified in fiscal 2004-05. Again that stems from the GST issue, revenue recognition and those types of issues.

**Senator CHRIS EVANS**—It is clear that Defence has been your major problem over the last few years.

**Mr Watson**—Yes.

**Senator CHRIS EVANS**—What does 'qualifying it' mean to a layperson? What is the seriousness? I have read the audit reports; I do not pretend to understand some of the terminology. What does it really mean?

**Mr Watson**—In lay terms, in fiscal 2005 the Secretary of Defence was unable to prepare a full set of accounts and therefore the Auditor-General could not conclude on that audit. That was the case in fiscal 2005. That is probably in the hierarchy of an audit qualification, which is probably one of the most serious you can get.

**Senator MURRAY**—It is a very fundamental issue.

**Mr Watson**—It is a very fundamental issue.

**Senator CHRIS EVANS**—It is a very serious qualification. Does that mean it was worse in 2005 than in previous years?

**Mr Watson**—The same thing happened in fiscal 2004; no-one could conclude.

**Senator CHRIS EVANS**—You talked about the Secretary of Defence being unable to sign off on the accounts or the statements. Is that the first time that occurred—in 2005?

**Mr White**—It was the same in 2003-4.

**Mr Watson**—For the last two years he has not been able to prepare and we have not been able to conclude. Preceding that, those accounts were what we call subject to the accounts in the overall scheme of things, which means except for things about stock, inventory, explosive ordnance and that type of thing.

**Senator CHRIS EVANS**—As a layperson I interpret that as meaning things are getting worse rather than better.

**Mr Watson**—For argument's sake, if you audit a public company and the managers or directors are unable to prepare a set of accounts and the auditors cannot conclude, that would be a major issue of disclosure for the Stock Exchange.

**Senator CHRIS EVANS**—What would happen in the case of a public company being in that sort of situation?

**Mr Watson**—I guess there would be a lot of issues for the regulator—the Australian Securities and Investment Commission—and the Australian Stock Exchange. Very important questions would be raised.

**Senator MURRAY**—And the shares would collapse?

**Mr Watson**—Yes, all those types of issues.

**Senator CHRIS EVANS**—Would they be allowed to continue to trade if there was that sort of pressure likely to occur on the shares?

**Mr Watson**—Some serious questions would be raised by the regulator. At the end of the day, if the directors cannot prepare and the auditor cannot conclude, that is the way the facts are told. It is then for the regulator and the market to make their judgments accordingly.

**Senator CHRIS EVANS**—Obviously, there is a fairly serious sanction if you are a public company. What is the sanction available to the Audit Office in respect of the defence department? It has been four years now. It has been dragging on. When I used to do Defence estimates at length I was assured time and time again that things were on the improve, they were working with the Audit Office, new systems were being put in place and it went on and on. I must admit that the financial officers seemed to change fairly regularly. The faces I had the conversations with seemed to be new on a number of occasions. What sanctions are available?

**Mr Watson**—There is no sanction from the Audit Office. The Auditor-General has a duty to report, and reports accordingly with an except-for opinion, an inconclusive opinion or an inability to form that opinion. That is what the Auditor-General can do. He is only required to report in that context. The sanctions are for somebody else to determine.

**Senator CHRIS EVANS**—There are major impacts and sanctions on a public company; are you saying to me that your work does not necessarily have an impact other than the brief publicity about it?

**Mr Watson**—I am not saying that. We are obliged under the FMA Act, and the auditing extends to opine and report, and if we cannot conclude then we report in that manner.

**Senator CHRIS EVANS**—But, if you like, they go on trading?

**Mr Watson**—The comparison between private capital and public capital—they are two different concepts.

**Senator CHRIS EVANS**—I am not trying to stretch the analogy. I am just trying to understand what we do about it if, in 10 years time, Defence are still failing to meet their obligations and you are still failing to sign off. Do we just keep saying, ‘That is a problem, isn’t it?’ After four years, when do we say enough is enough? Are you saying that is not your job?

**Mr Watson**—That is not our job. We report the facts as we see them and the parliament and the management respond to that accordingly. That is not our role as the auditor.

**Senator CHRIS EVANS**—I accept that. You provide your report and, if you like, your responsibilities end there. It goes over to government. But, given that you have had four successive occasions when you have not been able to sign off effectively on Defence financial statements, is there nothing that comes from the cumulative effect of all of this from your perspective? Do you just go around again next year and say, ‘Here we are again, and if it does not work again then off we go?’

**Mr Watson**—We cannot prejudge the outcome for fiscal 2006 until we actually go, as you say, around again. But as I understand it there have been significant dollars put into remediation. I think something like \$79 million has been appropriated for remediation in

fiscal 2006. I think there is about \$60 million for fiscal 2007. All of that is designed to turn it around. So, if they have made progress with that and we do our audit in fiscal 2006 this year, it then becomes a judgment to say, 'Okay that is now turned around and you are moving from an inability to a full set of clear accounts or a set of accounts that are acceptable. So we just have to now work through that with the department to get to that conclusion.

**Senator CHRIS EVANS**—I do not want to sound cynical, but I have been through this for four years with Defence and it has not changed. It is not fixed. You are still not able to sign off on their accounts. It is not a very happy state of affairs. With regard to the development where the secretary felt he was not able to sign off on the statements, tell me what happened there that was different from the earlier years. I assume you are saying that, in the previous two years, even though you had the qualification, the secretary was able to sign off on the financial statements. Can you explain that to me?

**Mr White**—I think in 2001-02 and 2002-03 there were a number of qualifications that the secretary and the ANAO would have judged still allowed you to take a view across the statements as a whole. The number of qualifications in the 2004-05 year and the effect of those qualifications then had an effect across the entire statements as a whole.

**Senator CHRIS EVANS**—I am not sure what that means. I am not being critical. What is the key difference between the first two years and the second two? You identified the problems in 2002-03—this is not a new problem—but the secretary was able to sign off for two years and then suddenly was unable to sign off. Is that because he knew more about the problems, in layman's terms, or was Mr Smith a bit more cautious than the previous secretary? I am not casting aspersions on the previous secretary. What is the difference?

**Mr White**—I think there were a greater number of qualifications identified in the 2003-04 year than previously. Certainly the assessment of the effect of those qualifications would have had to have been greater to get to the position that was arrived at.

**Senator CHRIS EVANS**—Was that the Audit Office's assessment as well?

**Mr White**—That is correct.

**Senator CHRIS EVANS**—So is it fair to characterise it as that things were getting worse?

**Mr White**—I think I would need to say that the number of items that were identified during the audit process was greater. I do not think I would be able to fairly judge in terms of a position of deterioration or not.

**Senator CHRIS EVANS**—But the number of items which required a qualification had grown and they grew to the state where the secretary was not able to sign off on his own department's financial statements.

**Mr White**—Correct.

**Senator CHRIS EVANS**—That would seem to me to indicate that the situation was getting worse and not better.

**Senator Minchin**—Not necessarily. It can simply mean that problems that were there had been brought to light. They may not have been brought to light before.

**Senator CHRIS EVANS**—I gave the officers the option of that explanation, Minister, and they chose not to take it. I was being fair in offering that, but it seems to me that that is not what they are saying.

**Mr Watson**—I think that in fiscal 2005 there was quite a deterioration. The stocktaking demonstrated something that was arguably a bit more extreme than in preceding years. In fiscal 2002 or 2003, for argument's sake, we say the accounts were okay except for the position with the stock. Each year has to stand on its own, because you have to go through that objective analysis. We believed, in conjunction with Defence, that the situation with inventory, for example, deteriorated even more. That would then explain that. To pick Senator Minchin's point up, we were also probably becoming aware of things being quite deep-seated ourselves the more we got into it—the auditing we apply has more detail and the standards are different. That, together with the deterioration, led us to the view in the overall scheme of things that, in layman's terms, that accounting representation was getting quite unstable. The leave liability issue became far more apparent to us. There was the stock situation and the explosive ordnance situation.

You make some fairly serious judgments about the overall integrity of the whole accounting representation. Defence has, say, an \$18 billion operating statement and about a \$50 billion balance sheet, so when you are getting serious question marks about the core assets of it, together with some fundamental issues about leave, you start to step back from it and say, 'What does this mean for the overall accuracy of that accounting representation?' And in fiscal 2005 the Auditor-General took the judgment, separately from the Secretary of Defence, that Secretary Smith and the Auditor-General were not prepared to go with that as being a reasonable representation, and that was a process of deterioration.

**Senator CHRIS EVANS**—I suppose that is also reflected by the secretary making the judgment in the last two years that he was not prepared to—

**Mr Watson**—That is what I am saying.

**Senator CHRIS EVANS**—So he reached the same judgment that you reached.

**Mr Watson**—He came to the same judgment separately to us, because for a couple of years there I think he was saying they were okay, except for—and in the last couple of years it started to move.

#### **Proceedings suspended from 6.01 pm to 7.34 pm**

**CHAIR**—I call the committee to order. We are on general questions in relation to the Australian National Audit Office.

**Senator CHRIS EVANS**—We were talking about the qualification on the Defence financial statements over time. Could you take me through the major areas of concern and what that means in laymen's language? Your reports are well worded. We used to have an old rule in my office: look at page 38 and you can usually find the essence of the report there. That was something that we could grasp onto. This is not a criticism, but a lot of the way you present it is not easy for some of us to get a grip on. Maybe you could just take us through the three or four things that you think are most concerning and tell us why and also tell us how Defence might address them.

**Mr Chapman**—I will take your comments as a compliment on our reports in a general sense. So the focus at the moment is on the financial statement audit activity?

**Senator CHRIS EVANS**—Yes, on the qualifying of the financial statement.

**Mr White**—I think perhaps the primary concern that we would have across the Defence accounts at the moment would be the representation of inventory—the general stores inventory, in particular—within their accounts. In the last couple of years there has been a qualification over the pricing aspect of the inventory, as well as some significant concerns and qualification in terms of the quantities represented in the financial statements. At this point in time there is a remediation plan and project to correct those two issues. Whether or not they will be corrected this year, I could not say at this point. We are still working on those processes.

**Senator CHRIS EVANS**—Can you tell me what—

**Senator Minchin**—Excuse me, Senator Evans, can I, on behalf of the ANAO, ask formally of the committee if it is possible to identify whether it is only those officers connected with Defence audits who are required and, if so, whether others could be let go?

**CHAIR**—That is a fair question, Minister.

**Senator CHRIS EVANS**—Speaking for myself, as I indicated to the minister earlier, I have only questions regarding Defence matters. I do not think Senator Faulkner had ANAO matters, but I am not sure.

**CHAIR**—Senator Faulkner does not have any?

**Senator CHRIS EVANS**—I do not think he has.

**CHAIR**—And Senator Forshaw has no questions for the Audit Office.

**Senator BRANDIS**—I have a very brief bracket of questions about Centenary House. But they are the same questions I ask every year.

**CHAIR**—We look forward to that!

**Senator BRANDIS**—Interestingly, the answers are always different—because it is a bigger figure.

**Senator CHRIS EVANS**—Maybe we should have another royal commission—third time lucky and finally you will be vindicated, George.

**CHAIR**—Minister, I think it is fair to say that we have questions on Defence related issues from Senator Evans and questions on Centenary House from Senator Brandis.

**Senator CHRIS EVANS**—You can tell the other officers that we will get them next time. I was asking Mr White what the ‘inventory of general stores’ means.

**Mr White**—The general stores inventory is basically the equipment outside of the explosive ordnance that is not classified as an asset. It is the more minor general types of inventory—bolts, buckets, boots, tents and that kind of thing in general.

**Senator CHRIS EVANS**—Not major equipment like a tank or a truck?

**Mr White**—No, that would be classified as a platform or something similar in nature.



**Senator CHRIS EVANS**—What about the inventory on the platforms per se? Are there any concerns there?

**Mr White**—The inventory representation is qualified across the balance. If there is inventory on the platforms, that would be encompassed in the qualification that we made.

**Senator CHRIS EVANS**—But you focused in your comments on the general stores inventory. Are you telling me that that is the main focus or the major problem?

**Mr White**—That has been one of the major concerns. I was going to continue and outline the other areas. Obviously there has been a qualification on the explosive ordnance inventory over the last couple of years, predominantly over the pricing aspect. We have been working with Defence to reduce that qualification.

**Senator CHRIS EVANS**—Was that the subject of your recent separate report?

**Mr White**—No, that was a performance audit. The financial statements side obviously covers that each year. Additionally, there has been a qualification over what Defence terms their repairable items—or the rotatable items, depending on how you like to describe them—which are the parts, the engines and the bits and pieces that go up to make the platforms. They are what are generally known as the general assets of the department—but not the platforms.

**Senator CHRIS EVANS**—So your concerns about general stores and repairable items are the main focus. What is the problem—that they do not know what they have got or that you are not satisfied that they have an accurate record, or do you think they are overvalued?

**Mr White**—With the general stores inventory, there has been a qualification over pricing aspects for a number of years because we have not been able to validate those prices and nor has Defence. With the general stores inventory, we also have a qualification in terms of the quantity, as with the repairable items.

**Senator CHRIS EVANS**—So you are telling me that they cannot tell you how many spare engines they have or their value?

**Mr White**—The representation on the system, which goes to the financial statements, is not what we see when we go out and perform our tests on the ground.

**Senator CHRIS EVANS**—Can you give me an example? Say we are using spare engines. What do the books show that you do not see when you are on the ground? How do you check?

**Mr White**—We would look at the number represented on the system and the location, go to that location, physically sight those assets, tick them off, match the serial numbers and that kind of thing. The qualification represents discrepancies in that testing.

**Senator CHRIS EVANS**—So they might say that they have 10 spare engines for aircraft at Williamstown, then when you go there they only have nine—that sort of thing?

**Mr White**—Exactly.

**Senator CHRIS EVANS**—And when you ask Defence why they do not know how many spare engines they have or why their records do not reflect the numbers, what is the answer? I would have thought Defence could go and count them just as well as you can, with all due

respect. They would have an accountant who could go to Williamstown and count the engines. If you can get it right, why can they not get it right?

**Mr White**—We are only testing the system; we are not trying to represent what they actually have. So if we look at their system and it says that there are 10 engines—to follow your example—we go and look and tick them off. If there are only nine there, that represents a discrepancy of the financial statements.

**Senator CHRIS EVANS**—Does that mean that Defence do not double-check themselves or just that the system is too out of control and they cannot be sure?

**Mr White**—I think over the last couple of years the secretary has signed the financial statements on the basis that he has the same position as we do on the qualification. He is representing that they were in error as well.

**Senator CHRIS EVANS**—So you have no confidence on the questions on the inventories on stores and on repairable items. What is the largest type of repairable item? What do we get to before we move to the platform?

**Mr White**—I am not an expert on all those types of equipment, but they could be engines for the F111s, for example, which can be quite large and obviously very expensive, the wings for an F111 and that sort of thing.

**Senator CHRIS EVANS**—We were picking up spare wings in America last time I checked—at a discount rate. So it could be a quite large item. Basically Defence are not able to be sure that their systems give them an accurate count. What about the value? Is that an issue as well?

**Mr White**—It is not an issue with the repairable items, but within the general stores inventory it has been for the last couple of years.

**Senator CHRIS EVANS**—So if you have a widget or a bolt, why can they not price that appropriately? We are talking about small items.

**Mr White**—It is a case of being able to provide the documentation to validate the figure on the system, which we have not been able to have them show to us.

**Senator CHRIS EVANS**—So why is it that all the other departments can do it and Defence cannot?

**Mr White**—I think all the other departments would not carry, say, \$3 billion of general stores in inventory and \$2 billion worth of ordnance. I think that Defence has something like 1½ million line items that make up \$3 billion. It is a question of scale and context. Other departments would not have the same degree or type of inventory assets.

**Senator CHRIS EVANS**—I accept that they have a bigger issue, but it seems to me that systems either work or they do not work. That is what I am trying to understand. I accept that their scale is larger than most departments—

**Senator MURRAY**—Perhaps you can tell us whether you can compare another outfit that you audit—Telstra. Do they have huge stocks of large value? Is that a comparable situation?

**Mr Watson**—There is a comparable situation but not the same context. I have to talk in general principles, but I think Defence has a capex of somewhere between \$2 billion and \$3

billion. I think Telstra has a similar issue. They, like Defence, are looking at the relationship between the capex and opex. I do not think you would see the same quantum of inventory in Telstra as you would see in Defence.

**Senator MURRAY**—But Senator Evans was asking about the small items of inventory. I would have thought that Telstra would have a comparable small items inventory.

**Mr Watson**—We have small items but, as it were, you can vouch or substantiate by means of documentary evidence the historical price of some of those line items of stock, whereas in Defence that is not as easy or not as referenceable as it would be in some of these other places. That has been part of the problem. It is the validation of the pricing documentation.

**Senator MURRAY**—I am not convinced. I would think that, if Telstra can do it, Defence can do it—wouldn't you?

**Mr Watson**—All I can say on the record is that hitherto Defence has not been able to validate some of the pricing of that inventory. The secretary of Defence himself concurs, as does the Auditor-General. That is why there is an asterisk around that particular part on the qualification.

**Senator MURRAY**—I bet you there are major public companies like, say, BHP Billiton who would have just as tough, dispersed, varied and difficult inventory as Defence does. I have not looked at their annual reports recently but I bet you a pound to a bag of peas that they are all right.

**Mr Watson**—They could well be.

**Senator CHRIS EVANS**—Is there an inventory of the platforms as well?

**Mr White**—We do actually do testing across the balances of platforms each year.

**Senator CHRIS EVANS**—Have there been any concerns about them?

**Mr White**—No major concerns have led to qualification.

**Senator CHRIS EVANS**—What sorts of concerns have you had?

**Mr White**—I was not specifically reflecting on any concerns. But we do a series of testings and there has not been anything of any significant nature that would lead to a qualification.

**Senator CHRIS EVANS**—Obviously the inability to deal with the inventories is one of the issues. The other major one you identified was the employee leave issue. Can someone take me through that? What does that mean and what are the concerns?

**Mr White**—The employee leave qualification basically was a representation that we could not vouch or substantiate the balances within the system back to the primary documentation.

**Senator CHRIS EVANS**—So you were not convinced that they knew how much leave each employee had?

**Mr White**—That is correct. We were unable to vouch that.

**Senator CHRIS EVANS**—Is this because of the problem with the PMKeyS project in part?

**Mr White**—I would say that we were trying to vouch from the PMKeyS system back to the primary documentation and we were unable to find the documentation. It was not necessarily a reflection on PMKeyS itself.

**Senator CHRIS EVANS**—I know they have had enormous difficulties with PMKeyS over a number of years. Have you done an audit on the PMKeyS system? I was pushing for it a while back.

**Mr Cronin**—We did an audit report which was tabled last year. It is audit report No. 8 of 2005-06, on the Personnel Management Key Solution implementation project.

**Senator CHRIS EVANS**—Having moved out of the portfolio area I missed that one. But what was the bottom line on that?

**Mr Cronin**—The project ran significantly late and over cost, and it failed to deliver key capabilities. It had a similar outcome to that on the SDSS audit that we reported on in the previous year—in 2004. We have undertaken as an office to do a series of audits on major IT platforms in Defence on performance audit. In 2004 we did the SDSS, in 2005 we did PMKeyS and currently we have under way an audit of the remediation of SDSS. That will be reported on early next year.

**Senator CHRIS EVANS**—In your view, did the PMKeyS difficulties contribute to the problems of verification of leave?

**Mr Cronin**—That is something that we did not actually cover. We looked at the actual project for the implementation of the PMKeyS system.

**Senator CHRIS EVANS**—But capability was one of the issues. It was certainly a concern I was raising about five years ago. People who were relying on it to pay them were telling me that it was not working.

**Mr Cronin**—Yes, the question of the data that go into PMKeyS has been at the heart of the financial statements, and Mr Watson or Mr White can speak about that.

**Senator CHRIS EVANS**—Perhaps, Mr White, you could tell me what the key issues are with the qualification of the accounts on the leave. Does PMKeyS input part of that?

**Mr White**—We would have difficulty judging whether it was strictly the inputs when we have not got the primary documentation at the far end. It is difficult to tell exactly where any errors may be when you cannot vouch it back to your primary documentation.

**Senator CHRIS EVANS**—What is the import of these problems on the leave front? Is it just a bookkeeping problem, or is it the fact that Defence do not know or cannot be sure what leave entitlements their service personnel have?

**Mr White**—I think it is predominantly a bookkeeping issue, but because of that issue I would say that we have raised a question mark over what those entitlements are or should be.

**Senator CHRIS EVANS**—So if they were in dispute with service personnel about leave entitlements, you think they would have difficulty being absolutely sure that their system provided accurate information?

**Mr White**—I am sure that at times they do have difficulty proving that.

**Senator CHRIS EVANS**—Were there any other major areas that caused concern as part of the qualification on the Defence accounts last year?

**Mr White**—I think they were the primary areas.

**Senator CHRIS EVANS**—You may not be able to answer this, but is there much confidence about this year's accounts being better placed? You have obviously got the remedial plans in place; I am not asking you to pre-empt the accounts. But, in discussions with Defence, is there any confidence that the major problems are going to be addressed this year?

**Mr Watson**—They have sent over 14 position papers. In fact, I signed the last one tonight so I can say to you that the whole design and construct of those remediation plans is going in the right direction. The open issue is that now they have to deliver on that.

**Senator CHRIS EVANS**—So the position papers do what?

**Mr Watson**—They set out the approach and the principles to be applied. There has been a very rigorous, coherent examination of what the problem is, why it exists and how we go about solving it. We have agreed primarily with some of those issues; we have raised some clarifying points, but in principle we agree. The issue is now to go and do it. We hope the leave issue will be nailed down some time in the latter part of June. We are working on the stock issue with them.

**Senator CHRIS EVANS**—Will that mean it will be in time for this year's accounts?

**Mr Watson**—That would be the plan. If they have got the design right, the only issue now is the implementation of it. That is really an open issue at the moment for the secretary and us to work through.

**Senator MURRAY**—On the same point, do these position papers sheet home responsibility to individuals who wear responsibility for delivering?

**Mr Watson**—No; I am not aware that they have got a responsibility assignment in them.

**Senator MURRAY**—That is a problem, isn't it? Isn't the problem that has been identified with Defence consistently that individuals have not had responsibility attached to them to deliver these outcomes?

**Mr Watson**—That is the crux of it, but I think the implementation plan that would accompany or support those position papers would nominate the responsibility area so that there can be an actual measurement against the progress.

**Senator MURRAY**—Will part of your audit, when it comes to verifying the accounts, be to establish that there are people who have the responsibility for these particular issues?

**Mr Watson**—The shorter answer would be yes, because invariably we have got to find out what has to be done and who has to do it. Invariably you would get to that. If it has not been done, the question would be why not, and who was responsible for it?

**Senator MURRAY**—Although it would not be your responsibility or recommendation, I would assume somebody who was not competent at their job and did not do the job required would face some kind of executive penalty. But that is not your job to comment on.

**Mr Watson**—No, earlier this evening we talked about the sanction. That sanction does not exist for the Auditor-General's office.

**Senator MURRAY**—But it is your responsibility to identify who has responsibility in these areas?

**Mr Watson**—In the rigour of the analysis and the execution, invariably that question comes up.

**Senator MURRAY**—Thank you.

**Senator CHRIS EVANS**—Before I move on to some of the special projects in your recent reports, can I just ask: what does the qualification of the financial accounts mean in terms of the major projects, slippages and the cost overruns? Do they show up at all in your treatment of the financial accounts?

**Mr Watson**—You talked about plain English earlier on. Defence has a \$50 billion balance sheet. We have, say, \$3 billion of questions around stock. We have questions around last year's figures—about \$600 million or \$700 million worth of explosive ordnance. They are essentially recording type issues. If the paper based record is not there, the score-keeping systems are not accurate and there is no data integrity then you cannot include on the footing of the balance sheet whether or not the \$3 billion or \$2 billion is correct. I think there are hard assets—this is the way they talk over there—of \$20 billion, plus what is made up of what you keep calling 'platform assets' and 'assets under construction'. When we look at the assets—

**Senator CHRIS EVANS**—Was that \$20 billion last year?

**Mr Watson**—I would have to get the figures. It is something like that. That is consistent with what you call 'hard assets', 'platform assets' and 'assets under construction'. That is when they want to get ships built et cetera. It is an argument about what is capital and what is an operational expense. Invariably what happens there is that the management and the auditor make progressive payments together. We regularly review, for financial reporting purposes, what is the carrying value of that asset under construction. It is a bit like your Enron argument: if you keep capitalising stuff that you should be expensing, you cause a distortion. So we, in conjunction with management, look at the value of that \$8 billion in terms of whether it is really capital or if it should be written off.

Then, when they come out of assets under construction, they manifest themselves as fixed assets. Then they have looked at whether those assets are really worth what we have paid for them. So that is the management process. It is an open issue for fiscal year 2006. We have to go through what the management have done with the review of the assets under construction and, similarly, when we come to the value of the assets, we have to go through a separate process. So the answer is that that should pick up these sorts of questions. All these issues on the projects that the performance audit finds are to do with project management per se, and I draw the distinction that it is for financial reporting purposes.

**Senator CHRIS EVANS**—I accept that—and we will come to the performance audit in a minute. The Seasprite was my old favourite—and I could make a career out of the Seasprite because it is going to go that long unless we finally pull the pin on it. If you know that there are huge cost overruns, failures to deliver, loss of capability, and so on, on the questions of

cost, delivery date and capability where we have failed, we are seriously behind or we have increased costs, where would it show up in the financial statements? This is taxpayers' money getting wasted, and the perception seems to be that that never gets counted. We—successive governments—just pour more money in and the government then has to find the extra money to fund the stuff-up. So while we argue about inventory of general stores, which is all important stuff, there might be \$1 billion going down the drain. Where do I find that in your auditing of the financial statements and how do you treat that?

**Mr Watson**—Last year there was a complete exclusion of the qualification. The secretary could not prepare and we could not conclude it. But, if we look at the Seasprites this year, if they have spent X million dollars on them, until they are accepted by the Navy as assets, they are temporarily suspended in 'assets under construction'. That could be X hundred millions of dollars. The next question is: what are those things really worth? If there is a genuine belief that there is impairment or if you spend X hundred million dollars on the software and it does not work, the management response should be: 'Am I artificially carrying that at a higher value in that \$8 billion?' So they have a duty of care, as we do, to go through that and say: 'Yes, there is a legitimate question. Adjust it down.' If, however, the subject matter expert says, 'No, that is too early to take the hit,' you would leave it there.

When those Seasprites are eventually accepted, then the separate question comes in: 'I've taken that out of my assets under construction; I'm now putting it on my balance sheet, including that \$20 billion. What's it really worth?' The logic is that if you write it down when it becomes accepted into the fleet then the question is, 'Should you have thought about it while it was in 'assets under construction'?' The answer should be that there is a genuine response and analysis around the value of that X hundred million dollars; the system should consider that as a legitimate adjustment.

**Senator CHRIS EVANS**—That is what I want to take you through, because it seems to me that, if we spend \$1 billion on the Seasprite that cannot fly at night and cannot fly over sea, you would have to say that as a navy helicopter it is not value for money. At what stage do we make a judgment that we are not getting value for money? At what stage does that show up as a qualification on Defence's spending, and how do you treat that?

**Mr Chapman**—To clarify, the situation you have described does not necessarily show up as a qualification. The account should correctly reflect the reality of the situation.

**Senator CHRIS EVANS**—It is my misuse of terminology; you use the correct terminology. I think you know what I am getting at, but I accept that I did not phrase it properly.

**Mr Chapman**—What you are looking for is, at one point in time, will the write-down of that asset appear in the accounts of Defence? Will it be disclosed as—

**Senator CHRIS EVANS**—Yes, and how and when is that disclosed?

**Mr Watson**—If there is a note to the accounts that says there have been write-downs or impairments to these things then I guess the answer would be that, if we disagree with management, they should adjust it down; and, if they do not—depending on the quantum of it—then we would give serious thought to a qualification. Currently in the notes to the

accounts you can look at the impairment write-downs of their assets, including assets under construction.

**Senator CHRIS EVANS**—Where do I find that?

**Mr Watson**—If you look at the fiscal 2005 accounts, you can look at note 5E. You will see a snapshot of—

**Senator CHRIS EVANS**—What page is that on?

**Mr Watson**—It is on page 391 of the *Department of Defence annual report 2004-2005*. You will see a profile of the write-down of the assets from impairment and this type of issue.

**Senator CHRIS EVANS**—What does it say about the Seasprites?

**Mr Watson**—It does not say anything specifically about Seasprites; it depends where that is aggregated in a particular class of asset. But last year the Auditor-General and the secretary of Defence could not conclude.

**Senator CHRIS EVANS**—I will come to that point in a second. On behalf of the Australian taxpayer, how do we find out what write-down or adjustment has been made on the basis of a capability problem? I am only using the Seasprites as an example.

**Mr Watson**—If there was a shared view on that—that there was a legitimate write-down—then you would have to go to the accounts, but you would only see the aggregate of the dollar; you would not see the specific class or asset type.

**Senator CHRIS EVANS**—Maybe Mr White can help me; I have not got the document in front of me. What sort of description is there that would allow us to identify the class of platforms that have had an adjustment made to them?

**Mr White**—It might not refer the class of platforms, but for example it might list impairment or write-downs against specialist military equipment, as opposed to inventory or explosive ordnance write-downs. So it would be aggregated at that level.

**Senator CHRIS EVANS**—But how do I find out that aggregate result? Are the components of that aggregate public information?

**Mr White**—You would need to go to the Department of Defence if it is not disaggregated beyond this level in the notes of their accounts.

**Senator MOORE**—What is the trigger in the document that would lead you to take that next step to try to find out? What does that particular note say in the annual report that would lead you, as a taxpayer or someone interested, to say, 'There is a problem here.' What does the note say in the annual report?

**Mr White**—Just by its title, I suppose it would be drawing attention. It is the write-down of assets, so that is clearly shown in the sets of accounts.

**Senator MURRAY**—As an auditor, you cannot write down an item; but you can state that in your opinion an asset is overstated in value. If Defence declined to write-down an asset but for good auditing reasons you decided it was overstated in value, I understand the immediate effect on Defence financial statements would be zero because you are forming an opinion; and, unless DOFA then pushed the boat with Defence or through the cabinet, the write-off



would not occur. But, effectively, if something is overvalued by—let us use a round figure—\$1 billion, what effect does that have on the national accounts? Does that mean that the surplus is overstated by \$1 billion? Does it mean that it is just a balance sheet adjustment?

**Mr Watson**—No. Could we go back a bit? If we had a billion-dollar adjustment where we argued that the accounts should be adjusted down and the Defence department did not, we would arguably qualify those accounts, because they have breached our materiality limit. If you wanted to understand the accounts—and part of my role here is to understand the accounts—and if you were then to go to their annual report, given the significance of that write-down, be it over \$1 billion or under \$200 million, in that annual report you should be able to get a break-up of what has been written-down. It would not be in the financial statements, because they deal in aggregate, but in a particular business unit area. In regard to the billion-dollar write-down and what it means for the national accounts: if the Commonwealth's accounts are proved on core principles, that would then attract a qualification of the whole-of-government accounts—

**Senator MURRAY**—That is right.

**Mr Watson**—because the Finance reporting, as it were, is overstated by \$1 billion in that particular example you gave. In terms of the GFS, because they do not capitalise the cost of these hard assets they actually expense them—it is like a consumable—that has already gone through the national accounts in that context. But for Finance reporting there would be a disputed bid with the secretary of Finance to say, 'We are carrying forward a qualification from Defence.' So the Finance reports of the whole-of-government would be qualified.

**Senator MURRAY**—So it runs all the way through to national accounts?

**Mr Watson**—To the CFS accounts, which are now AEIFRS, but they are accrual based principles, whereas with the GFS there is a whole different argument there about the way you account for purchases of military equipment. They are essentially expensed.

**Senator MURRAY**—This is a hypothetical—although we are dealing with a situation where assets are of questionable value, because that is what you have said, so it is not completely hypothetical. If the government then accepted that your qualification should be avoided and instructed Defence to do the write-down—

**Mr Watson**—To adjust it down, yes.

**Senator MURRAY**—and they had not budgeted for it in their budget, what would be the effect on their accounts?

**Mr Watson**—From the way you are talking, they would adjust their financials down. The effect has now been that it has been fully disclosed as a write-down, and there has been a dilution of capital.

**Senator MURRAY**—Does it effectively reduce the surplus?

**Senator MINCHIN**—No.

**Mr Watson**—No, because it is a capital item. It is not an operating expense.

**Senator MURRAY**—So it only runs through to the capital account; it does not run through to the current account. Okay. So it is only an asset effect?

**Mr Watson**—Yes.

**Senator CHRIS EVANS**—Take, for want of a better argument, the \$20 billion of assets, of platforms: the valuing of the aircraft, the tanks, the ships owned by Defence, at \$20 billion. Is your evidence tonight that you are not able to pass any comment in the 2005 financial statements about whether that valuation is right? Why is that? You are basically saying to me that, when you dealt with their financial statements, you did not deal with any assessment—

**Mr Watson**—I will go back to first principles. We said that the secretary of Defence was unable to prepare a full set of accounts—inventory, hard assets, intangibles, leave liabilities, assets and liabilities—and he was operating in revenue and expenses. He said, ‘I can’t come forward with it because of uncertainty.’ The Auditor-General agreed with him. So, as it were, they could not prepare; we could not conclude. I am answering your question in the context of your ‘assets under construction’, the value of your hard assets. When we came through to fiscal 2006, we would have to make a judgment about whether or not the carrying value of those hard assets, at \$20 billion, is legitimate. And, depending on the quantum of that difference, we would argue for qualification or nonqualification.

As to the value of the Seasprites and projects of that ilk, because they have not been accepted into the Navy or the Air Force or the Army they are temporarily suspended in your balance sheet as ‘assets under construction’. If, however, management—and management does do this pretty earnestly—go through and scour the value of that \$8 billion, provided what they do is legitimate and objective and meets the test, we would accept or reject that, depending on the evidence that was put in front of us.

**Senator CHRIS EVANS**—But, even while they are ‘assets under construction’, if they have actually got a contract where now they are going to have to pay \$200 million more than they had originally budgeted, that would have to go into the accounts, wouldn’t it?

**Mr Watson**—Either by way of—

**Senator CHRIS EVANS**—Say they are just—

**Mr Watson**—payment or accrual—

**Senator CHRIS EVANS**—Yes.

**Mr Watson**—But I am coming back—

**Senator CHRIS EVANS**—Say the GSF cost has gone up, which inevitably it will have.

**Mr Watson**—Yes, some of them.

**Senator CHRIS EVANS**—That will have to be reflected in the cost of the assets under construction, won’t it?

**Mr Watson**—Yes. Eventually, yes, depending on when they cut the cheque for it.

**Senator CHRIS EVANS**—Only when they cut the cheque for it?

**Mr Watson**—I am coming back to your other question now, but if the value of that has deteriorated, for all the reasons you are talking about, the management and the auditor would make a serious consideration as to whether to adjust down or leave it. That would depend on

that subject matter expert, who would say that it is too early to take it or that it is early enough to adjust it down because the value is not there.

**Senator CHRIS EVANS**—But you have the right and obligation—

**Mr Watson**—Yes.

**Senator CHRIS EVANS**—to test those decisions.

**Mr Watson**—Very much so, because—

**Senator CHRIS EVANS**—So what if they have not made any adjustment for (1) the extra cost of the Seasprite or (2) the fact that it cannot fly at night or over seas? That might well have affected its value as an asset. As a Navy helicopter, I think that would be fairly fundamental. You would expect them to have written down the value of that asset to the Navy. Is that right?

**Mr Watson**—If it comes out like that, there has to be a fairly serious consideration to adjustment.

**Senator CHRIS EVANS**—So they would make that judgment. They would say, ‘The Seasprites, given that they are more limited in role, are not worth a billion bucks any more; they are worth \$400 million.’ You then get to check whether the \$400 million is a fair issue.

**Mr Watson**—That type of issue, yes.

**Senator CHRIS EVANS**—When was the last time you were able to do that with the hard assets, the platforms, of the defence department?

**Mr White**—We do that routinely as part of the financial statement audit. It is a process that we do each 12 months. Given that the signing of the financial statements was probably in September or October last year, and we have been moving through doing those processes again this year, it will probably be earlier as a part of signing this year’s financial statements.

**Senator CHRIS EVANS**—Maybe I misunderstood. I thought that your evidence was that you were not able to do that last year.

**Mr Watson**—No. The way it came out last year was this. The secretary to Defence and the Auditor-General were unable to compare and conclude, so the answer goes away in one way. You cannot attest to the value because the whole system-recording issue was such that it made null and void the accounts.

**Senator CHRIS EVANS**—That is what I am trying to say. Did we have \$20 billion of hard assets—military platforms—last year or didn’t we? Or is the answer that you cannot tell me because you were not able to verify it?

**Mr White**—The qualification in terms of the disclaimer of opinion says that we could not judge the accounts as a whole. But programs of testing were completed across a wide range of items, and within the accounts—and this might answer your question—we did make a comment about the SME—that nothing had come to our attention to suggest that there was any issue across that balance.

**Senator CHRIS EVANS**—I do not think that is quite the answer to the question, though.

**Mr Watson**—I think it is. He is saying that we did not see any evidence to say that the X billion dollars was unfairly stated, notwithstanding that we drew a circle around the whole of the accounts.

**Senator CHRIS EVANS**—But also you did not sign off that that was the value.

**Mr Watson**—But we have put that sort of statement in there.

**Mr Chapman**—To express it differently, we did not have to sign off that that was the value, but work in this area was undertaken as part of the audit and did reach a point.

**Senator CHRIS EVANS**—When was the last time you were able to sign off on the value of Australia's defence platforms?

**Mr Watson**—If you go to fiscal 2002-03 accounts as where we gave a clean opinion, included in that clean opinion was a positive statement about the hard assets. In fiscal 2004-05 all bets were off.

**Senator CHRIS EVANS**—So you have not been able to formally sign off on the value of those assets since 2002-03.

**Mr Watson**—As Mr White says, as part of the overall opinion in the last two years—

**Senator CHRIS EVANS**—I accept the qualification, but you have not been able to actually sign on the bottom line as to what the value of those assets is.

**Mr Watson**—No, we have not made that comment.

**Senator CHRIS EVANS**—Can you tell me whether, in relation to something like the Seasprites, you have had adjustments to their value?

**Mr Watson**—For fiscal 2006, that is what is before us. That is what we now have to go through. I went through that process of what the management and the auditor have to do about—

**Senator CHRIS EVANS**—But we have been writing cheques for the Seasprites for some years.

**Mr Watson**—As I said, the account is faithfully—

**Senator CHRIS EVANS**—I remember that we were paying for a maintenance section when we did not even have the helicopters. That was the best of it. We were actually paying for the maintenance of the helicopters when they had not been delivered. We have been writing cheques. I am asking whether we have ever made an adjustment for that in the Defence accounts?

**Mr Watson**—I do not know that it is so much the Seasprite accounts. If you go back through the earlier accounts in fiscal 2001 and fiscal 2000, you will see there have been major adjustments to the carrying value of assets under construction because we have moved from capex back to opex. The value was not there. I am going back four or five years to when I did this. It was a long time ago. There were adjustments historically on assets under construction. Whether they included Seasprites or whatever, I cannot be—

**Senator CHRIS EVANS**—That is all right. You have told me the methodology and I accept that. But, in terms of each particular program, how do we know whether or not the

department and you signed off on a change in the value of those assets? It is not clear to me that that is in the defence department documents. I will go back and check.

**Mr Watson**—I would have to check.

**Senator CHRIS EVANS**—My recollection is that it was not that specific.

**Mr Watson**—I am not across the detail of that Defence documentation.

**Senator CHRIS EVANS**—I am not making that claim. That is my recollection and it could be wrong. I will follow that up, obviously, with Defence. But this year you hope to be able to have a process whereby you actually can sign off on what the value of those assets ought to have been and what adjustments—

**Mr Watson**—Yes. A word that is now in the accounting standards is ‘impairment’. If there is impairment, you are obliged under the FMA Act and the audit and accounting standards to adjust down the value because, if you do not do that, you are then disclosing an inaccurate financial reporting position.

**Senator CHRIS EVANS**—It is reported in the press that the Minister for Defence is actually considering the option or may consider the option of abandoning the project. I am not suggesting that you comment on that particular project. But if, for example, a Seasprite project was written off as being too hard or unable to be rescued and we should not throw another dollar into it so we wrote it off, what would happen in terms of the accounts?

**Mr Watson**—You would have to move X hundred million dollars out of assets under construction. What I call the debit goes into your operating expense. That is, you have a write-down of a major asset—X hundred million dollars, for argument’s sake, or whatever the figure is.

**Senator CHRIS EVANS**—So if it was \$1 billion, you would take the \$1 billion out of the assets. What would that mean for Defence’s financial position?

**Mr Watson**—It means that the value of their net asset position would reduce by \$1 billion and their operating result would be increased in terms of more expense in their operating result.

**Senator MURRAY**—But the cash is unaffected?

**Mr Watson**—Yes. Under accrual reporting you write down an asset back to an expense. So you create an expense in your operating base and you reduce your assets. But they have still drawn X hundred million dollars from year nought to year 5. That has faithfully been recorded in the accounts which are now adjusting down because the value is not there.

**Senator CHRIS EVANS**—But the loss of the \$1 billion shows up where?

**Mr Watson**—As an operating expense. That would be a substantial item. I think Defence’s operating base is \$18 billion, so you are talking about a significant adjustment as an item of expenditure in the operating result.

**Senator CHRIS EVANS**—Not to mention the questions for the capability et cetera.

**Mr Watson**—I cannot go near that.

**Senator CHRIS EVANS**—No.

**Mr White**—It may not be for the full value though. Obviously they are going to have some value. It would depend on the options that the minister is presented with and the decision he makes. They are unlikely just to be scrapped. There would be some saleable component and all of the rest of it. So you may not see the exact value of the asset itself load directly through to the P&L.

**Senator CHRIS EVANS**—I admire your optimism! It is a helicopter they could not sell to anybody else. It is a 1960 Vietnam War airframe. It cannot fly over sea or at night. I reckon our chances of flogging it to somebody else are not good. But maybe if we put you in charge we might get a good price for it. I am sure Senator Minchin is hoping you will!

**Senator Minchin**—I was trying to think of some landlocked countries that may have a use for them—Switzerland perhaps!

**Senator CHRIS EVANS**—Yes, landlocked countries with airforces that have a rule about not flying at night. What about Iceland? For six months of the year there is no darkness. They would be okay up there. But there is water up there, isn't there?

**Senator MURRAY**—I have a suggestion for you. It should be a gift to the president of Zimbabwe to use as a presidential helicopter. It would serve him very well, I think.

**Senator CHRIS EVANS**—I think that you and I would both prefer that it be used on him, Senator Murray! Tell me about the Australian Tiger attack helicopter. Tell me the success story of the helicopter purchase.

**Mr Watson**—Is that a performance audit type question?

**Senator CHRIS EVANS**—Yes.

**Mr Cronin**—This is an audit we have done. We did five major capital equipment project audits in 2005-06. These are concerned essentially with scheduled cost and performance. The issues that generally come out of these audits—and this one in particular—include the implication for capability, contract management and financial management. We tabled the Tiger report on 2 May this year. If we go to the overall audit conclusions—

**Senator CHRIS EVANS**—Just before you do that, why did you audit the Tiger? Was it a part of your normal work?

**Mr Cronin**—This is the major expenditure in 2005-06. We were scheduled to spend something like \$440 million. It is a major new capability for the ADF. Our audits concentrate on picking up some of the major top 30. To date, we have done about eight audits of the top 30, and this is just one of them.

**Senator CHRIS EVANS**—Okay. I just wanted to know whether there had been a special request or whether it was a part of your normal work.

**Mr Cronin**—When we went into this, it was one of the major audit activities. The literature and everything pointed to this as being a project that was being delivered on schedule et cetera, and we just treated it as a normal audit.

**Senator CHRIS EVANS**—Sure.

**Mr Cronin**—What did we find? In terms of the overall audit conclusions, the ADF set out to buy an off-the-shelf proven technology. It has transitioned to become a leading-edge

technology to the point that we are now the lead acquirer of the Tiger. We have leapfrogged the French and German programs. It was the first aircraft of its type to be accepted into service. We have expended a significant amount of money—over half the approved budget has been expended.

**Senator CHRIS EVANS**—What was the approved budget again?

**Mr Cronin**—It is about \$1.96 billion, nearly \$2 billion. The largest components of that are the acquisition contract, which at the time of acquisition was about \$1.1 billion—and that was for the acquisition of 22 Tigers—and a through-life support, which was valued at \$400 million plus. On top of that, there were other various parts of the program.

**Senator CHRIS EVANS**—We have already paid about \$1 billion?

**Mr Cronin**—We would have paid by this stage well over \$1 billion. When we reported in the audit in October 2005, we had paid \$855 million. The projected expenditure would place this now over \$1 billion.

**Senator CHRIS EVANS**—I think the budget papers had it at \$1.149 billion.

**Mr Cronin**—I think that would be fair. So significant amounts of funds have been expended. At the time we did the audit, the audit essentially focused on the first three delivered aircraft—that is, ARH1 and ARH2, which were delivered in December 2004, and ARH5, which was the first Australian aircraft that was delivered, and it was delivered in June 2005.

**Senator CHRIS EVANS**—How many did we build in France?

**Mr Cronin**—We built four in France and we assembled 18 in Brisbane in Australia.

**Senator CHRIS EVANS**—I visited the factory a few years ago and that was one of the selling points—that we were going to do a lot of the assembly here and pick up the skills.

**Mr Cronin**—The audit then moved on to say that the ADF has not had an effective Tiger ARH capability and has had a limited ability to train aircrews 12 months after accepting the first two production aircraft, which is ARH1 and ARH2, which was in December 2004. The DMO accepted the first three aircraft—that is, ARH1, ARH2 and ARH5—in a state that did not meet contractual specification. However, the DMO did not withhold any payment associated with the aircraft not meeting specification. The DMO advised the ANAO that, at the time of contract signatory on 21 December 2001, it was accepted that the ARH delivered at in-service date, which was 15 December 2004 for ARH1 and ARH2, and that a number of subsequent ARH would not meet the fully contracted specification.

The outcome of this is that the Tiger has been fully paid for, for those aircraft that we looked at, but has not met the specification. Indeed, ARH1, which was the lead Tiger, has gone in for a nine-month service. In February 2006 it went into retrofit service, and it will come out in November 2006. That is spelled out in paragraph 20 of the report.

**Senator CHRIS EVANS**—So that is unplanned service.

**Mr Cronin**—With the initial contract, what they entered into was a contract for the delivery of aircraft to meet a specification. In 2002 the DMO established another arrangement, which is not documented, that accepted a lower capability.

**Senator CHRIS EVANS**—Did I hear right?

**Mr Cronin**—That is what is said in paragraph 18 of the report.

**Senator CHRIS EVANS**—They accepted a lower capability but did not document that acceptance.

**Mr Cronin**—The Audit Office was unable to identify a contract change proposal. Look at paragraph 18, on page 17 of the report. The last sentence says:

The ANAO observed that the negotiation for a fundamental change to the Acquisition Contract to cater for the resulting remediation plan that impacted on available operational capability, was not formalised through agreed Contract Change Proposals.

To alter a contract, you execute a contract change proposal. There is not a contract change proposal.

**Senator CHRIS EVANS**—So under what authority were DMO able to accept less capability or accept an inferior product? What authority do they have to do that if there is no documentation and no approval by government? I presume there was no approval by government.

**Mr Cronin**—This was revealed as we proceeded, very late in the audit. As at the date of completion of this report, that is the extent of it. We have no documentary evidence of the agreement. We have no contract change proposal.

**Senator CHRIS EVANS**—Did DMO say to you, though, that it did not exist?

**Mr Cronin**—Those were the agreed words with the DMO.

**Senator CHRIS EVANS**—So DMO concede that there was no formal contract alteration but they had agreed to accept what I would describe as an inferior product to the one they had bought.

**Mr Cronin**—That is the essence of what is outlined in paragraph 18 of the report.

**Senator CHRIS EVANS**—What are the consequences of that?

**Mr Cronin**—The consequence of that is that the accepted Tiger does not meet the specifications. If you look at the tables contained in chapter 4 you will see the outcome of that. Paragraph 19 of the summary, under the heading 'Overall audit conclusions' says:

The first three aircraft accepted by the DMO carried configuration deficiencies that did not meet contractual specifications. These included capabilities associated with: maximum all-up weight; weapons operability; navigation system operability ... an emergency locator beacon ...

We run through them. If you look at tables 4.3 and 4.5 in our report, you see that we go through at least what they are. On page 62 and 65 there are a series of crosses and ticks.

**Senator CHRIS EVANS**—I am astounded.

**Mr Chapman**—I could add to Mr Cronin's comments. In the broad, the response from DMO suggested that the original intent in purchasing the Air 87 was to buy an off-the-shelf product which had already been proven in operation in Germany and France.

**Senator CHRIS EVANS**—That was the big selling point.



**Mr Chapman**—As events unfolded, it turned out that the helicopter was not at the stage of development that DMO expected it would be at. Hence Mr Cronin's comments that in fact we got ahead of the French and the Germans in that delivery schedule. I think the challenge that DMO then faced was to deal with an acquisition of a proven operational product as compared to an acquisition of a developmental product, which for them increased the risk profile and the challenge of the task. I do not offer that by way of an excuse for what they were doing but more to explain their reasons for what had occurred.

**Senator Minchin**—I think it should be noted that in your report you note:

The DMO advise that all helicopters delivered in such a configuration are to be retrofitted at the Contractor's expense to meet the final configuration required by the Acquisition Contract.

So while it is reasonable for you make the points you are making, it should be noted for the record that DMO are going to have these things retrofitted at the contractor's expense to ensure that they do meet the final specs.

**Senator CHRIS EVANS**—But we do not actually have a contract alteration that says that, Minister.

**Senator Minchin**—I appreciate that. It is fair enough for you to make the point you are making.

**Senator CHRIS EVANS**—We hope they will actually do that. How can this happen?

**Senator Minchin**—I know that this does not say whether that agreement by the contractor is separately documented.

**Senator CHRIS EVANS**—Are you happy with this sort of process, Minister?

**Senator Minchin**—What I am happy with is that this report—and it is a very good report—was done and Defence has accepted all the recommendations that the ANAO made.

**Senator CHRIS EVANS**—But this was an example of the new procedures. This was an example of DMO now being commercially run, being economically responsible and buying off-the-shelf products. This is not a legacy project—whatever that means. This is the new system. We then find out that they have accepted a dud product and they have altered the contract without any written alteration—and, I presume, without informing government. Was the government informed that they had accepted delivery when the Tiger helicopters were not up to scratch?

**Senator Minchin**—You would have to pursue that through Defence estimates. I cannot comment on that.

**Senator CHRIS EVANS**—I thought it was Finance, Minister, that—

**Senator Minchin**—I would reject the description of them as duds. They have not fully met the contract specifications, but I do not think anyone is claiming that they are duds. They are certainly not Seasprites.

**Senator CHRIS EVANS**—Yet.

**Senator Minchin**—I think people are generally pretty happy with the aircraft and they will be brought up to full contract specifications. That does not deter—

**Senator CHRIS EVANS**—But where is your confidence coming from? There is nothing in the audit report that gives me that level of confidence. Where is the confidence coming from that the other 19 will be within the original specifications?

**Senator Minchin**—I read out to you paragraphs 16 to 18 on page 17. I am starting to sound like an ANAO official, aren't I?

**Senator CHRIS EVANS**—You are not good looking enough, Minister.

**Senator Minchin**—Those paragraphs made the point that they are to be retrofitted at the contractor's expense to meet the final configuration required by the acquisition contract. I want that to be noted for the record, because you were leading to the point that you have just reached—that is, that these are duds. I do not think that is fair. Clearly, DMO—and you can pursue this with DMO—have put in place procedures to ensure that they do get fully specified helicopters. In saying that, I do not mean to retract from—

**Senator CHRIS EVANS**—Where is the basis for that claim?

**Senator Minchin**—The points that are being made here.

**Senator CHRIS EVANS**—Wasn't the evidence from the Audit Office that there was in fact no contract alteration? There is no paper work to support that assertion. They accepted the helicopters that did not meet the performance specifications and paid a billion dollars, and they do not have a piece of paper to reflect that or to provide any guarantee that the retrofitting will occur and bring them up to scratch.

**Senator Minchin**—That is more a DMO/Defence issue but, to the extent that you are making comments which suggest that Defence is going to be left with dud Tigers, I am seeking at this stage—relying on the ANAO report—to refute that assertion. If you want to pursue that matter further, it is a matter for you to pursue with DMO.

**Senator CHRIS EVANS**—I will certainly do that, but perhaps the Audit Office can tell us what they say about the next 19 and their capabilities. What do we know about that?

**Mr Cronin**—I believe that the problems will be sorted out by about the seventh aircraft.

**Senator CHRIS EVANS**—By about the seventh aircraft?

**Mr Cronin**—Yes. After that—

**Senator CHRIS EVANS**—So the first six will be duds but we hope the seventh will be okay?

**Senator Minchin**—I think it is wrong to describe them as duds.

**Senator CHRIS EVANS**—Well, they do not do what we paid for. Is that a better description?

**Senator Minchin**—Well, they don't fully meet the contract specifications.

**Senator CHRIS EVANS**—Yes, they do not do what we paid a billion dollars of taxpayers' money for.

**Senator Minchin**—But you can do 95 per cent of it and not do the 100 per cent and still—

**Senator CHRIS EVANS**—You as a government promised under the new arrangements that if people did not meet the contract obligations you would not pay them the money. That is what I want to pursue with the Audit Office. We have spent another billion dollars, we have accepted three helicopters that do not meet the specifications, do not do the job we paid for, do not do the job of providing the defence capability we needed—this is after the Seasprite—and now I am told we are going to take another three to make six that we know are not up to scratch and we are going to keep writing cheques. As good commercial practice—and you are the minister for finance—when do we actually say, ‘We don’t write you a cheque until you give us what we paid for’?

**Senator Minchin**—Again, I am not the expert on this project, nor on this audit. But I simply do point out to you that these things are being retrofitted at the contractor’s expense to ensure they do fully meet the specifications. You can pursue with the DMO the documentation of that and that sort of thing. But, in refutation of your assertions that we are going to be left with dud helicopters, I make that point.

**Senator CHRIS EVANS**—We are up to six and climbing, but we have the hope that the seventh might be okay. What evidence do we have to suggest that the seventh might be more capable than the first six?

**Mr Cronin**—We essentially went to section 19 on this report, issuing the draft in December. Our fieldwork precedes the movement into retrofit. You would have to ask DMO these sorts of questions.

**Senator CHRIS EVANS**—Can you explain to me why DMO continued to pay when they knew the helicopters were not meeting specifications?

**Mr Cronin**—In paragraph 18 what we say is:

In February 2006, the DMO also advised the ANAO that negotiations commenced with the Contractor in 2002, which resulted in the DMO agreeing to a lesser capability at the In-Service and acceptance dates of the first three aircraft than that specified in the December 2001 Contract.

**Senator CHRIS EVANS**—How did you find out about that?

**Mr Cronin**—It came very late in the piece. It resulted in a series of exchanges of correspondence.

**Senator CHRIS EVANS**—But do you mean that DMO was not transparent with you about that at the start of the audit?

**Mr Cronin**—It is very difficult—it is not written down. Essentially what we are dealing with here is what is called a collateral contract. We have the main contract, which is a written contract. Then it appears that there is another contract that has been superimposed on this that is actually not written down.

**Senator CHRIS EVANS**—It seems to me when you have got an audit you go out to meet with DMO and you visit their sites and you talk to them. You are telling me it was not till late in the audit. How long did the audit take you?

**Mr Cronin**—It took us 13 months.

**Senator CHRIS EVANS**—Just before the end, a year later, they happened to mention that they had actually done a side deal to accept a dud helicopter.

**Mr Cronin**—Essentially what we say is that in February 2006 they told us that this is what has happened.

**Senator CHRIS EVANS**—Did they give you any documentation to support that?

**Mr Cronin**—We have a letter from them as part of a response that this is what has happened—this has been inputted into the report, the report has flowed back to them, and they have agreed with this, as you can see from the appendix. That is what we have. As you see from chapter 4 in the report, where we talk about various tables, we have table 4.3 on page 62 which shows the position when we look at their performance against the 2001 contracted requirements. We have that table which talks about both. So this is the initial contract that we have, the specification. That tells you where the deficiencies were—it failed to meet these contractual requirements.

**Senator CHRIS EVANS**—This is what you have summarised in paragraph 19?

**Mr Cronin**—That is correct.

**Senator CHRIS EVANS**—This is quite a list:

... capabilities associated with maximum all-up weight; weapons operability; navigation system operability for instrument rated flight conditions; software integration; an emergency locator beacon; a compliant voice flight data recorder operable in high 'G' environments; proven crash resistance; an ability to undertake protracted flight over water—

where have I heard that before?—

(for the first two aircraft);—

they can't go over water either—

an operable ground management system to task and communicate with the aircraft; and the required spares and support and test equipment.

Wouldn't it have been easier to make a list of things that worked? Fair do! It is a pretty impressive list. And this is the aircraft Senator Minchin assures me is not a dud. With that list, what would a dud be? Everything on the bloody thing doesn't work!

**Senator Minchin**—Again, it does not tell you the degree to which those contract specifications are or are not met. It might meet 99 per cent of maximum, all-up weight contract specification or 100 per cent—I do not know—but it is ridiculous for you to be asserting that, as a result of that list—which gives you no quality information as to the degree to which the contract specifications are met—these aircraft are duds. That is all.

**Senator CHRIS EVANS**—The Seasprite list is much shorter. This is a litany of failures.

**Senator Minchin**—It is a description of the fact that the first few aircraft in this contract do not fully meet all contracted specifications—

**Senator CHRIS EVANS**—No, the first three aircraft—

**Senator Minchin**—but that they will when they are retrofitted at the contractor's expense, which is due to be completed in November this year.

**Senator CHRIS EVANS**—Let us be accurate, Senator Minchin. I appreciate your running the defence, but we have evidence now that it is the first three; and the next three are going to be duds as well.

**Senator Minchin**—They will not be duds.

**Senator CHRIS EVANS**—What have you done to protect the Commonwealth's interests? As minister for finance, when you found out the DMO had done a side deal that was unreported and not committed to paper to accept six dud helicopters and pay top dollar, what did you do? Surely you would have been concerned?

**Senator Minchin**—You can pursue that with Finance estimates, if you like.

**Senator CHRIS EVANS**—I will.

**Senator Minchin**—I am not here at Finance estimates—

**Senator CHRIS EVANS**—This is your chance to get in early.

**CHAIR**—Hold on, Senator Evans; let the minister have a go.

**Senator Minchin**—I am merely assisting you in your interrogation of the ANAO and ensuring that you read all the footnotes so that you speak with accuracy and not mislead this committee or those listening to this broadcast about the true status of this project or of the helicopters.

**Senator CHRIS EVANS**—Senator Minchin, let me assure you that I have read the report, I have read the footnotes and, like you, I am a big fan of the ANAO.

**Senator Minchin**—Good.

**Senator CHRIS EVANS**—I find out a lot more about the government's operations reading their reports—

**Senator Minchin**—They are very good reports, I agree.

**Senator CHRIS EVANS**—than I do listening to estimates answers. But let us get back to the subject matter. So we have got a huge list of capabilities that have not been met. What did DMO say about continuing to pay up? I thought we were supposed to have adopted procedures now, after the Seasprite, whereby we did not just keep handing the money over if they were not meeting the specifications.

**Mr Cronin**—They did pay the amounts required. They then moved on. Table 4.4, shows the outcomes against their revised capabilities. In paragraph 4.23, the concept is that the first fully compliant aircraft will be ARH7, which will fully meet contractual requirements. In table 4.4 there are a number of things that, on a revised specification of DMO's, the aircraft would meet; and there are ones that it is noncompliant with even on the revised specifications.

**Senator CHRIS EVANS**—So they are not even going to meet the revised specifications?

**Mr Cronin**—That is what is outlined in respect of ARH 1, 2 and 5 on table 4.4 of our report.

**Senator MURRAY**—Could I just get some clarification? I have become confused as to what is in writing and what is not. Is the revised specification in writing?

**Mr Cronin**—We have the construction of a table, with DMO, of the revised specifications.

**Senator MURRAY**—When you mentioned earlier that there was a collateral contract, which essentially was a variation to the original contract—

**Mr Cronin**—No, there is no variation. We have no document saying there is a formal contract change proposal to vary that contract, the requirement for which is set out in the conditions of the contract. If you wish to change the contract, you make a formal contract change proposal. If that is approved—

**Senator MURRAY**—What is the legal effect of this matter that you say is not committed to writing?

**Mr Cronin**—I am not a lawyer, but from my—

**Senator BRANDIS**—What is it that you say is not committed to writing?

**Senator MURRAY**—That is what I want to know.

**Mr Cronin**—The new arrangement which is in place: the concept of whether you have a contract that formally advises that, through a process set out in the initial contract, you will revise the arrangements in the contract. You have a formal contract change proposal; do you accept something else?

**Senator MURRAY**—That is an arrangement between the DMO and the contractor?

**Mr Cronin**—Yes, formalised through the initial December 2001 contract.

**Senator BRANDIS**—Are you saying the obligations have changed, between what you have described as the original contract and the collateral contract? Or are they the same obligations?

**Mr Cronin**—What has happened has been discussed in a series of meetings. We have a formal written contract. We have another set of arrangements.

**Senator MURRAY**—Are those arrangements minuted?

**Mr Cronin**—I do not know the detail. When you are dealing with issues such as the specification of an advanced piece of aircraft, many things are required. These contracts are incredibly detailed. The contract change proposals are incredibly detailed. What we do know is from a meeting between the parties, the DMO and the contractor. From November 2002, a different set of requirements came into being. In table 4.4 we are reporting on DMO advice to us in February 2006, which is after our initial issue of what we call the ‘draft report’.

**Senator CHRIS EVANS**—So they made the deal to accept a lower specification as far back as November 2002?

**Mr Cronin**—That is what is reported in this report.

**Senator CHRIS EVANS**—And they did not tell anybody else until February 2006?

**Mr Cronin**—I am just reporting what we know about it.

**Senator CHRIS EVANS**—I was following this project. I visited the production facility in Brisbane. I have taken an interest in the project, dating back to probably around that time. No-one told me that we had accepted a lower specification. I do not think the Audit Office is the

only one that has been kept in the dark. Did DMO or the minister make any public announcement? Obviously not, or you would have come across it. Did DMO initiate telling you that they had made this adjustment and accepted a lower quality product, or did you discover it and raise it with them?

**Mr Cronin**—We started reporting on this audit in the middle of last year through what we call ‘issue papers’. We then went through a series of what we call ‘discussion papers’, which are like a draft report. We then went into issuing section 19s. This audit has had multiple section 19 reports. In the process of that, new information came to light and that is reflected—when you look at where we have reported—in references like that in table 4.4 to the DMO’s February 2006 advice.

**Senator BRANDIS**—Are you familiar with the contract itself?

**Mr Cronin**—Yes.

**Senator BRANDIS**—Does the contract contain a term, as contracts for the delivery of complicated machines often do, that requires the recipient or purchaser to certify its satisfaction against certain stated criteria?

**Mr Cronin**—There is a process in Defence whereby they have acceptance criteria. A series of forms are filled out and they say, ‘On the basis of that, we authorise payment.’ Various exceptions may be noted.

**Senator BRANDIS**—Quite. I think we are thinking along the same lines here. When you speak of new arrangements, are you speaking of arrangements that have been made between the DMO and the supplier in relation to the certification of certain matters as being satisfactory for the purposes of the DMO?

**Mr Cronin**—There are two things here: there is the payment issue and the question of capability.

**Senator BRANDIS**—Yes.

**Mr Cronin**—In paragraph 4.21, we have reported:

Negotiations between the Contractor and the DMO, commenced at the third Project Management Review meeting in November 2002 for the acceptance of a lesser capability at the In-Service and acceptance dates of the first six aircraft than those specified in the December 2001 Contract.

**Senator BRANDIS**—Pausing there, there are some very important words there that Senator Evans did not emphasise. I think you said ‘at the acceptance and in-service date’.

**Mr Cronin**—Yes.

**Senator BRANDIS**—Forgive me, I have not read this contract, of course, so it is not something that I am very familiar with, but it seems to me that the defect, if it be a defect, is in relation to a performance standard at a certain date, not an absolute shortcoming.

**Mr Cronin**—That is what we report. In table 4.3, we outline what the deficiencies were at that date.

**Senator BRANDIS**—Although you say you are not a lawyer, having reviewed this contract you would be familiar enough with the concept of a defects liability period. For any contract for the supply of a very complex machine—just like a building contract for the

construction of a building comprising thousands of parts—it is almost unknown that on the day of handover there is perfect compliance with every specification and term. I do not know what the term is for defence contracts, but for building contracts there is what is called a ‘defects liability period’ in the contract. At the time at which a sale is made of a complex thing, there will always be areas where the specifications are not met in the ordinary course of events and hence there is a period during which the supplier has to correct those defects. That is the most commonplace thing in the world. Is that what we are talking about here?

**Mr Cronin**—That is a perfectly legitimate thing.

**Senator BRANDIS**—So when Senator Evans says that these helicopters are duds, he is being a politician and trying to make a political point. But the truth of the matter—

**Senator CHRIS EVANS**—That is not right. You have not read the audit report.

**Senator BRANDIS**—Let me finish.

**Senator CHRIS EVANS**—Do not try the lawyer’s arguments when you have not even read the report.

**Senator BRANDIS**—The truth of the matter is that in the contractual specifications for this very complex machine—

**Senator CHRIS EVANS**—Read the report.

**Senator BRANDIS**—there is the equivalent of a defects liability period, in which certain defects—where the machine does not match certain individual specifications—can be corrected by the supplier.

**Mr Cronin**—Yes, there is a correction period.

**Senator BRANDIS**—That is all it amounts to.

**Mr Cronin**—Yes.

**Senator BRANDIS**—Is that all it amounts to?

**Mr Cronin**—In terms of the types of issues we are looking at, the nature of them are of such a level that the issue relates to whether this particular aircraft—for example, ARH5—was fit for purpose at the point of acceptance and whether you could actually utilise that aircraft. And you could not. So when we accepted it—

**Senator BRANDIS**—And there is a post acceptance period during which the supplier is obliged to and has the opportunity to repair shortcomings against contractual specifications.

**Mr Cronin**—Correct. For example, is a house habitable? You can get the doors and everything adjusted. The nature of some of these problems was such—if we look at ARH5—that the machine was not actually fit for purpose. Could you fly it away? Could you use it? No, you could not at that point of acceptance. That is what the report says. We have just outlined in the report—

**Senator BRANDIS**—Let me finish this point. The arrangements of which you have spoken were arrangements that have been made with a view to correcting those defects so as to meet the unmet specifications. Correct?

**Mr Cronin**—At some point in time.



**Senator BRANDIS**—Obviously at some point in time.

**Mr Cronin**—That will occur by ARH7.

**Senator BRANDIS**—By the delivery of the next item.

**Senator CHRIS EVANS**—No, the seventh item. The first six are duds.

**Senator BRANDIS**—You say that.

**Senator CHRIS EVANS**—The audit report says that.

**Senator BRANDIS**—What we are now in is the analogy of a defects liability period in which the shortfall between contractual specifications and performance indicators is being fixed up.

**Mr Cronin**—There is a retrofit program under way.

**Senator BRANDIS**—And that is what the arrangements were about?

**Mr Cronin**—That is what was communicated to us.

**Senator JOYCE**—The helicopters do fly—there is no doubt about that.

**Senator CHRIS EVANS**—Just not over water.

**Senator JOYCE**—They do not fly to purpose at this point in time, but it is envisaged that with the corrections they will fly to purpose and to specifications at some point in time. That would not be unusual for a whole range of purchases, especially for specialised military purchases—such as, for example, a Collins class submarine.

**Mr Cronin**—Yes, that is true. The question would relate to whether you actually fully pay for a position where you have not actually got method specifications.

**Senator JOYCE**—Do you know of any contracts where there is not a period of adjusting the stakes in the purchase and procurement of military sophisticated equipment? Do you know of any contract anywhere in the world where they would not have a period where you had to deal with defects?

**Mr Cronin**—All of them would deal with defects. Whether they have actually paid all of the money might be another issue.

**Senator JOYCE**—So this is a completely standard process?

**Senator CHRIS EVANS**—That is not right—you have not read the report. It is not a standard process.

**Senator JOYCE**—I have asked the question, Senator.

**Senator CHRIS EVANS**—Do you want me to read the auditor's report to you?

**CHAIR**—Senator Evans, I will come back to you in a minute. Senator Joyce, you asked a question. Mr Cronin, I do not think you answered the question.

**Mr Cronin**—In terms of what is standard practice, I cannot personally say because of the coverage we have. What we are talking about here is that we have outlined a set of agreed facts with the Department of Defence. That is what we reported in the audit. We have outlined deficiencies at set periods of time, whether it was against the initial contract, the revised

specification or at some other point. In terms of what this means longitudinally and whether all of the aircraft would be fully acceptable, you would say that possibly yes, they will be. But we are essentially dealing with the first three aircraft, because that is all we have audited. We are just reporting on the factual conditions that we have found, measuring them against contractual requirements.

**Senator BRANDIS**—Do you mean the specifications?

**Mr Cronin**—Yes, the specifications.

**Senator BRANDIS**—Those are engineering specifications, aren't they?

**Mr Cronin**—Which have been wrapped up into—

**Senator BRANDIS**—Of course, they are contractual terms too, but they are engineering specifications?

**Mr Cronin**—Yes.

**Senator BRANDIS**—The point that Senator Joyce and I have been at pains to make to you is that, in any contract for a complex machine—and the more complex the machine, the more likely we are to find this—there will be defects and discrepancies between performance standards and engineering specifications which can only be tested on delivery. To identify such specifications is the most commonplace thing in the world. To say therefore that the machines are a dud might play well on the evening news, Senator Evans, but it is not very intellectually honest of you.

**Senator CHRIS EVANS**—When you have read the report, I will have the debate with you. But your barrack room lawyer contributions, when you do not know what you are talking about, are not helpful. They may get you into the ministry eventually, but they are not helpful to tonight's conduct.

**Senator Minchin**—Mr Chairman, I want to make a small point on this. I think Senator Evans probably regrets privately that he described these things as duds. I think that is a deviation we did not need. If you look at the footnotes to table 4.3 of this audit report, it describes what you might call deviations from the contract. Many of these are very minor and certainly would not fit the description of dud aircraft. For example, for the emergency locator beacon, it notes here:

The Contractor was yet to prove compliance with the Military Standard temperature environment of 69 degrees Celsius. The Emergency Locator Beacon was certified and compliant with the civilian FAR temperature environment of 55 degrees Celsius.

That is what we are talking about. That is the sort of thing we are talking about. Yes, there are things here that do not quite meet the full specifications, but to then leap to the conclusion that you can go around describing these aircraft as duds I think is completely out of order.

**Senator CHRIS EVANS**—Are we going to have a constant government commentary or are we going to have estimates questions?

**CHAIR**—I was about to give you the call, Senator Evans.

**Senator CHRIS EVANS**—I accept the minister's point. I also refer him, though, to the other listed problems, which include an inability to undertake protracted flight over water.

**Senator Milne**—Yes, because of disputes related to underwater egress.

**Senator CHRIS EVANS**—We can have that argument. I want to take advantage of the time I have with the Audit Office to actually ask them questions about their report. I recommend that senators read it. One of the other issues which we have not tackled is your reference to the following:

The lack of operational experience in maintaining this capability in other Defence Forces has meant that original cost estimates associated with the through-life support were immature, and exposed Defence to significant future budgetary risks.

Can you tell me what that means?

**Mr Cronin**—Yes. In 2004 the contractor sought to revise the through-life support costs associated with the contract that they had entered into. What we had entered into was an acquisition contract plus through-life support. The estimated cost of that addition that was being contemplated at the time was something like \$625 million.

**Senator CHRIS EVANS**—Additional cost?

**Mr Cronin**—That was the additional cost. In 2005, Defence rejected the proposal. As we report in the audit, they suggested that the contractor come back with another proposal.

**Senator CHRIS EVANS**—So we are in the situation where there has been an argument about whether the through-life support costs will increase by \$625 million.

**Mr Cronin**—That is what Defence has estimated the cost is.

**Senator CHRIS EVANS**—And they are now negotiating with the supplier about what figure to settle on?

**Mr Cronin**—That is our understanding. At the time of the audit, the supplier had put in a request. Defence, over a period of about nine months, evaluated then rejected it—when I say ‘rejected’ I mean they had called for another submission to come forward. And that is the point at which we have left it.

**Senator CHRIS EVANS**—So Defence were estimating it was going to cost them an extra \$625 million?

**Mr Cronin**—That is on the basis of the period of the through-life support.

**Senator CHRIS EVANS**—What do you mean by ‘Defence is exposed to significant further budgetary risks’? Is that it?

**Mr Cronin**—That relates to the concept of the potential for the through-life support costs to expand.

**Senator CHRIS EVANS**—What does this all mean at the end of the day for the delivery schedule?

**Mr Cronin**—ARH1 and ARH2 were accepted on schedule. ARH5 was accepted one month ahead of schedule. They are the three aircraft that we essentially looked at. We understand there is some movement with the schedule on a number of other aircraft. There is a considerable delay of some 18 months on the simulators; the simulators are significant for

training purposes. But, overall, the report is saying that the first aircraft we looked at were essentially delivered on schedule, and ARH5 was accepted one month earlier.

**Senator CHRIS EVANS**—But they have been accepted at a standard below the original requirements and we have to have this retrofitting program.

**Mr Cronin**—Yes.

**Senator CHRIS EVANS**—Has there been a contract negotiated for the retrofitting?

**Mr Cronin**—We have not seen the contract. As we report in the audit in paragraph 20:

The DMO advised that deeper level maintenance and the retrofit activity to ameliorate deficiencies with ARH 1, started in February 2006, and is to be completed in November 2006.

So it is essentially going in for a nine-month retrofit.

**Senator CHRIS EVANS**—How long was the original maintenance period supposed to be? Is the nine months in addition to the normal maintenance?

**Mr Cronin**—I do not believe so, Senator. We can make inquiries, but it is something you would probably need to ask Defence about.

**Senator CHRIS EVANS**—I just wondered if you knew.

**Mr Cronin**—The aircraft at this stage would be only 14 months old.

**Senator CHRIS EVANS**—But it will be off-line for nine months getting the retrofit servicing done?

**Mr Cronin**—Yes, that is what was reported to us.

**Senator CHRIS EVANS**—Have all these audit conclusions been accepted by DMO?

**Mr Cronin**—Yes. DMO has accepted the audit; you will see their response in appendix A in our report. They have agreed to all recommendations.

**Senator CHRIS EVANS**—Can I ask a more general question which goes to the broader point. A lot of argument has been used in recent years that these are legacy projects, that we have improved our systems, that we have revamped the DMO and that we have learnt our lesson about building Australian-specific platforms. This was to be an off-the-shelf model that was being sold to other nations and therefore we would spread the maintenance costs. There were all those arguments—I will not bore people with them now. But how is it that this has gone wrong, despite it allegedly meeting the new criteria and us allegedly having learnt the lessons of the previous purchases?

**Mr Cronin**—We have looked at about five per cent of DMO's 210 major capital equipment projects; we have got such a tiny picture. All we are looking at is essentially a series of case studies, so I do not think we are in a position to provide an overarching view on such a topic.

**Senator CHRIS EVANS**—I just wondered, in terms of your dealings with DMO, whether that had been discussed. It is no state secret that there has been concern about projects and that changes have been made, and this was supposed to be one of the projects that reflected the new way of doing business. It seems to be plagued with the same problems as the earlier projects.

**Mr Cronin**—The contract and the tendering process actually predated, say, the Kinnaird reforms, which essentially started in 2003. The contract was entered into in December 2001. A majority of the expenditure has taken place in recent years, but in terms of the planning, the specifications and many of the things that the Kinnaird-strengthened two-pass system is addressing, this project was essentially before that. Defence projects span such periods of time. We have many legacy projects and quite a number of them span the period before the DMO was established in 2000. This one spans the period of the DMO's establishment.

**Senator CHRIS EVANS**—That is my point. I do not think we can keep on using the legacy argument, but that is something we will discuss with Defence. You made the point which most concerns me, and it has most concerned, I think, ordinary Australians: when we have a contract, why is it that we pay a billion dollars when we do not get what we ordered or what we paid for and we continue to pay? This has been debated in previous projects. The other day, the Minister for Defence was talking about whether or not they could do something about that in relation to Seasprites. Why did the DMO accept and pay for helicopters that did not meet their specifications? Why would you accept them and keep paying the money if they did not meet your specifications? What was their answer to that?

**Mr Cronin**—I do not think I could actually give justice to articulating the various views we have put to them. In large payments, you are talking about contractual relationships. It is a complex process. Looking over periods in this project is no different. There are legitimate reasons for why you might seek to pay, even if you are not getting it, because of what it might mean for future deliveries. It is a very complex thing. You would have to ask DMO about the full rationale of why they continue to pay.

**Senator BRANDIS**—Presumably, it would also be the case that one of those complex considerations that you have in mind is that the supplier has undertaken, as it is contractually obliged to do, to fix the defects?

**Mr Cronin**—You would have to talk to DMO about that. It was actually articulated that, at the end, the defects would be rectified. With all this, what we are looking at is: have we actually got a specific agreement that categorically says that we will fix this? We never actually saw that. The contracts are set up to sustain payments at the end. There is something like nearly \$200 million. There is a payment pool at the end that is to be used for certain things. It is just not specified what that is to be used for.

**Senator BRANDIS**—Senator Evans is characterising this procurement contract for a complex machine as if it were no different from a contract to buy a Big Mac. It is a lot more complicated than that. I am glad you used the word 'process'. Upon delivery of any complex machine there is always a process and part of that process is the correction of the inevitable defects that any complex machine will carry with it. No responsible person would dream of suggesting that one should not meet one's obligation to pay for the machine merely because an obligation to correct defects has been invoked.

**Mr Cronin**—That is a very accurate statement. The distinction perhaps with this project is that we initially set out to buy an off-the-shelf process and, because we have essentially ended up with the first of its type, that essentially raises our risk profile. In fact, it may be that some factors are not immediately solvable given the fact that it is the first of its type. It is a bit like

when you buy a car off the engine line from General Motors Holden. You would not always get the first of the run; you would buy the next model.

**Senator MURRAY**—I could understand a process of progress payments. With respect to a defective helicopter which is going to be remediated and retrofitted, have they paid in full to the final end, or are you saying that within the \$200 million pool there is a retention amount that will only be paid on full satisfaction?

**Mr Cronin**—Essentially, they are paying the milestones as they fall due.

**Senator MURRAY**—So they have not paid the full amount yet?

**Mr Cronin**—There is still an amount in the contract. They have paid—I think Senator Evans mentioned—

**Senator CHRIS EVANS**—It is \$1.15 billion.

**Senator MURRAY**—Is that the classic retention amount that is normal to a contract?

**Mr Cronin**—I have not got enough experience; there are so many different contract arrangements. You would have to ask Defence what is standard. We see so many different—

**Senator BRANDIS**—Of course, there may be no standard. But Senator Murray is quite right: it is not going to be a single, one-off payment, is it? There will be progress payments and retention money, as there always are in these contracts.

**Mr Cronin**—Yes.

**Senator CHRIS EVANS**—Perhaps, Senator, I could refer you to the DMO report, which I have in front of me, and give you the benefit of it. It says

However, the DMO did not withhold part payment from the corresponding milestone payments for production acceptance, even though the Acquisition Contract allows for this arrangement.

**Senator BRANDIS**—It did not withhold a part payment because that part payment may have been due. But you seem to be suggesting—inaccurately, with respect, Senator Evans—that all the moneys were paid in advance of the correction of the defects; whereas it appears from this officer's answers that that is not what happened.

**Senator CHRIS EVANS**—That is not true; you are misleading. You do not know anything about it. My understanding of the audit report is that they admit all—

**Senator BRANDIS**—I am just trying to follow the evidence.

**Senator CHRIS EVANS**—You have not read the report. I just read you what the report said.

**CHAIR**—Let us ask the question.

**Senator BRANDIS**—Yes, let us ask the question.

**CHAIR**—Is it paid in full?

**Mr Cronin**—We have a series of milestone payments which have been paid.

**Senator CHRIS EVANS**—Have all the milestone payments been paid in full?

**Senator JOYCE**—Is it paid in full—yes or no? Have we finished our total amount of payments for the purchase of the helicopters—yes or no?

**Mr Cronin**—No, because we—

**Senator JOYCE**—Thank you.

**Senator CHRIS EVANS**—Let him the answer the question.

**Senator JOYCE**—He just did.

**Senator CHRIS EVANS**—The milestone payments. We have got three of 22 helicopters; I hope we have not paid the whole bloody lot.

**Senator JOYCE**—You are making insinuations.

**CHAIR**—Mr Cronin, do you have anything further to add?

**Mr Cronin**—We have made all the milestone payments to the point we are up to. We do not complete it until the final deliveries.

**Senator BRANDIS**—So we have not paid the retention moneys—to use Senator Murray's phrase?

**Mr Cronin**—It sits at the end.

**Senator BRANDIS**—Which is what always happens when defects are being corrected.

**CHAIR**—Thank you, Mr Cronin.

**Senator CHRIS EVANS**—Just for the record, I refer you again to the part of the Audit Office report that says that the DMO had the capability to withhold some of those corresponding milestone payments under the contract but chose not to do so. Obviously that is an issue we will follow up with Defence. I am conscious that there are senators who want to deal with water and other issues, but I just have some quick questions for the Audit Office about the explosive ordnance report—and 'explosive' is not my term; it is part of the title. It is the explosive explosive ordnance report—just in case Senator Brandis accuses me of commentary.

**Senator BRANDIS**—I never accused you of commentary, Senator Evans.

**Senator CHRIS EVANS**—No, I said 'in case you did'.

**Senator BRANDIS**—I accused you of making incorrect claims.

**Senator CHRIS EVANS**—I think you will find I quoted the report, Senator Brandis. But you will enjoy reading it. I am sure you will get the chance to debate it in coming months. The report on explosive ordnance was released in May 2006?

**Mr Cronin**—That is correct.

**Senator CHRIS EVANS**—This was yours as well, was it?

**Mr Cronin**—Yes.

**Senator CHRIS EVANS**—You have been busy. Can you briefly explain to us why this was done, and what your major concerns were?

**Mr Cronin**—This is a series of audits. The ANAO has looked at explosive ordnance in a series of performance audits that span from the 1990s. It is a significant area of capability for the ADF. We specifically focused on the Army, and it came up in our audit criteria as being an

area that warranted further study. It was differentiated from previous audits because it had a heavy focus on contract management. The audit is essentially about contract management, financial management and issues associated with inventory management and safety and suitability.

The overall audit conclusions are outlined on page 12. The ANAO considers that extensive improvements are required within Defence and the DMO to better align explosive ordnance procurement processes with ADF preparedness requirements to train and meet contingency requirements should they eventuate. The ANAO identified that management action is required in respect to the following areas: procurement planning, financial management, inventory management, safety and suitability for service assessments and content management. We go through a number of deficiencies that we highlighted in these areas.

**Senator CHRIS EVANS**—I accept the issues about management and those sorts of technical sides. But what does this mean in terms of the explosive ordnance that is held by Defence? You said in March 2005 that a third was classified as ‘other than serviceable’. What does that mean?

**Mr Cronin**—If we go to page 42, paragraph 3.2 describes ‘other than serviceable’. It has three categories. There is a repairable category. What we found in terms of March 2005 was that DMO advised us that 41 per cent of \$928 million worth of explosive ordnance fell into the repairable category. That requires some form of inspection and/or routine testing or servicing processes to be conducted to confirm ongoing serviceability.

**Senator CHRIS EVANS**—Are you implying there that this is servicing or checking that would not have occurred otherwise?

**Mr Cronin**—It sits within a category within Defence that is not able to be readily taken off the shelf and used unless further processes are undertaken.

**Senator CHRIS EVANS**—So it is not stuff that is just subject to them coming around to do the next service next week?

**Mr Cronin**—It may sit within a range of reasons. There is something called a ‘pending’ category in which one-quarter of this \$928 million worth of inventory sits. This comprises mostly new inventory awaiting receipt inspections before being confirmed as serviceable and also items undergoing technical investigation and warranty claims. I could not actually put a time period on this. Some of this materiel may sit there for considerable periods of time.

**Senator CHRIS EVANS**—You said that 41 per cent was repairable?

**Mr Cronin**—Yes.

**Senator CHRIS EVANS**—And 25 per cent—

**Mr Cronin**—Twenty-five per cent is in a pending category and 34 per cent is nonrepairable.

**Senator CHRIS EVANS**—How much of the whole inventory does that represent?

**Mr Cronin**—These numbers are based on March 2005 data. There was \$928 million in that. The inventory has a value of around \$2 billion, so it is slightly less than half.

**Senator CHRIS EVANS**—So almost half of it is not serviceable?



**Mr Cronin**—In those categories there, as we were advised in October 2005 from DMO, the figure was \$1.04 billion. That is spelt out on page 12.

**Senator CHRIS EVANS**—You have been doing these and engaged with these issues for a while. Has the problem not been attacked?

**Mr Cronin**—We show in chapter 3 in paragraph 3.1 that, in 2002, there was \$600 million worth of explosive ordnance held in the ‘other than serviceable’ category. That is in the first sentence of paragraph 3.1. By March 2005 that had gone out to \$928 million. By October 2005 the figure was \$1.04 billion.

**Senator CHRIS EVANS**—This seems to be similar to the other Defence issues in that the problem seems to be getting worse. You keep writing reports and the problem keeps getting worse. I do not blame you, but why is this not getting fixed?

**Mr Cronin**—That is a question you need to take up with Defence. We do point out in the report that there are matters in here that can impact on that, such as the availability of skilled trades people for inspections; the proper receipt when you enter into a contract that you have safety and suitability for service information—

**Senator CHRIS EVANS**—You are suggesting that they are accepting materiel when they do not have those—

**Mr Cronin**—There are a number of examples we give in the report where we have actually contracted to buy explosive ordnance and we have not got the safety and suitability materiel to be provided with that contract.

**Senator CHRIS EVANS**—So we accept it without the requirements we set ourselves to be able to use it.

**Mr Cronin**—Therefore, you have to come up with other processes to ensure that it is safe and suitable for service.

**Senator CHRIS EVANS**—And that involves us with cost and time to do that.

**Mr Cronin**—That would involve you with having materiel that is not in a serviceable condition, therefore you have to do other processes to bring it up to a serviceable condition.

**Senator CHRIS EVANS**—And the evidence is that we are not able to do that, because the inventory of unserviceable is actually increasing.

**Mr Cronin**—And the inventory of unserviceable may increase just because of one-off items: it may be that we have withdrawn a previously serviceable line of missiles and that has gone into one of those three categories that make up unserviceable.

**Senator CHRIS EVANS**—But would you put them in there if you were actually retiring that capability? If, for instance, the new torpedo replaces the old torpedo and the old torpedo is not going to be used anymore, would it stay on the inventory? That would be written off, wouldn't it?

**Mr Cronin**—You would have to look on a case-by-case basis. Some of this inventory which is actually serviceable can have an incredibly long life; some of it might just, because of age, fall into an unserviceable category.

**Senator MURRAY**—Do you mean at times it can be arbitrary?

**Mr Cronin**—I would not say arbitrary. It is based on technical specifications.

**Senator MURRAY**—Serviceable on this day, and next day it is deemed not to be because it is time expired?

**Mr Cronin**—Yes, there can be things like that.

**Senator CHRIS EVANS**—You identified as early as 2002 that the existence of explosive ordnance without a complete safety and suitability for service assessment increased the risk in handling inherently hazardous materiel. So you have been warning about the risks for this since 2002 but there has not been much progress on addressing those issues.

**Mr Cronin**—Yes. There was a program that essentially fell largely into abeyance except for one particular line—

**Senator CHRIS EVANS**—A Defence program?

**Mr Cronin**—Yes. This has been known about since the late 1990s and there was a program to ensure that materiel was safe and suitable for service. We point this out in the report.

**Senator CHRIS EVANS**—What was the name of the program?

**Mr Cronin**—It relates back to a death in the ADF. In 1998, from memory, there was a death caused by a fragmentation grenade and that led to the concept of a considerable effort being devoted to ensuring the explosive ordnance was actually serviceable.

**Senator CHRIS EVANS**—Was there a name for that program?

**Mr Cronin**—I think it was just a program to fix the problem.

**Senator CHRIS EVANS**—You are basically saying to me that that was not followed through and died on the vine.

**Mr Cronin**—That is what the report outlines. It was not pursued since about 2002, I think, with vigour. We say:

Overall, there has been an absence of progress in addressing these legacy explosive ordnance issues since 2003, other than in the area of airdrop assessments. In October 2005, a scoping study for a project to resolve legacy explosive ordnance issues was finalised by the DMO.

**Senator CHRIS EVANS**—I take from this that you have concerns that the risk has increased.

**Mr Cronin**—I cannot go that far.

**Senator CHRIS EVANS**—You warned about the risk in 2002 and, rather than reduce the inventory of unserviceable, we have actually increased it.

**Mr Cronin**—The value has actually risen.

**Senator CHRIS EVANS**—The value—okay. This may not be your area, but what does this mean for capability? We have almost half of our explosive ordnance in the unserviceable category. As a lay person, that seems to me to say that we cannot safely use half of our bombs, ammunition and missiles. That must have an implication for our defence capability.

**Mr Cronin**—I assume it depends on which level of capability within the continuum over which the ADF operates you are talking about. Obviously, at a very high end that would be significant. It depends. You would have to ask the ADF.

**Senator CHRIS EVANS**—I will. What do you mean by the high end?

**Mr Cronin**—In a war situation, you would obviously need every piece of equipment. To say that this is not actually available may not be correct. At the extreme end, there would be a risk management decision taken and obviously some of this materiel would go into active service, depending on the contingency.

**Senator CHRIS EVANS**—So if pressed you are saying that we would have to take the stuff that is pending or repairable and use it if we did not have enough fully operational stock?

**Mr Cronin**—I would only be offering a personal judgment. You would have to ask the professionals about what they would do in such a situation.

**Senator CHRIS EVANS**—I will. On the face of it, we have almost half of our explosive ordnance inventory classified in a category that says it is not available for safe use at a time when we have the greatest operational tempo since the Second World War.

**Mr Cronin**—Not having available all your resources obviously has some effect on capability. The actual quantum of that effect you would have to ask members of the ADF.

**Senator CHRIS EVANS**—You have not done an audit on the Seasprite project at all, have you?

**Mr Cronin**—No, we have not done a specific audit on the Seasprite.

**Senator CHRIS EVANS**—Why is that?

**Mr Cronin**—As I said, we have done less than a third of all the projects in the top 30. We have planned for 2006-07 a project into Seasprite. We have not got to it yet, but on our 2006-07—

**Senator CHRIS EVANS**—I am thinking that they may have abandoned the project by then—that might free up some space for you. You might end up doing the eulogy rather than the audit. Anyway, it is on the program for 2006-07—that is good. You did refer to it in one of your earlier reports.

**Mr Cronin**—We referred to it in our report on foreign exchange management, which we reported on in 2000. That from memory related more to the project approval nature of it, where the project was split up into a number of different attributes. The helicopters were in one project, the rotor blades sat in another project and there was another project on top of that. From memory, we had about three pages of coverage on aspects to do with that. That is in our 2000—

**Senator CHRIS EVANS**—I have some references to it. I would have liked to have spent some time on the FFG tonight. That got picked up in the May 2005 report, *Management of selected Defence system program offices*.

**Mr Cronin**—That is correct.

**Senator CHRIS EVANS**—Is there any intention to pick up the FFG in your future rounds of audits?

**Mr Cronin**—Yes. We had had that scheduled for a further audit in the current year. We have delayed that audit to next year because we were advised at the time we were seeking to start that audit this year that the completion of the descoping from six to four had not been completed.

**Senator CHRIS EVANS**—The descoping? They have signed a deal to pay the same money for the four that they were going to pay for the six, haven't they?

**Mr Cronin**—At the point which we agreed to this I believe they were in negotiations. We have moved that audit from 2005-06 into our 2006-07 program.

**Senator CHRIS EVANS**—So you are waiting for them to formally sign off that we are going to pay the same amount of money for four ships as we were going to pay for six before you do the audit?

**Mr Cronin**—I cannot comment on that.

**Senator CHRIS EVANS**—I thought they had already signed off on that. I am sure the minister put out a press release saying that the deal had been done. So the latest information you have is the auditing information you picked up in that broader audit of May 2005?

**Mr Cronin**—Yes, that is it.

**Senator CHRIS EVANS**—Thank you very much. We might get an opportunity to come back to you about those things later on.

**Senator BRANDIS**—I have some brief questions about Centenary House, for the record. I want to catch up with the position on the rent. How much per square metre are we paying now?

**Mr Chapman**—Just to remind the committee of where we are at, you might recall that ownership of the building changed mid last year. It is now owned by a Queensland based property trust.

**Senator BRANDIS**—Yes.

**Mr Chapman**—The current lease expires in September 2008. The new landlord has declined opportunities to renegotiate the lease for the balance of the lease period.

**Senator BRANDIS**—Did you say that the new landlord was a Queensland property trust?

**Mr Chapman**—Correct.

**Senator BRANDIS**—So, unlike the previous landlord, which was a corporate entity controlled by a political party, one would not regard it as having any particular obligation to consider a broader public interest. It would be entitled to consult exclusively its own commercial interest, unlike the previous landlord, which one would have hoped would have consulted a broader public interest but did not. Mr Chapman, how much rent are we paying?

**Mr Chapman**—Mr Hawley will answer that.

**Mr Hawley**—There are two answers to that. Do you want it in cash terms?

**Senator BRANDIS**—I just want to know how much we are paying, including outlays per square metre per annum.

**Mr Hawley**—It is \$6.69 million in 2006-07, and that is on an annual financial year basis.

**Senator BRANDIS**—Which financial year?

**Mr Hawley**—The year 2006-07, coming up.

**Senator BRANDIS**—How much per square metre is that per annum? Is that including outlays?

**Mr Hawley**—From September 2006 there is a sort of mixture of dates.

**Senator BRANDIS**—Okay. Let us take it from September 2006. How much per square metre, including outlays, will that be?

**Mr Hawley**—It is \$1,025.51.

**Senator BRANDIS**—It is \$1,025.51 per square metre per annum. Remind me what the net lettable area is for which you are paying that?

**Mr Hawley**—It is 6,297 square metres.

**Senator BRANDIS**—I think it was the first floor that was subleased. Do you still sublease that?

**Mr Hawley**—We do.

**Senator BRANDIS**—How many square metres are subleased?

**Ms Harris**—We do not have the number of square metres with us, but the sublease payment is approximately \$600,000 a year.

**Senator BRANDIS**—I am surprised that you do not have the square metreage of the subtenancy, because I have asked these questions, including that one, in estimates for the last five years. Does anyone know?

**Mr Chapman**—I could say that it is exactly the same as it was last year.

**Senator BRANDIS**—We will consult the *Hansard*. Are you satisfied that the subtenant is paying to the Audit Office the market rate?

**Ms Harris**—I believe so, yes.

**Senator BRANDIS**—How much per square metre per annum is the subtenant paying you?

**Mr Hawley**—We do not have that figure with us. We can give you what we are paying or what the tenant is paying—

**Senator BRANDIS**—But I want to know, since it seems reasonably uncontroversial that the best way of working out the market value of this tenancy is to work out what your subtenant is paying to you. Since I have asked that question too at the last five years of estimates, I would have expected you to be able to tell us that.

**Mr Hawley**—Senator, I cannot tell you that.

**Senator JOYCE**—The area that is sublet—let's just take a ballpark punt—is it about a quarter or a half—

**Senator BRANDIS**—About 40 per cent.

**Senator JOYCE**—So, \$600,000 for 40 per cent but \$6.96 million for the whole lot.

**Senator BRANDIS**—For 100 per cent, yes.

**Senator JOYCE**—So you would think that around about \$1.4 million would be the going market rate.

**Senator BRANDIS**—It is about four or five times, roughly, market rate. On the basis of previous years, and given that it is uncontroversial that the subtenant is paying the market rate, that is right. Mr Hawley, I wonder if you would not mind going away for a few minutes and making a phone call or an inquiry so you are able to come back later in the evening and provide me with the figure that the subtenant is paying and the net area being let to the subtenant. I am very upset about this. You or your office knows that this is a critical question of this inquiry, which I always pursue because that is the surest way of working out what the real market value of the tenancy is. Would you be good enough to make that inquiry and come back to us before 11 o'clock.

**Senator FAULKNER**—Chair, I rarely take points of order—that is one of the significant differences between myself and Senator Brandis: he takes many—but on this occasion I will. Senator Brandis has suggested that an officer at the table go away and come back later. The first point I would like to make is that I am not sure that the Audit Office will still be before us later; I think we have just about concluded our examination of them. But we can always be flexible about these things and try to be reasonable—very reasonable, as you know. The second thing, which may not be strictly a procedural point but is one that at least goes to a matter of proper courtesy at the committee—

**CHAIR**—And gentility?

**Senator FAULKNER**—Yes, but I would not call it a point of courtesy—I do not think there is any such thing—so I am taking it as a point of order. I am raising something with Ministerial and Parliamentary Services which I flagged with officials that I intend to raise. Sometimes Senator Brandis puts a point forcefully—fair enough—but sometimes if you are going to put these points forcefully it is best to have flagged with officials that the question is going to be asked, which is easy enough for any of us to do.

Anyway, my substantive point of order goes to the procedural point that the officers are not going to be before us later, and I think Senator Brandis will want us to be flexible with a capacity for the officer to come back and give an answer. My view is, as always, that we should try to accommodate the request of Senator Brandis, even though it was put in a rather brusque way.

**CHAIR**—Senator Faulkner, thank you for your assistance to the committee. Mr Hawley, if you could go away and try to procure that information and bring it back as soon as possible that would be—

**Senator BRANDIS**—Let's be very clear: there are two questions and only two questions that I want you to answer for me: what is the net lettable area of the subtenancy? There is only one subtenancy, isn't there?

**Mr Chapman**—That is correct.

**Senator BRANDIS**—And the rent in dollars per square metre per annum, including outlays being paid by the subtenant. I want those two figures, please.

**Senator FAULKNER**—On other occasions, of course, these matters have been taken on notice. Many of my questions' answers have been given on notice.

**CHAIR**—Senator Faulkner, thank you for your assistance but I think on this occasion—

**Senator MURRAY**—On the same point of order, Chair, will the Audit Office be open? Does this require the officers at the table to go and open the Audit Office?

**Senator FAULKNER**—Senator Brandis will be down there with a sledgehammer if necessary.

**CHAIR**—Senator Murray, that is a fair question, but the way I see it is that these questions not only could easily have been anticipated but also, I think, could be certainly answered very quickly by a couple of phone calls.

**Mr Chapman**—I am sorry to correct you, Senator, but I do not believe there will be anyone in the office that we can telephone. But we are very sensitive of the need to support the committee and I am sure that the staff will be willing—

**Senator BRANDIS**—As the chair wisely and accurately observes—

**Senator MURRAY**—Please do not interrupt the witness when he is talking.

**Senator BRANDIS**—these matters could have been anticipated—

**Senator MURRAY**—Point of order, Chair. Earlier today I had Senator Brandis talk to me when I was chairing the meeting about interrupting a witness when they were talking. Senator Brandis has done that very same thing and he should not.

**Senator BRANDIS**—You complimented me for doing so. As the chairman has said, these questions could very easily have been anticipated at every estimates round. Since the additional estimates in 2000, three times a year, just so the public has an update on this report, I have asked the same questions. With respect, it is a very poor performance that that question, which has always been asked, was not anticipated this evening.

**Senator FAULKNER**—Welcome to the majors, Senator Brandis. I am very used to these sorts of responses, but I seem to take it in better spirit than you. I am a bit disappointed that the minister at the table has not intervened, because the witnesses are being badgered. If it were me asking these questions and demanding that people go back to an empty audit office at this hour of the night, you would be in absolutely high dudgeon about it.

**CHAIR**—You have plenty of leeway and I am giving Senator Brandis some leeway.

**Senator FAULKNER**—You are giving Senator Brandis leeway?

**CHAIR**—On this occasion, I think it—

**Senator FAULKNER**—You cannot give leeway to people beyond what is reasonable—

**CHAIR**—I think it is reasonable.

**Senator FAULKNER**—for officers who are employed by the Commonwealth. You are expecting them to get information out of an unoccupied building at 20 to 10 on a Tuesday

night. You have to be a bit reasonable about these things. I reckon the officers will do their best—

**Senator BRANDIS**—Good. That is all I am asking.

**Senator FAULKNER**—but they may not be able to achieve what Senator Brandis wants. You are just lucky that the committee is as flexible as it is. Try and be reasonable when the rest of us ask a few questions.

**CHAIR**—Order! Mr Chapman, will you do what you can?

**Mr Chapman**—I certainly will. I have the *Hansard* for the last three appearances by us. Unfortunately there is no reference to this matter included in them, but I am very willing for the staff to attend the office tonight and—

**CHAIR**—Mr Chapman, could you just see what you can do and—

**Senator FAULKNER**—On a point of order, it appears as though Senator Brandis has misled the committee, because in fact we have just heard—which I take at face value—that the matter has not been raised and it could not have been easily anticipated. That is a porky, George, and I am surprised that you would tell the committee a porky.

**Senator BRANDIS**—I am surprised that you would need any persuasion. You and I could argue this back and forth—

**Senator FAULKNER**—You are right. I am not surprised that you would tell a porky.

**CHAIR**—Order! Mr Chapman, will you please do what you can with respect to those two questions?

**Mr Chapman**—Certainly.

**Senator BRANDIS**—If we cannot have the answer tonight, perhaps we could have it first thing in the morning.

**Mr Chapman**—That is an offer that I would be most happy to accept.

**Senator FAULKNER**—We do not have the department before us tomorrow. Are you seriously suggesting—

**CHAIR**—No, I am not suggesting that we reopen questioning.

**Senator FAULKNER**—Exactly. There is an order of the Senate that prevents that, so Senator Brandis does not know what he is talking about.

**Senator Minchin**—When we know the answer, I am happy to provide it to the committee.

**CHAIR**—Minister, thank you. As there are no further questions for the Australian National Audit Office—

**Senator JOYCE**—Next year we will have a question on Centenary House again, so be ready for it.

**Senator BRANDIS**—And I will have the same questions—

**Senator FAULKNER**—We can hardly wait. Hold the front page.



**CHAIR**—Mr Chapman, thank you for your assistance. Can I just have a quick stocktake of where we are at. We have the ONA next, then the Public Service Commission, the Ombudsman and the National Water Commission. Who can we let go?

**Senator CHRIS EVANS**—I think we can let the National Water Commission and the Public Service Commission go—although I should not do that.

**CHAIR**—We have an hour and a quarter left for the ONA—that is all we have got.

**Senator CHRIS EVANS**—Given the developments in Timor, I do not think we will get past the ONA today.

**CHAIR**—The others can stay then, but you must understand that if we ask them to stay and we do not get to them by 11 o'clock, that is it.

**Senator FAULKNER**—I think Senator Evans is saying that it would be a courtesy to let them go because, even though we would like to hear from them, we are not actually going to get there by 11 pm.

**Senator CHRIS EVANS**—Senator Stephens had questions on water as well, but I had to say to her that I did not think we were going to get there.

**CHAIR**—There is a very slim chance.

**Senator CHRIS EVANS**—I think Senator Stephens said that she might be able to put some of her questions to one of the other departments' estimates.

**CHAIR**—We will start with ONA.

**Senator MURRAY**—Is Senator Joyce aware that he can put questions on notice?

**CHAIR**—Yes.

**Senator CHRIS EVANS**—I think we are at the position where everyone but ONA can go, unless someone else has an alternative plan.

**CHAIR**—Senator Murray, is that all right with you?

**Senator MURRAY**—Yes. We should apologise to those who have waited.

**CHAIR**—Yes, I will convey our apologies.

**Senator CHRIS EVANS**—They did not look like they were upset. They've gone—they've bolted!

**Senator FAULKNER**—We always apologise to witnesses who wait, but they are always so pleased to go—

**CHAIR**—As there are no further questions for the Australian National Audit Office, I thank you for appearing before the committee today. The committee does not require the Australian Public Service Commission, the Office of the Commonwealth Ombudsman, and the National Water Commission this evening. Officers from those agencies may go. We will now examine the Office of National Assessments.

[9.46 pm]

### Office of National Assessments

**CHAIR**—Welcome. We will now examine the Office of National Assessments. Senator Faulkner, do you want to open the bowling?

**Senator FAULKNER**—I will be brief on the first issue that I want to raise with Mr Peter Varghese. I flagged this issue in the portfolio elements of the Department of the Prime Minister and Cabinet, which may or may not have been drawn to your attention; that is, the issue of Iraqi civilian deaths. That is an issue, as you would recall, Mr Varghese, that I have canvassed with you in a substantial way on at least one other occasion.

Since that interchange at the estimates committee with the Office of National Assessments on 14 February 2005, it has become clear—because it has become public—that, in fact, the US military has acknowledged that it is keeping records of Iraqi deaths. I first of all want to ask you whether you are aware that that public acknowledgment had been made.

**Mr Varghese**—Yes, I am.

**Senator FAULKNER**—Can you confirm that that is data that has been compiled by the Pentagon?

**Mr Varghese**—It is contained in a report from the Department of Defense to congress—so it is Department of Defense data.

**Senator FAULKNER**—Can you confirm that at least elements of that report are public?

**Mr Varghese**—Yes, it is a public report.

**Senator FAULKNER**—I am not sure whether there are some elements of the report that have not been made public. I am aware of the public report.

**Mr Varghese**—My understanding is that the report in its entirety is a public report and it is a report pursuant to US legislation.

**Senator FAULKNER**—When did ONA become aware of the report?

**Mr Varghese**—We would have become aware of the report around the time that it was tabled in congress. As I understand it, there have been at least two such reports that have been made public in congress—one in October 2005 and one more recently in February 2006.

**Senator FAULKNER**—So it was around October 2005 that you became aware of it?

**Mr Varghese**—Yes, that is when the office became aware of it.

**Senator FAULKNER**—Sorry—I should have said ‘when ONA became aware of it’. What about the work that is reported—some of the statistics and so forth that are compiled in the report? Are you clear about when that work was done and who did it?

**Mr Varghese**—The report itself contains some information about how the data were put together. One of the charts shows average daily casualties, compiled by the Pentagon. I have the chart in front of me; it says ‘derived from unverified initial reports submitted by coalition elements responding to an incident’. I think that footnote is intended to make the point that the data are not hard, authoritative data.

**Senator FAULKNER**—When did ONA become aware that the Pentagon was collating this sort of information? You have told me that you became aware of the report when it was made public, but what about before the report was made public? Obviously a considerable amount of work goes into the development of its contents and the like, and I am interested in whether ONA had any prior understanding or knowledge of that.

**Mr Varghese**—No, we did not.

**Senator FAULKNER**—Since the publication of the first report—or, for that matter the second report—has ONA taken any steps to try to establish the background and veracity of the figures that are contained in the report? Have you had any contact with any US agencies—given that this, as I understand it, is the first tangible indication that these sorts of statistics are being compiled? Subsequent to the report being made public, have you had any contact with agencies about their contents?

**Mr Varghese**—We have not discussed the report or its methodology with the Pentagon since it was published. Can I make the point that data on civilian casualties in Iraq—as I think I indicated to you when you asked me these questions back in February of last year—still remain far from authoritative. I do not think the Pentagon itself would represent these data as authoritative—in fact, quite the contrary. The footnote that accompanies them makes it very clear that they are actually inconclusive data. There are probably better data—if I could put it that way—although still far from authoritative, compiled by various non-government organisations, some of which you referred to back in February 2005. I am thinking particularly of the data compiled by the Brookings Institution, which in turn are based on some material by Iraq Body Count. You only have to look at the range of the numbers used in this—20,000 to 42,000 being the range of civilian deaths from acts of war—to see that this is not a very precise number.

**Senator FAULKNER**—I appreciate that point. You are absolutely right; there are some quite significant differences in the statistics that have been made public. I accept that. I will just focus on the evidence of February 2005. We have not got much time tonight and I am not going to spend a lot of time on this; I would like to but unfortunately, as you appreciate, time is very short. What has changed is the evidence that you gave, which I believe was accurate evidence, that no numbers had been released by the Department of Defense in the United States in relation to civilian casualties. That has changed.

**Mr Varghese**—That is correct.

**Senator FAULKNER**—That is the substantive point. Accepting all the qualifications and background, there is at least one quite substantive change since you and I last spoke across a witness table about this important issue. Do you accept that?

**Mr Varghese**—I certainly accept that.

**Senator FAULKNER**—That change has occurred. What formal change may there have been in relation to any ONA activity, contact, communication, consultation or consideration of this matter as a result of the Department of Defense having released this material on civilian casualties—regardless of the level of accuracy or consistency with other released figures? The point I stress is that it is actually the Department of Defense numbers that have been released, and that is the difference—it is not the only difference but it is the difference I want to focus

on now because of the short amount of time. In that instance there was a change. You and I both accept that that has been a significant change since February 2005. Has ONA had any formal communication or contact with the US Department of Defense as a result of this publication?

**Mr Varghese**—No, we have not.

**Senator FAULKNER**—Why not?

**Mr Varghese**—I do not see a requirement for us to have a formal communication with the Department of Defense on this. The difference is that before October 2005 we did not have a Pentagon number. We did ask them if they had a number; they told us they did not have a number. After October 2005, there is a number, with qualifications and caveats. We note that number and we note other numbers, but in my view it does not require any particular formal response to the Pentagon or further communication with the Pentagon.

**Senator FAULKNER**—Were they misleading you when they said that they did not have a number?

**Mr Varghese**—No.

**Senator FAULKNER**—I thought you might try to get behind this and try to establish when and how this work was done.

**Mr Varghese**—This report is pursuant to legislation passed by the US congress asking the Pentagon to report to them—

**Senator FAULKNER**—That does not invalidate it, does it?

**Mr Varghese**—and that is the origin of the data. I do not see a requirement for ONA to interrogate the Pentagon as to why they produced that report and when they produced it.

**Senator FAULKNER**—No, but you have again tonight said that you asked US authorities and they said that there was not any such number, tally or statistic. There is now, and one assumes that in the preparation of these reports there has been for some time. The fact that this has just come about as a result of some sort of statutory or legislative requirement in the US does not invalidate in any sense the fact that the work was done by the US defence department. It was done by the Pentagon, wasn't it?

**Mr Varghese**—Absolutely.

**Senator FAULKNER**—Has ONA reported on these two public documents?

**Mr Varghese**—No, we have not done a report on it, and it would be relatively unusual for ONA to do a report specifically on a public document.

**Senator FAULKNER**—Don't encourage me to raise some famous instances about issues like children overboard and the basis of ONA reporting which is just media stories in the Australian press. This at least has, as you say, the status of a Pentagon prepared and developed report to the US congress. So don't encourage me, please, to talk about some of the reporting that ONA has been famously responsible, or irresponsible, for. There is a history. I know it, and I am sure you know it. And I am not sure that that comment necessarily stands analysis.

We do not have much time to deal with this, unfortunately, Mr Varghese. I do not want you to think because of the shortness of time, because of the pressure of time, that in any sense I do not consider this a very significant issue and would not want to spend a great deal more time dealing with it. We will just have to do it on another occasion. I am sorry about that. I would prefer to have been able to progress it in more depth and extent tonight, but it is not possible because of a range of other issues that need to be dealt with in less than an hour.

**Senator CHRIS EVANS**—Mr Varghese, I want to ask you about the unfolding situation in East Timor. I know the minister had to leave earlier today because of a National Security Committee meeting. What is the current assessment of the security situation inside East Timor?

**Mr Varghese**—I think the security situation remains quite uncertain in East Timor. As you would have seen from the media, there was some incidence of civil unrest overnight. There have been some further clashes in the course of today. The underlying east-west tensions within the country continue to be a source of tension. We still have an unresolved issue for those members of the East Timor defence forces who have left and who have a number of grievances, and a reasonably difficult set of circumstances surrounding the deaths that accompanied the protests at the end of April. So I would describe the security situation at the moment as somewhat tense, and the outlook is somewhat uncertain.

**Senator FAULKNER**—Are you able to say in any more detail what the further clashes over the last 24 hours have involved?

**Mr Varghese**—I cannot add to what has been in the media on that.

**Senator CHRIS EVANS**—Senator Faulkner and I and most members of the committee would probably confess to being not very well informed on what has been in the media in the last 48 hours as we have been confined to barracks, as it were, inside this room, Mr Varghese, so that is probably not the best answer for us. I suppose the key thing from my point of view is what advice you are now providing to Australian citizens inside East Timor. Is it to leave the country?

**Mr Varghese**—I think you should direct that to the Department of Foreign Affairs and Trade. We do not get involved in travel advisories.

**Senator CHRIS EVANS**—It was not so much about a travel advisory as an assessment of the security situation. Is the assessment that Australian citizens are at risk inside East Timor, or is it not that serious at this stage?

**Mr Varghese**—Again, we do not make threat assessments in ONA. I am not trying to evade your question; I am just trying to stick to my responsibilities in the office. That is a judgment that is made through a combination of threat assessments done by the National Threat Assessment Centre, which is housed in ASIO, and the Department of Foreign Affairs and Trade.

**Senator FAULKNER**—Perhaps if I could ask again the question that you probably quite fairly responded to by saying that you cannot add much to what reporting occurred in the media. Are you able to briefly outline for the benefit of the committee what the nature of the unrest is over there in the past 24 hours, or perhaps in the past 12 hours?

**Mr Varghese**—It is partly unrest that follows from a very significant number of members of the Timorese defence forces leaving over disgruntlement at not only conditions but also what they saw as discriminatory treatment, and the potential for that group of dissidents to attract broader support. On top of that, of course, you would have the usual political divisions which have been part and parcel of East Timorese politics for, I think, quite some considerable time now.

**Senator FAULKNER**—I have heard the suggestion, although I do not know its currency—forgive me if I am out of date but, as Senator Evans said, we have been stuck in this committee since 9 am so it is possible I am a little out of date on this—that an Australian journalist has been caught up in the violence there. Is that correct?

**Mr Varghese**—I think the journalist is now safe.

**Senator Minchin**—On the channel 2 news tonight he was interviewed by radio and said that he had been in the middle of some trouble but was now at the Australian Embassy and perfectly safe.

**Senator CHRIS EVANS**—So you got a full security briefing from the TV news?

**Senator Minchin**—That is our ABC.

**Senator CHRIS EVANS**—You have been at the security committee all afternoon and you rely on the ABC news to find out what is going on!

**Senator Minchin**—I went to see the ABC news so I knew what was happening!

**Senator FAULKNER**—Senator Minchin, you have done better than this member of the committee, because I did not even see the ABC news. You are in front of me.

**Senator CHRIS EVANS**—Mr Varghese, what is your assessment of what is occurring at the United Nations in relation to East Timor? There has been some talk, I gather, of some action arising from the United Nations. What is happening on that front and what is the Australian government's attitude to it?

**Mr Varghese**—I think the UN focus up to now has been on the question of what is going to be the future of the UN presence in East Timor. That particular mandate has, I think, been extended for about another month; and therefore decisions will need to be made about the profile of the continuing UN presence after that mandate expires. That is an issue which, in a sense, is quite separate from the particular unrest in East Timor over the last couple of weeks. To the best of my knowledge, the events of the last 24 hours have not been the subject of UN consideration.

**Senator FAULKNER**—Are there reports of any casualties in the last 24 hours in this violence?

**Mr Varghese**—Yes, there are.

**Senator FAULKNER**—Are you able to detail any of that information for the benefit of the committee?

**Mr Varghese**—Senator, in open session I am unable to share detailed information with you.

**Senator FAULKNER**—Appreciating that I certainly do not want this committee to go into closed session—I will make that very clear—is there anything you are able to share with the committee on the public record in relation to the extent of any casualties? I have seen reports of the possibility of at least two soldiers having lost their lives—I do not know whether that is accurate or not. I would ask you to give us any information you are able to give in open session—as I said, I do not want the committee to go into closed session to deal with it. If there is any information you can provide, I would appreciate it.

**Mr Varghese**—My understanding is that there were about four casualties as a result of the clash that occurred in Timor earlier today. This was a clash between the Timorese defence forces and some of these dissident former defence employees that I spoke about.

**Senator FAULKNER**—And ‘casualties’ might be injuries or deaths, obviously.

**Mr Varghese**—That is correct.

**Senator FAULKNER**—Are you able to give any—

**Mr Varghese**—No, I do not know what the breakdown of that is or the identity of those who have been injured or killed.

**Senator CHRIS EVANS**—You said that the concentration at the UN was on the future of the mandate, and I accept that that has been the case. Obviously that is of importance to Australia, because we have generally provided, what, 25 per cent of the force?

**Mr Varghese**—I do not have those figures.

**Senator CHRIS EVANS**—I seem to remember at each of the iterations we kept it at roughly 25 per cent. Anyway, we have had a substantial commitment to each of the UN contributions. I think we are the most substantial contributor in terms of personnel. So this is a live issue for us in terms of the UN mandate, because I expect we would be expected to provide the same sort of contribution to the mandate. Was that the basis of government thinking up until this occurred?

**Mr Varghese**—ONA is not a policy operation, but I think the expectation would be that, if there were a continuing UN presence, Australia would be looked to to make a substantial contribution, as we have in the past.

**Senator CHRIS EVANS**—That is why I was asking about any assessment made by the UN, because the violence in the last couple of days is a reflection of some instability that has been brewing. This did not come as a complete bolt out of the blue to anybody.

**Mr Varghese**—That is right, and it no doubt will influence the final decision about what the next phase of the UN presence in East Timor is likely to be.

**Senator CHRIS EVANS**—In terms of your assessments, are ONA concerned that this may develop into something broader than just clashes involving some of the disgruntled defence forces? Is there concern about the fundamental security of the country?

**Mr Varghese**—I would not go that far. I think the history of East Timorese politics has been pretty fractious, so anything that develops as a fault line always runs the risk that it can grow into something bigger than anyone anticipated. I think that is really where we are at the moment—a concern that that might happen.

**Senator FAULKNER**—Where would you place East Timor in terms of ONA priorities?

**Mr Varghese**—It is an issue that we follow very closely, and in the last month or so we would have written quite a bit on East Timor.

**Senator FAULKNER**—So it is a priority area?

**Mr Varghese**—It is. It is a current priority area.

**Senator FAULKNER**—Are you able to further define that by explaining to the committee what the level or amount of reporting is on East Timor?

**Mr Varghese**—We keep it under constant review, and what we write and how often we write really depends on the situation on the ground and whether we have something new to say to the government about it, but in the last few weeks we have been reporting quite regularly to the government about how we see East Timor.

**Senator FAULKNER**—But it is fair to say, isn't it, that there is a direct relationship between how often you report and the extent of reporting on a matter and what sort of a priority area it is for ONA? Obviously there is a direct relationship between those two things, isn't there?

**Mr Varghese**—Clearly, if something is important to us, we are not likely not to write on it.

**Senator FAULKNER**—Are you able to say to us how many analysts are working on East Timor?

**Mr Varghese**—We have one analyst who would be working essentially full time on East Timor. In addition to that, we would probably have another two or three analysts who would be closely involved in the drafting of reports that relate to East Timor.

**Senator FAULKNER**—Has that changed? How long have those resources been applied to that area?

**Mr Varghese**—We have been expanding the resource base of ONA over the last 18 months as a result of the Flood report recommendation. Part of that expansion is quite a significant extension of our South-East Asia branch, so the resources that we have now dedicated to South-East Asia—and the resources we have dedicated to East Timor as part of that—are more than we had pre Phillip Flood.

**Senator FAULKNER**—My recollection is that this rioting—or political violence, if you like—in East Timor came to the fore at the end of April. It was about 29th April, wasn't it?

**Mr Varghese**—It was on the 28th and 29th.

**Senator FAULKNER**—Did you have similar resources—the same number of analysts—working on East Timor then? It was literally only a few weeks ago. Has it been consistent over at least the past couple of months? I hear what you are saying; I understand the background, such as your increased resources as a result of the implementation of the Flood report. But, over the past few months, have you had a consistent level of resources there?

**Mr Varghese**—Like any organisation, where there is a surge demand we draw in other resources. So we have had a wider group of people working on East Timor over the last



month than we had prior to the late April problems. We have brought in people to work on it from other tasks.

**Senator FAULKNER**—Does this mean you were taken by surprise by the events in East Timor?

**Mr Varghese**—Not necessarily taken by surprise. When something happens on the ground that requires a bigger effort in terms of analysis and producing reports, we try to put more resources into it. It is pretty much part and parcel of the way the system works, I think.

**Senator FAULKNER**—I read reports around the time—I do not know whether they are accurate or not, and forgive me if I do not have accurate figures—that five or six people had died in the political violence on the 28th and 29th. Is that right?

**Mr Varghese**—That is correct, yes. The official death toll was five, as I recall.

**Senator FAULKNER**—Of course there are also reports that literally tens of thousands—around 20,000—had fled Dili because of concerns about further violence. Again, I read that in the press. You might confirm for the committee whether that picture is accurate.

**Mr Varghese**—A significant number left Dili and moved to the hills and to the outlying rural areas of East Timor. I cannot put a precise number on it, but it would certainly be in the thousands.

**Senator CHRIS EVANS**—Did they return, or have they stayed away?

**Mr Varghese**—Most of them are probably still outside of Dili. Some have certainly returned.

**Senator FAULKNER**—This dispute between the sacked soldiers you referred to and the government goes back to earlier in the year—it goes back to February.

**Mr Varghese**—It does.

**Senator FAULKNER**—So are you satisfied that there has been no intelligence failure here? I am worried that these resources seem to have been applied very late in the day. Can you assure me on that?

**Mr Varghese**—I would not say that the resources have been applied late in the day. We have been working on East Timor since well before April, as you would appreciate. After the late April riots there was a surge demand for information and analysis on East Timor and we were able to meet that. I would not put it at any more than that.

**Senator FAULKNER**—I wonder if it was a demand that was not anticipated and perhaps should have been anticipated. That is the nub of the question I am asking. I do not know what the answer to it is, but I think it is fair that I ask you.

**Mr Varghese**—The nub of it is that you respond to the demand when the demand occurs. If we had been sitting in February with the same amount of resources on East Timor that we had after 28 or 29 April, I am not sure that would have been a very sensible way to manage our resources. The reason why we needed more after 28 and 29 April was that the situation on the ground in East Timor was different after 28 and 29 April and it therefore required a different sort of effort.

**Senator FAULKNER**—I hear that. What I ponder about is the fact that this trouble was brewing from at least February, wasn't it? That is when this dispute between the government and the sacked soldiers really hotted up?

**Mr Varghese**—Yes. And the fact that the trouble erupted into something worse is not something that surprised us.

**Senator FAULKNER**—It did not surprise you?

**Mr Varghese**—No.

**Senator FAULKNER**—Why do you say that?

**Mr Varghese**—The way in which the issue was developing, there was quite a high chance that it would spill over into some sort of clash.

**Senator FAULKNER**—If there was such a high chance of that, why was the forward deployment of four naval vessels left to 12 May? I do not now understand what you are saying to us.

**Mr Varghese**—I am not in a position to comment on the government's deployment decisions.

**Senator FAULKNER**—You are now saying that the fact that this violence developed in the way it did was not a surprise.

**Mr Varghese**—That is correct.

**Senator FAULKNER**—I am saying, having heard that, that given that this dispute developed between the government and the sacked soldiers in February—and I do not expect you to comment on this—it begs the question of whether the deployment of the four naval vessels on 12 May may have been a belated response. I only say that because of the evidence you give.

**Mr Varghese**—There could hardly be a deployment before there was a riot.

**Senator FAULKNER**—That is right. There are quite a few weeks and even months there, aren't there?

**Mr Varghese**—I am not sure what you are asking me.

**Senator FAULKNER**—The questions are perfectly clear, and you are providing answers which I am trying to listen to as carefully as I can.

**Senator CHRIS EVANS**—I have a question about the assessment of the capability of this rebel group. What assessment have we got about their capacity and the sorts of weapons that they have access to?

**Mr Varghese**—The numbers who left the military were in the order of 500 to 600. Our understanding is that at least some of them probably have access to arms.

**Senator CHRIS EVANS**—Are the arms that they took with them formerly military equipment or are they other supplies?

**Mr Varghese**—I am not really in a position to answer that.

**Senator CHRIS EVANS**—But you have made an assessment that they have access to at least some arms?

**Mr Varghese**—That is correct.

**Senator CHRIS EVANS**—Are they limited to small arms or do you think their capacity is broader than that?

**Mr Varghese**—You will forgive me if I do not go into that sort of detail. To answer fully would probably require me to go into more classified material.

**Senator FAULKNER**—Has there been an intelligence failure in relation to East Timor, in your view?

**Mr Varghese**—No.

**Senator JOYCE**—If, at an earlier point in time, you had had greater access to more resources, could you foresee a different outcome or were we basically just monitoring a foregone conclusion, which could have been seen at point A?

**Mr Varghese**—I do not think additional resources would have made very much difference to where we are now.

**Senator TROOD**—I presume that you are saying that you have been following the matter of East Timor for a long period of time. When you say to the committee that you were not surprised then you are saying that, as a result of following the issue for quite some period of time, you could see that tensions were building which might well have led to this kind of tension and conflict, but that there was no necessary need, until things became manifestly more difficult, for you to deploy more resources to the matter. Is that an accurate statement of the matter?

**Mr Varghese**—Yes, that is pretty accurate. We were following it with adequate resources and, when the situation on the ground changed and it required a greater level of analysis and following, we were able to apply those additional resources as required.

**Senator TROOD**—Thank you.

**Senator CHRIS EVANS**—Regarding the dismissed soldiers, what is the assessment of their capacity to strike into a broader vein of discontent? I think we have all been concerned for some time about the high unemployment and the large number of young people in East Timor who have not had much opportunity, as a function of their history and also the age profile of the place. Certainly, when I went there a few years ago, that was something that really struck me about it. On the face of it, the dismissed soldiers are representative of a sort of old guard and the resistance movement. What is your assessment of the potential for their grievances to connect with the, as it were, younger, frustrated unemployed people?

**Mr Varghese**—I think it is always a risk in a polity such as East Timor that particular dissident factions could tap into other discontented groups. What we saw in relation to the military was a re-expression, if you like, of an east-west divide in East Timor. If you overlay that with the sorts of issues that you very rightly point to, which is youth unemployment and a high rate of youth disaffection, then you have the potential for something worse to develop.

**Senator CHRIS EVANS**—What do you mean by the east-west divide inside East Timor?

**Mr Varghese**—A sense that those in the eastern half of East Timor—of the country as opposed to the island—feel that they have been discriminated against by those from the west.

**Senator CHRIS EVANS**—What is the basis for that belief?

**Mr Varghese**—In the case of the military, it is ostensibly that the rate of promotions of those from one side was different to those from the other.

**Senator CHRIS EVANS**—But what is the driving force of the feeling of separateness from east and west, other than the obvious, that it is from one side of the island to the other.

**Mr Varghese**—They are also different linguistic groups.

**Senator CHRIS EVANS**—So there is a different linguistic group basis to some of the disaffection?

**Mr Varghese**—Yes.

**Senator CHRIS EVANS**—What is your assessment of the Indonesian attitude to these developments, and what are their concerns about them?

**Mr Varghese**—I imagine Indonesia, like the rest of the region, is watching events in East Timor reasonably closely. But my sense is that the Indonesians would probably be looking to Australia to take the lead in any action that may be required.

**Senator CHRIS EVANS**—Are there any particular concerns about West Timor and the border situation?

**Mr Varghese**—No, we have not seen any evidence that that is likely to become a problem.

**Senator CHRIS EVANS**—What about your assessment of potential refugees either fleeing to West Timor or seeking to embark to Australia? Have you assessed the risk of people seeking to flee the country if the unrest develops?

**Mr Varghese**—We have not seen any evidence of movement to West Timor. A lot will depend on whether or not things get a lot worse. If things get a lot worse then the equation may change. When East Timor went through a much worse period in the late nineties—prior to the INTERFET intervention—there was no suggestion that large numbers of East Timorese were about to hop on a boat and come to Australia.

**Senator CHRIS EVANS**—I am not one to talk up the threat of that occurring generally, Mr Varghese, you can rest assured. There are plenty of others in Australian politics to do that. Obviously we have got quite a large Timorese population now in the country and we are probably a first choice of haven for some. Given the connections with the populations in Darwin and others, it seems to me there are closer links than there used to be. But you have not made any assessment that makes you think this is likely to be an issue for us in the short term?

**Mr Varghese**—Not at this stage.

**Senator CHRIS EVANS**—I will just go back to the UN situation. Do you anticipate that the UN will defer any decision on the extension of the mandate, given these difficulties?

**Mr Varghese**—They have given themselves about another month to make a decision, so I think they have still got time to do that.

**Senator CHRIS EVANS**—This would obviously have a very substantial impact on those considerations. We have been winding down the UN contribution and our own contribution with a view to withdrawing altogether because of the stability of the region and its capacity to maintain a secure and civil society unaided. This clearly throws that into question, if this sort of violence is erupting and we have disaffected armed groups clashing with the East Timorese authorities. It seems to me that the future of UN involvement and Australia's involvement is thrown into question.

**Mr Varghese**—The events of the last month will clearly have to be factored into a decision that the UN makes about its future footprint in East Timor. It is also likely to influence the attitude that the East Timorese government take to what UN involvement they would like to see. So I would be surprised if it did not have an effect on that decision. But it is a bit early to say what it will translate into, in terms of the profile of the UN in East Timor.

**Senator CHRIS EVANS**—We have been effectively demilitarising our involvement, haven't we? The nature of the commitment has been—

**Mr Varghese**—And putting more emphasis on the police.

**Senator CHRIS EVANS**—Yes, more policing; less front-line troop commitment, as it were; and more emphasis on training and support mechanisms.

**Mr Varghese**—That is right, yes.

**Senator CHRIS EVANS**—Clearly, if there were a requirement for security duties again it would require a very different sort of commitment from the UN and from us as part of that.

**Mr Varghese**—If that were to be reopened, yes.

**Senator FAULKNER**—I asked about the level of reporting on East Timor. Could I ask you also, Mr Varghese, about the level of reporting on the Solomon Islands.

**Mr Varghese**—Again, this is an area that we follow closely and report regularly to the government on.

**Senator FAULKNER**—Are they similarly resourced? Is it a similar priority? Is it a high priority?

**Mr Varghese**—It is a high priority. Anywhere where we have Australian troops deployed is a high priority.

**Senator FAULKNER**—Sure. Are you able to indicate to the committee how many analysts are working on the Solomon Islands?

**Mr Varghese**—We have one full-time analyst on the Solomon Islands and another two that would spend a substantial part of their time on Solomon Islands issues.

**Senator FAULKNER**—As I asked in relation to East Timor, are you able to quantify the amount of reporting on the Solomon Islands? Is it one of the high-output areas?

**Mr Varghese**—It certainly would be one of the high-output areas.

**Senator FAULKNER**—When you say it is one of the high-output areas, obviously, to start off with, you identify high-output areas, as you have said to us, as those places where Australian troops are stationed.

**Mr Varghese**—That is right.

**Senator FAULKNER**—Obviously, Iraq is also high priority. I assume that high priority and high output are one and the same things—would that be right?

**Mr Varghese**—Roughly speaking, that is right, yes.

**Senator FAULKNER**—Perhaps you can draw that distinction out for me.

**Mr Varghese**—There can be an area that is a very high-priority area on which it may not be necessary to write as frequently as another high-priority area, in part because events on the ground may not be changing quite as rapidly.

**Senator FAULKNER**—To give us a bit of an idea of the picture, what about the resources—the number of analysts working on Iraq, for example? You have told us about the situation with East Timor and the situation in terms of your resources on Solomon Islands; can you share with us what the situation is in relation to Iraq?

**Mr Varghese**—Overall, in Iraq we might have marginally more resources devoted to it. We would have, certainly, one full-time analyst working on Iraq, but there is probably another three that would be spending a substantial part of their time dealing with Iraq issues.

**Senator FAULKNER**—Can you say to the committee when ONA would have produced its last report on the Iraq humanitarian situation? I am just asking about the timing.

**Mr Varghese**—By ‘humanitarian situation’ do you mean issues such as the rate of economic development, social indicators—is that what you had in mind?

**Senator FAULKNER**—Yes. That and the sorts of impacts on the civilian population that we have spoken about at previous ONA estimates.

**Mr Varghese**—From time to time in our reports on Iraq we obviously cover those issues. Our primary focus in relation to Iraq is obviously the security environment there—the question of the strength of the insurgency, the prospects for increased sectarian conflict and the capability of the Iraqi security forces—as well as the development of the political process. That is what we are focusing on. But we do from time to time in our reports on Iraq also cover those other issues.

**Senator FAULKNER**—Do you have humanitarian specialists? For Iraq, have you actually got designated specialists in these sorts of areas?

**Mr Varghese**—We have a full-time Iraq analyst who covers Iraq issues across the board. He would be assisted by people in the Economics Branch who would help with analysis of how economic reconstruction is proceeding in Iraq and also assisted by others in the Middle East and Strategic Assessments branches on the political and strategic outlook.

**Senator FAULKNER**—Can you explain to the committee if there has been a change in the staffing profile—that is perhaps the best way of describing it—in relation to Iraq? You have given us some background in relation to East Timor which I appreciate. Can you give us similar background in relation to Iraq?

**Mr Varghese**—We have increased resources devoted to Iraq now than we would have had, say, 18 months ago. We have essentially doubled the number of people working on Middle East issues in ONA.

**Senator FAULKNER**—Since what time?

**Mr Varghese**—I am using as a benchmark roughly two years ago, when the Flood report was issued.

**Senator FAULKNER**—What about for the Solomon Islands—how has the staffing profile changed?

**Mr Varghese**—Our Oceania Branch has also doubled in that period. That is the branch that deals with the South Pacific.

**Senator CHRIS EVANS**—We asked some questions of PM&C the other day in relation to the Cole inquiry. I do not want to go to evidence to the Cole inquiry other than to mention that there was discussion about whether ONA reports had mentioned concerns about kickbacks in the oil for food program. My question goes to the process. We asked PM&C about whether or not the material provided to ministers and officers was actually read. In the context of the Cole commission, the question went to information that was being provided or concerns raised and the evidence of it being dispatched, of cables and emails being sent, and whether or not people actually had knowledge of it. I do not want to take you through any of the evidence to the Cole commission. What I want to understand is this: we are spending more money now on making sure you develop good product and more comprehensive product, so what do you know about whether anybody reads your product? I would be happy to read it if you would send it to me, but you are a bit reticent about that!

**Mr Varghese**—We have always had an evaluation process in ONA where, every year, we seek to get a sense of how our product was perceived and what value it had. Until the Flood report, that was a self-evaluation—something we did ourselves. Flood—I think quite correctly—recommended that it would be more thorough if it were done externally. As a result of that, PM&C have been given the job of conducting an evaluation of ONA. I think you had some discussion on this earlier in the day with PM&C. Their evaluation, which also reflected our methodology, was to basically to do a customer survey and to ask the key customers, including ministerial customers, what they thought of the product, how useful it was, how timely it was, how accurate it was, whether it addressed the right questions et cetera.

**Senator CHRIS EVANS**—Yes, they took me through that. They obviously gave you a tick for the first year, which is good. They said that they are going to be a bit more thorough next year to make sure that the assessment is as rigorous as possible. But there is a question that arises out of the discussion with PM&C and the evidence of the Cole commission. People produce stuff, send cables, raise alerts and make warnings, but we did not seem to have much of a way of actually checking whether anyone read the stuff. You are obviously doing important work and providing an important product. Do you have any feedback mechanism with regard to your reporting? I do not mean assessments; I am talking about noting. I do not know how you distribute your material. Is it hard copy or—

**Mr Varghese**—It is hard copy.

**Senator CHRIS EVANS**—So you do not send any of them electronically?

**Mr Varghese**—No.

**Senator CHRIS EVANS**—Is there any method for them to acknowledge receipt?

**Mr Varghese**—We have a very elaborate accounting system for our documents. Every document that we circulate has to be accounted for and we do a muster. Basically, they have to be returned to ONA after a certain period.

**Senator CHRIS EVANS**—I see; they are all returned. Obviously they are marked ‘not to be photocopied’?

**Mr Varghese**—They are not permitted to be photocopied.

**Senator CHRIS EVANS**—I understand the theory of that. So you send out hard copies of your product. How long are the recipients allowed to retain the document?

**Mr Varghese**—Usually it is a month, but if they have a need to hang onto it for a bit longer we can accommodate that.

**Senator CHRIS EVANS**—Do you send multiple copies to some—

**Mr Varghese**—Some agencies would get multiple copies.

**Senator CHRIS EVANS**—I would have thought the Department of Foreign Affairs and Trade would need more than one. Do you have a list of officers?

**Mr Varghese**—Most of our distribution is by names, but we do send some multiple copies.

**Senator CHRIS EVANS**—You obviously keep a record of where the copy is and that it comes back. What about whether people have actually read it? Do people acknowledge that they have read it? Do they receipt that they read it? Are they required to notify you that they read it? Is there any mechanism like that?

**Mr Varghese**—If we send someone a copy and it is acknowledged and returned, we assume it has been read. I have no means of knowing whether they actually read every line of it. One thing I would say about our product is that the volume is not huge. We would typically produce eight or nine pieces a week. It is not like a cable system where you are dealing with hundreds of thousands of cables churning through the system. So most of our readership tends to read most of our product. That is what our surveys have showed.

**Senator FAULKNER**—Your target audience is also quite limited, isn't it?

**Mr Varghese**—It is.

**Senator FAULKNER**—Can you tell the committee who the target audience is?

**Mr Varghese**—We write for the Prime Minister and the other members of the National Security Committee of cabinet. We also write for senior officials in the national security agencies.

**Senator FAULKNER**—I thought I would just ask you a couple of questions about this. They really arise as a result of my interest in the evidence that I have seen reported before the Cole commission. This does not go to those matters specifically, but it goes to some process issues that I would like to have clarified. You have outlined the target audience for the benefit of the committee. What about the tasking of ONA? I think I know the answer to this question, but, just for the record, who is responsible for the tasking of ONA?



**Mr Varghese**—We report to the Prime Minister under our legislation, so the Prime Minister is responsible for the office. The decision about what to write and when, for the most part, is taken by the office itself. We have a process for deciding every week what our products are going to be and we have a forward program that looks to the end of the year, by and large. So we have a pretty clear idea of what we want to write on and the rough timing. In addition to that, from time to time we can be tasked by ministers to produce a report on a particular issue—which we are obviously very happy to do.

**Senator FAULKNER**—Sure. So to what extent would you be consulting with the target audience that you have described to us on their own requirements or interests?

**Mr Varghese**—We consult very closely with the policy community in order to ensure that what we write is policy relevant. That is a very important part of the way in which the office operates, so we keep in very close touch with the policy departments. We also keep in very close touch with the decision-making process for national security type issues. We have a good sense of what is going to be considered by the National Security Committee of cabinet, and we are able to pitch our reporting in terms of the topics that we choose to write on to help policy makers understand issues before they take decisions.

**Senator FAULKNER**—Yes. So effectively there is consultation with ministers who are part of the target audience.

**Mr Varghese**—Or their officers, but for the most part we anticipate what the policy community might find useful.

**Senator FAULKNER**—Is ONA made aware of when its reports and assessments are read by ministers?

**Mr Varghese**—As I was explaining to Senator Evans earlier, we have a system for keeping track of the reports that we send to ministers and, through that process, we have a pretty good sense of who is reading our product.

**Senator FAULKNER**—You do not draw a distinction between a report being sent and a report being read?

**Mr Varghese**—As I said previously, we find that most of the reports we send are read.

**Senator FAULKNER**—I heard that and I appreciate the evidence that you have given, but I just wonder how you know that. I have heard the claim, and I do not doubt it. You say it with great confidence, and that is fair enough, but why do you have such a level of confidence?

**Mr Varghese**—In part I know it because ministers tell me so.

**Senator FAULKNER**—But there is no actual formal record. It is impossible to keep a record of who has actually read an ONA assessment, isn't it?

**Mr Varghese**—We do not have an affirmation slip at the bottom of it saying, 'I have read this document.'

**Senator FAULKNER**—Of course you don't. And you don't have an electronic record.

**Mr Varghese**—We have a record of to whom we send it and when we get it back.

**Senator FAULKNER**—Yes, exactly—to whom you send it and when you get it back. The broad role of your agency is to distil the intelligence received by various agencies, sources and the like into a digestible form for ministers. That is broadly the case, isn't it?

**Mr Varghese**—It is not really the case. It is not ONA's job to do distillations and summaries of intelligence. We do all-source analysis, which means that we will pick topics that relate to Australia's political, strategic or economic interests and write a report on it, drawing on all sources, including intelligence sources. We do not, for instance, produce a daily intelligence summary or a distillation of intelligence.

**Senator FAULKNER**—But you are confident, because of the feedback you get from ministers, that they read your reports. We had very senior ministers in the Howard government appearing before the Cole inquiry, didn't we, who said that they could not recall reading intelligence material about the manipulation of the oil for food program and they could not recall reading reports and material on Iraq's breach of the sanctions regime? That is true, isn't it?

**Mr Varghese**—I do not know whether they are referring to so-called raw intelligence or to ONA reports.

**Senator FAULKNER**—From your evidence before the Cole commission, we know about the direct reporting. There is at least one direct report—that is my recollection; tell me if I am wrong—on the AWB issue. That is right, isn't it?

**Mr Varghese**—We did no report on AWB.

**Senator FAULKNER**—You did one report. There was one ONA report on the kickbacks paid to Saddam Hussein under the oil for food program. That would probably be a better way of describing it. Would that be right? That was your evidence, wasn't it?

**Mr Varghese**—If you read Commissioner Cole's ruling on that evidence, it is quite clear that that report related to surcharges on the oil part of the oil for food equation, not the food part.

**Senator FAULKNER**—You might be able to tell us then why AWB's activities were not picked up. If you are saying that it was not picked up in your intelligence reporting, could you explain to the committee why was not?

**Mr Varghese**—That goes to issues that are before the Cole inquiry.

**Senator FAULKNER**—It is pretty fundamental, isn't it? If you are going to make the courageous claim that the report—I think we are both talking about the same report—the obvious question is: why not? Why weren't AWB's activities picked up in the intelligence reporting? You say they were not.

**Mr Varghese**—That goes directly to what Commissioner Cole was looking at and I am not in a position to respond to it.

**Senator FAULKNER**—Why not?

**Mr Varghese**—Because the government has instructed that issues that are before the Cole commission will not be responded to by officials at these estimates.

**Senator FAULKNER**—Minister, is it your view that that question ought not be responded to by the officer at the table? It seems to be a fairly critical and crucial question, as far as I can see.

**Senator Minchin**—I can understand your interest in it, Senator Faulkner, but I think that Mr Varghese is being prudent and judicious in his response to you.

**Senator FAULKNER**—What does that mean?

**Senator Minchin**—That I agree with Mr Varghese.

**Senator FAULKNER**—I see. It appears that a prospective line of questioning I have might well be stymied.

**CHAIR**—I think it might be.

**Senator FAULKNER**—However, I am sure that Senator Evans will rush into the breach and has many more questions that he would like to ask ONA.

**Senator CHRIS EVANS**—I think so, but given that the witnesses and the minister have been so patient, I am prepared to give them a 30-second reprieve and not open a new line of questioning.

**Senator Minchin**—We appreciate that. We invite you to put any further questions on notice.

**CHAIR**—Thank you very much, gentlemen.

**Committee adjourned at 11.00 pm**