

## Chapter 2

### Parliamentary departments and portfolio issues

2.1 This chapter summarises some of the matters raised during the committee's hearings on the additional estimates 2012–13.

#### Parliamentary departments

##### *Department of the Senate*

2.2 The committee sought advice on the relationship between the work of the newly established Royal Commission into Institutional Responses to Child Sexual Abuse and the work of the Parliament. It was noted that in relation to this issue there has been a number of comprehensive Senate committee inquiries which published submissions, evidence and reports. In particular, the committee sought clarification on the status of this evidence in light of term of reference (1) of the Royal Commission which states:

...the need to establish appropriate arrangements in relation to current and previous inquiries, in Australia and elsewhere, for evidence and information to be shared with you in ways consistent with relevant obligations so that the work of those inquiries, including, with any necessary consents, the testimony of witnesses, can be taken into account by you in a way that avoids unnecessary duplication, improves efficiency and avoids unnecessary trauma to witnesses.<sup>1</sup>

2.3 The Clerk of the Senate provided a detailed response, noting the valuable information generated from Senate inquiries which may inform the proceedings of the Royal Commission, but also noting the limitations on the use of parliamentary proceedings. The Clerk stated:

The royal commission is obviously a major and significant inquiry that no-one would want to see limited by unnecessary impediments, but by law there are some limitations on the use that bodies such as royal commissions can make of parliamentary proceedings. Houses have exclusive cognisance over their proceedings. They cannot be questioned or impeached in any place outside of parliament.

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The basic restriction is that people cannot be questioned on their parliamentary evidence, and there are some limitations on the conclusions that can be drawn from the parliamentary evidence by outside bodies. The royal commission can access any or all of the published evidence and information, but not the unpublished or in camera material without further decision by the Senate. From the published material it can derive its own lines of inquiry, follow up things, learn information from what is on the

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1 Royal Commission into Institutional Responses to Child Sexual Abuse, Letters Patent, <http://www.childabuseroyalcommission.gov.au/LettersPatent/Pages/default.aspx>

record from the committee evidence and independently pursue inquiries. People can give to the royal commission the same information that they gave to the Senate committee, but if they provide to the royal commission a copy of their actual submission then those limitations would apply; if they top and tail it and turn it into a different document then it is perfectly okay. If people provided to Senate committees documents that had a prior existence—say, records of what happened in institutions, or whatever—then there is no limitation on them providing the same documents to the royal commission and the royal commission investigating those matters and questioning them about the documents. The only limitation is questioning on their parliamentary evidence, so it is really quite a narrow area.

It is conceivable that people might want to provide to the royal commission their in camera evidence to the Senate committees. That is where a difficulty might arise and that is where we would probably have to work through those issues on a case-by-case basis.<sup>2</sup>

2.4 The Clerk advised that she was considering ways of making information on the status and use of parliamentary evidence more widely available, including a note on the Senate website.<sup>3</sup>

2.5 Other matters canvassed during the examination of the Department of the Senate included the timing of the publication of the Senate Order of Business (The Red) on Tuesdays, an update on the status of a Code of Code of Conduct for Senators, the scheduling of work on the lighting rectification project in Senators' offices, and the the department's submission to the review of the operation of Freedom of Information (FOI) laws by Dr Allan Hawke AC (the Hawke review).

### ***Parliamentary Budget Office***

2.6 The Parliamentary Budget Officer, Mr Phil Bowen PSM, made a detailed opening statement which provided an update on recent progress in the Parliamentary Budget Office (PBO) in regard to staffing, workload, priority setting, access to information and the self-initiated work program.

2.7 The office's staffing level is now at 24 and it is expected to reach a full complement of 30 to 35 on a permanent basis within the next couple months.<sup>4</sup>

2.8 The committee was informed that the demand for services had increased significantly in recent months with the office having received 207 requests and provided 152 responses. The committee suggested that disaggregation of these statistics, where appropriate, may be useful in future to monitor the work of the PBO. Mr Bowen responded by advising that he would be reluctant to divulge sources of requests, but considered statistics presented by broad categorisations would not breach

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2 Dr Rosemary Laing, *Committee Hansard*, 11 February 2013, p. 8.

3 *Committee Hansard*, 11 February 2013, p. 8.

4 *Committee Hansard*, 11 February 2013, p. 14.

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confidentiality. He further advised that 'with one exception, the requests have all come from parties'.<sup>5</sup>

2.9 Mr Bowen expressed his gratitude at the high level of cooperation of departments and agencies in the provision of information, often within tight time frames, with only very few requests currently overdue. He further noted that the office is currently looking at options to gain access to certain detailed taxation information from the Australian Taxation Office which is currently restricted because of taxpayer privacy considerations.<sup>6</sup>

2.10 Mr Bowen advised the committee that the office will ensure that resources will be deployed on a fair and equitable basis and will consider the number, complexity and urgency of the requests received from each requestor. In regard to the caretaker period, Mr Bowen confirmed that:

...we will attempt to finalise any outstanding confidential costings that were submitted prior to the caretaker period commencing. However, we cannot guarantee to do so since our first priority in the caretaker period will be to cost publicly announced policies received during the caretaker period.<sup>7</sup>

2.11 Mr Bowen also encouraged the submission of policies to the PBO for costings prior to the caretaker period so that they can be costed with the best information to that point in time and if an update is requested during the caretaker period it would be quicker to prepare a costing that had been previously costed on a confidential basis. Mr Bowen stated:

The problem for us will be that if we have to do every costing from the ground up during the caretaker period, we just may not physically be able to do all the costing. If we have costed them previously, then we will have the models, much of the physical data will not be changed and we can update for an economic variables that have changed.<sup>8</sup>

2.12 It was noted that under the PBO's legislation, the submission of an update on a previous confidential costing request during the caretaker period would be publicly released. In response to questions on the time it will take to update policy costings after the release of the Pre-Election Economic & Fiscal Outlook (PEFO), Mr Bowen advised that it will depend on the nature of the costings and the extent to which they are influenced by the economic parameters set out in the PEFO.<sup>9</sup>

2.13 The committee was informed that the PBO's first published study will examine trends in the structural budget balance over the past decade and the projected shape of the structural budget balance over the 2013–14 budget and forward estimates

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5 *Committee Hansard*, 11 February 2013, p. 13.

6 *Committee Hansard*, 11 February 2013, p. 14.

7 Mr Phil Bowen PSM, *Committee Hansard*, 11 February 2013, p. 12.

8 Mr Phil Bowen PSM, *Committee Hansard*, 11 February 2013, p. 19.

9 *Committee Hansard*, 11 February 2013, p. 19

period. This is expected to be published later in this financial year and after the budget.<sup>10</sup>

### *Department of Parliamentary Services*

2.14 The Secretary of the Department of Parliamentary Services (DPS), M Carol Mills, updated the committee on progress on the department's implementation of reform, which will involve staffing, business model processes, technology and systems, organisation and culture, and reporting and monitoring processes. Many of these areas were identified as issues for attention in the committee's report on the inquiry into the performance of DPS.<sup>11</sup> Ms Mills elaborated on the DPS's response to the committee's report and its commitment to implement change:

You will note in the response that 21 of the 23 recommendations which we deem to be fully the responsibility of the department were accepted, and a work program attached to those. One recommendation related to the governance of the department and, as the presiding officers have indicated in discussion with me, they wish to consider this further as it is a matter for them to provide a final view on. One recommendation also related to funding arrangements for the department, and whilst on a departmental basis we welcomed that recommendation and the committee's recognition of the budgetary pressures under which DPS is currently operating, it is clearly ultimately a matter for government as to whether they take that up. For each recommendation we have endeavoured to put a list of actions currently underway or scheduled, and have made a strong commitment to provide regular feedback to this committee against our progress.<sup>12</sup>

2.15 The Parliamentary Librarian, Dr Dianne Heriot, was asked about a recent letter of advice to all senators and members concerning freedom of information (FOI) issues in regard to processes of the Parliamentary Library. In particular, the issue of exemption for research/advice to members of parliament provided by the Parliamentary Library was raised. Dr Heriot advised that she has made a submission to the Hawke review and recommended that there should be a provision that would exempt confidential client advices from the operation of the *Freedom of Information Act 1982*. She suggested the consideration of two possible analogous models which may apply to the Parliamentary Library: exemptions applying to the PBO; and, to the courts. Dr Heriot stated:

The impetus for my submissions and my letter was that, when parliament turned its mind to the operation of the library, it clearly was of the view, in enacting amendments to the Parliamentary Service Act in 2005, that the client advices that the librarian provides are confidential. I have a degree of complication there when the FOI Act does not explicitly recognise that and

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10 *Committee Hansard*, 11 February 2013, pp 12–13.

11 Senate Finance and Public Administration Legislation Committee, *Report on the inquiry into the Performance of the Department of Parliamentary Services*, November 2012.

12 Ms Carol Mills, *Committee Hansard*, 11 February 2013, p. 20.

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I am not able to say with certainty that under the FOI Act all advices will be treated as confidential. That is my concern.<sup>13</sup>

2.16 Other issues raised during the examination of DPS included the recent investigation into the use of the parliamentary computer network to post political material online using false names, the appointment of Ms Carolyn Walsh to conduct an investigation into a security breach, and the impact of email outages on the electronic fax service.

## **Prime Minister and Cabinet Portfolio**

### ***Department of the Prime Minister and Cabinet***

2.17 At the beginning of the examination of the Department of the Prime Minister and Cabinet (PM&C), it was noted that the Secretary, Dr Ian Watt AO, was not in attendance. It was pointed out to the committee by officers in attendance that it has been a longstanding practice that the Secretary of PM&C is represented by officials at Senate estimates hearings:

...I would clarify that there is a longstanding practice, going back over the past seven secretaries—back 30 years, back to Sir Geoffrey Yeend—that the secretary does not attend and in fact delegates to his senior officers. There has been one exception—Mr Moore-Wilton in 2002—but that has been the longstanding practice. I just wanted to clarify that for members.<sup>14</sup>

2.18 The committee reminds PM&C that, in accordance with Senate Standing Orders, it could require the appearance of any officer if it considered it necessary to do so. The committee notes that most departments and agencies that appear before it at Senate estimates hearings are represented at the highest levels.

2.19 The department was questioned extensively on the document entitled *Guidance on caretaker conventions* (the guidelines). In particular, the committee sought guidance on the section dealing with pre-election consultation with the Opposition and the interpretation of paragraph 7.5.2 concerning the commencement of the guidelines. Paragraph 7.5.2 states:

The Guidelines are distinct from the caretaker conventions and commence on a different date. They apply as soon as an election for the House of Representatives is announced or three months before the expiry of the House of Representatives, whichever occurs first.<sup>15</sup>

2.20 Questioning focussed in whether the Prime Minister had 'announced' the election during her address to the National Press Club on 30 January 2013, thus bringing into effect the operation of the Guidelines. The Deputy Secretary, Governance, Ms Renee Leon, conveyed PM&C's view:

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13 Dr Dianne Heriot, *Committee Hansard*, 11 February 2013, p. 26.

14 Dr Gordon de Brouwer PSM, Associate Secretary, Domestic Policy, Department of the Prime Minister and Cabinet, *Committee Hansard*, 11 February 2013, p. 63.

15 *Guidance on caretaker conventions*, Department of the Prime Minister and Cabinet 2010, p. 9.

The Prime Minister announced in a speech to [the] National Press Club that she intended to advise the Governor-General to call the election on or around 12 August with the election to be held on 14 September. But she has not yet formally announced the election. That will occur on or around the time that the Prime Minister advises the Governor-General to dissolve the House of Representatives.<sup>16</sup>

2.21 The department made the distinction between its responsibilities in regard to the Guidelines and the Caretaker Conventions:

The caretaker conventions are ones on which the department regularly provides advice, both before and in particular during caretaker, and does so without reference to the government of the day in the sense—unless we are seeking to give advice to the government of the day as to what they can and cannot do. They are guidelines that the department of the Prime Minister and Cabinet is responsible for. The guidelines on pre-election consultation were and are a product of the then government. They may have been the subject of consultation with then opposition but they are guidelines that were produced by and, ultimately, belong to what you are calling the political arm of government.<sup>17</sup>

2.22 The department further advised that it had independently formed its view about when the pre-election consultation period would commence prior to putting that view to the Prime Minister. The department sought the Prime Minister's confirmation of its view before replying to a letter from the Leader of the Opposition seeking advice on when the period for pre-election consultations would commence.<sup>18</sup>

2.23 The committee also discussed the development of the national security strategy statement and announcement of the establishment of the Australian Cyber Security Centre. In response to questions about commentary on the apparent diminution of attention to the threat of non-state actors in the strategy, PM&C advised that the strategy was clear in articulating that the threat of terrorism remains real and persistent, despite the emergence of state actors as an increasingly important focus:

The point being made in the strategy, and also the point that the Prime Minister made in the speech at the launch of the strategy, was that while the threat of terrorism remains, while it persists and while vigilance is very much required, in future decades the role of state actors is going to be increasingly important as economic and strategic weight shifts from the West to our part of the world. I think some of that commentary misread and misheard what was said.<sup>19</sup>

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16 Ms Renee Leon, Deputy Secretary Governance, Department of the Prime Minister and Cabinet, *Committee Hansard*, 11 February 2013, p. 40.

17 Ms Renee Leon, Deputy Secretary Governance, Department of the Prime Minister and Cabinet, *Committee Hansard*, 11 February 2013, p. 45.

18 *Committee Hansard*, 11 February 2013, p. 45.

19 Dr Margot McCarthy, National Security Adviser, Department of the Prime Minister and Cabinet, *Committee Hansard*, 11 February 2013, p. 97.

2.24 The department confirmed that there is no new funding associated with the strategy.<sup>20</sup> When asked about adequacy of current resourcing levels, the committee was advised:

There is a very large amount of Commonwealth resources devoted to national security—over \$30 billion. Agencies, particularly with the benefit of the guidance on the national security strategy, have a good, clear set of directions about the importance of using those resources efficiently and effectively. One of the five-year priorities, effective partnerships to achieve innovative and efficient national security outcomes, goes very much to that point.<sup>21</sup>

2.25 The committee was informed that the newly announced Australian Cyber Security Centre will be established by the end of 2013 within current agency resources through co-locating all areas of government involved in cyber security. It will build on the current cyber-security operations centre within the Defence Signals Directorate with officials from other parts of government co-locating to the centre. It will focus not only on government networks, as the current centre within DSD does, but also on the protection of private sector networks.<sup>22</sup> The department elaborated on what it sees as the benefits of the structure of the new body:

Colocation means that officials working on similar challenges are able to interact on a more day-to-day basis than is currently the case. Certainly I think the experience with DSD's cybersecurity centre is that having a very small number of officials from other agencies working with them has been effective and has been helpful, and the judgement of the national security community in working on this particular issue is that those arrangements and those outcomes would be made even more effective through colocation. If the concern is that we have not developed an entirely new organisation to deal with these threats, I guess I would point to similar cross-cutting security challenges like, for example, terrorism, in relation to which we did not create a new agency that deals only with terrorism; we have brought together, for example, in the Counter-terrorism Control Centre, a number of agencies working on that particular challenge. They are still responsible to their home agencies, but we are ensuring that they are together in the one place and are able to share information and expertise more efficiently and more effectively.<sup>23</sup>

2.26 The committee was particularly interested in the governance and accountability arrangements of the new centre. The committee was advised that it will not be an 'independent organisation', but will be a 'standalone organisation', with guidance provided by a board of secretaries and agency heads from the agencies with

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20 *Committee Hansard*, 11 February 2013, p. 97.

21 Dr Margot McCarthy, National Security Adviser, Department of the Prime Minister and Cabinet, *Committee Hansard*, 11 February 2013, p. 97.

22 *Committee Hansard*, 11 February 2013, p. 97.

23 Dr Margot McCarthy, National Security Adviser, Department of the Prime Minister and Cabinet, *Committee Hansard*, 11 February 2013, pp 99-100.

representatives forming the centre. Officers from PM&C indicated that there will be a senior official appointed to head the centre, however, 'all of the officials working in the centre will be responsible to their own agencies'. On the question of whether a particular portfolio or agency will provide administrative support and where the centre will sit for oversight by Senate committees, the committee was advised that those arrangements are still being considered.<sup>24</sup>

2.27 The committee also questioned officers of PM&C about a letter from the Attorney-General to the Australian Information Commissioner dated 27 June 2012 concerning an invitation by the United States Secretary of State for Australia to join the Open Government Partnership initiative. PM&C advised that a decision on this proposal has not been made and was still under consideration by a number of government agencies. Officers further advised that on 17 September 2012, the Parliamentary Secretary to the Prime Minister replied to an earlier letter from the Attorney-General about this matter which indicated that 'further work needs to be done including involving a number of other ministers in that further consideration.'<sup>25</sup> PM&C undertook to provide a copy of this letter to the committee on notice.

2.28 Other areas of interest during examination of the department included FOI applications and processes, the drafting process for the *Australia in the Asian Century White Paper*, Council of Australian Governments processes, and the funding model for the National Plan for School Improvement.

### ***Portfolio agencies***

2.29 Some of the matters raised with Prime Minister and Cabinet Portfolio agencies are set out below.

2.30 The Official Secretary to the Governor-General, Mr Stephen Brady CVO, updated the committee on the Governor-General's recent schedule, which included visits to communities across several states affected by natural disasters. One area of interest to Senators was the Governor-General's recent trip to Antarctica. Information was sought on the logistics, aircraft, accompanying staff and the consideration of the former Prime Minister, the Hon. Robert Hawke AC, travelling on the same flight as the Governor-General.<sup>26</sup>

2.31 The committee questioned the National Mental Health Commission (NMHC) on a number of issues in regard to the first national report card. The NMHC indicated that it was under a number of time and data constraints in the preparation of the report card. Some of the areas discussed included cross-government oversight in terms of Commonwealth and state responsibilities, budgeting and evaluation of programs. Senators also raised the issue of the current powers of the NMHC in comparison to similar state bodies and how this may impact on its effectiveness.<sup>27</sup>

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24 *Committee Hansard*, 11 February 2013, p. 99.

25 Ms Renee Leon, Deputy Secretary, Governance, *Committee Hansard*, 11 February 2013, p.108.

26 *Committee Hansard*, 11 February 2013, pp 37–38.

27 *Committee Hansard*, 11 February 2013, pp 75–78.

2.32 During examination of the Australian Public Service Commission, the committee returned to the issue of the level unscheduled absences in the Australian Public Service. It was confirmed by officers that this topic appeared on the agenda of the Secretaries Board for the first time in November 2012.

2.33 The Office of the Commonwealth Ombudsman was questioned on the outsourcing of services for an own motion investigation. In particular, the committee sought details of a contract valued at \$20,000 for project management services in relation to an own motion investigation into the incidence of suicide and self-harm in immigration detention. It was confirmed that this contract was awarded to a former staff member of the former Attorney-General and former Minister for Immigration and Citizenship. The office confirmed that relevant procurement processes were followed in the engagement of this contactor.<sup>28</sup>

2.34 As the independence of the Office of the Commonwealth Ombudsman is fundamental to its role, the committee raised concerns about awarding this particular contract for such a contentious issue in relation to government policy. The Ombudsman informed the committee that other people would contribute to the report and not solely the contractor. He further advised that he would ultimately be responsible for the content of the report and it would be for others to judge if it was appropriately balanced.<sup>29</sup>

2.35 The committee sought an update on the allocation of staff travel cards and corporate credit cards at the Australian National Audit Office (ANAO). The office's increase in travel expenditure of approximately 50 per cent of \$1.081 million in 2010–11 to 1,577,893 in 2011–12 was also raised and it was noted that the office has a relatively large travel budget due to the nature of the work. However, the Auditor-General was unable to provide more detail for the large increase and undertook to provide further information to the committee on notice.<sup>30</sup>

2.36 The committee also questioned officers of the ANAO on Performance Audit Report No. 17 for 2012–13: *Design and implementation of the Energy Efficiency Information Grants Program*.

## **Finance and Deregulation Portfolio**

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

2.37 Senators sought details on the methodology used for determining the revised estimates for asylum seeker and border protection expenses released in the additional estimates for the Immigration and Citizenship Portfolio. The Secretary of the Department of the Finance and Deregulation (Finance), Mr David Tune, advised the committee that figures are based on assumptions about the number of arrivals. He further advised that Finance is constantly in discussion with the Department of

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28 *Committee Hansard*, 11 February 2013, pp 111–112.

29 *Committee Hansard*, 11 February 2013, p. 112.

30 *Committee Hansard*, 11 February 2013, pp 114–115.

Immigration and Citizenship in regard to the number of arrivals and these figure are updated when required for reporting purposes. Mr Tune added:

Obviously we had continuing arrivals after the budget during the course of 2012, we had the Houston review in 2012 and the decisions on that fit into MYEFO and since then the numbers are still reasonably high—as mentioned earlier, the number of arrivals to date this financial year are greater than the number that we have implicit in the financial numbers—so we will need to make an adjustment to that in the budget, and we will be doing so. That is broadly the process. That is for the current year and we are doing the same for the out-years as well.<sup>31</sup>

2.38 When asked about where the final decision rests on the estimates of arrivals on which estimates of cost are based, the Minister explained that:

The Finance portfolio has to be satisfied with the estimates. Where in this area or other areas departments may provide their view about those estimates, ultimately the Secretary [of Finance] and the government have to agree with those estimates.<sup>32</sup>

2.39 Mr Tune further commented that in regards to assumptions which underpin estimates in the PEFO document, he would make that judgement at the time, absent from government.<sup>33</sup>

2.40 Finance updated the committee on the BoardLinks Network which was launched on 7 November 2012. This initiative was established to provide more opportunities for women to be appointed to their first board, to launch and further their directorship careers, and to increase the number of potential candidates for Australian Government boards.<sup>34</sup> The BoardLinks objective is to have at least 40 per cent of women and 40 per cent men on government boards by 2015.

2.41 The committee heard that a number of 'champions' have agreed to support and publicly promote the initiative. Minister Wong confirmed that she selected people who are well regarded as leaders in the business community and have an interest in this issue. Finance has also identified a range of organisations that also have an interest in promoting greater participation of women on boards to be affiliate organisations and to work with the government on this initiative. A website has been established and the initiative will look to providing networking opportunities, induction for newly appointed women on government boards and mentoring arrangements.<sup>35</sup>

2.42 Minister Wong expanded further on the aims of BoardLinks:

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31 Mr David Tune, Secretary, Department of Finance and Deregulation, *Committee Hansard*, 12 February 2013, p. 24.

32 Senator the Hon. Penny Wong, Minister for Finance and Deregulation, *Committee Hansard*, 12 February 2013, p. 24.

33 *Committee Hansard*, 12 February 2013, p. 27.

34 <http://www.boardlinks.gov.au/>

35 *Committee Hansard*, 12 February 2013, pp 35–36.

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We are trying to overcome a couple of the excuses that often get made for women not being in positions. One is that there are not enough suitably qualified women. I frankly do not accept that. I suspect there are probably not enough suitably qualified women within the purview of government—at department level or other. Part of this process is to try and use these mechanisms to identify more women of ability and more women who are suitably credentialed to go on to boards. So that is the pool issue. The second issue is making sure that we try and give opportunities to those women who are appointed or who are seeking appointment to get supported in that through these networking and engagement opportunities. There is no science to this. But it seemed to me as minister that, if we are serious about the 40 per cent target—and the government is—then we need to put in place some practical strategies to support that.<sup>36</sup>

2.43 The committee sought an update on Finance's work program in regard to regulation. It was advised that in relation to the Commonwealth-State agenda it was still completing some of the seamless national economy and that there is continuing reforms associated with the Business Advisory Forum agenda. In particular, information was also sought on the more informal processes the department has for monitoring and identifying concerns from business on areas of regulations which are impacting on the 'red tape burden'. The committee was advised:

For a start, to the extent to which they are Commonwealth legislation, they ought to be identified or picked up in Commonwealth regulation impact statements. More generally, the BAF agenda has been a very iterative agenda with business. The initial BAF agenda was developed in very close consultation with the four peak business organisations and then was the subject of consultation with major industry groups. We propose to do the same thing with any future agenda. So, we have fairly regular consultation with business about the nature of their concerns and where they think we could add value.<sup>37</sup>

2.44 Further discussion on regulation focussed on the recent publication, *Sharpening the focus: a framework for improving Commonwealth performances*, and its reference to 'a growing aversion to risk across the Commonwealth and a tendency to respond to perceived risks and failure with more rules...'<sup>38</sup> Finance advised that, while this paper predominantly deals with regulatory responses to risk within the public sector, they have a flow through to the private sector. The Secretary elaborated further for the committee:

We are talking about the Financial Management Accountability Act which governs the financial management of a large number of entities plus the CAC Act which covers the corporations. When they are outward focused—

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36 Senator the Hon. Penny Wong, Minister for Finance and Deregulation, *Committee Hansard*, 12 February 2013, p. 36.

37 Ms Susan Page, Deputy Secretary, Deregulation and Review Group, *Committee Hansard*, 12 February 2013, p. 57.

38 *Committee Hansard*, 12 February 2013, p. 59.

that is, dealing with customers—they can be business, they can be not-for-profits, they can be individuals, there are a whole lot of practices that exist within the Public Service, the GBEs and so forth which can be influenced by the attitude that is taken through the Financial Management Accountability Act and, as the minister mentioned, by the political climate that surrounds it. The two things are linked very closely. The first one is focused on the inner workings of government, but we recognise that there are very strong connections through to the interactions with business and not-for-profits.

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If you are risk averse you may put in place a very strict compliance mechanism whereby you check everything that comes in and double-check it and get it audited. That would mean internally that red tape would be imposed on the customers. If you take a different attitude to that, a more risk based approach, you might be able to maintain the compliance effort but at reduced cost and with less time wasted. That is the philosophy that we are trying to work towards.<sup>39</sup>

2.45 The committee also sought an update on the *Review of the Australian Government's Regulatory Impact Analysis Process* (Milliner and Borthwick review), and was advised that the Government presented a final response on 4 December 2012. The department indicated that it is currently consulting across Commonwealth agencies, business and not-for-profits on the development of a new handbook with a view for it to commence on 1 July 2013.<sup>40</sup>

2.46 Other areas of interest to Senators during examination of Finance included the production of the Final Budget Outcome, costings for the National Disability Insurance Scheme and Gonski Reforms, redevelopment of the Central Budget Management System project, and the waiver of dentists' debts to Medicare from the former Chronic Disease Dental Scheme.

### ***Medibank Private Ltd***

2.47 The committee again questioned Medibank Private Ltd on the \$300 million special dividend payment. The committee was advised that it has not yet been paid and was due to be paid towards the end of the second half of the year.<sup>41</sup>

2.48 The committee sought advice on Medibank Private's position in regard to the Private Health Australia campaign against further changes to the private health insurance rebate. The Managing Director, Mr George Savvides, said that the organisation is not distancing itself from the campaign, however considers there are other areas of advocacy the industry should be pursuing:

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39 Mr David Tune PSM, Secretary, Department of Finance and Deregulation, *Committee Hansard*, 12 February 2013, p. 60.

40 Ms Susan Page, Deputy Secretary, Deregulation and Review Group, *Committee Hansard*, 12 February 2013, p. 60.

41 *Committee Hansard*, 12 February 2013, p. 40.

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The rebate is fine for today, but all of the economic critique that has come around that proposition suggests that if you extrapolate that into the future with the ageing population it becomes an exponential curve—a very high-cost curve. So our argument has been that beyond subsidy—which is what the rebate is about—we do need a more permanent solution for Australia which deals with care coordination, care at the right point of servicing—more chronic is more primary care, less acute. If we do not get that right the rebate becomes a very small problem in the light of a significant expanding cost base for an ageing Australia.<sup>42</sup>

2.49 Other issues canvassed during the examination of Medibank Private included the process for the appointment of Ms Anna Bligh to the board, the operation of Medibank Health Solutions within the organisation's current framework, and premium increases.

### ***Future Fund Management Agency***

2.50 The committee questioned the Future Fund Management Agency on the significant increase in costs of administration from \$50 million to \$417.09 million over the last five years. The Managing Director, Mr Mark Burgess, explained that the fund has developed over that period of time from a high cash weighting to being fully invested and this has impacted on the associated costs:

It is going back a long way in terms of the development of the fund. As you recall, in 2007–08—and I think the board deserves a lot of credit—during that very volatile period in the markets, the fund essentially kept a very high cash weighting. The cost of managing cash is very small. And at that point the fund held cash. So I do not think it is comparing like with like. We are looking at a fund today that is now essentially close to fully invested. It is getting closer to, let's call it its 'normal fee level'. It would be incorrect to compare the fees over those two periods, because they are completely different asset class structures.<sup>43</sup>

2.51 The committee also discussed the new internal conflicts committee, which has been established to ensure that proper processes take place if a director or a guardian of the fund has a conflict of interest and is required to exclude themselves from a particular process. It was explained that the conflicts committee has only met once to set up its charter and establish its future direction.

2.52 The committee revisited the issue of the level of holdings in tobacco companies. The agency confirmed that there had been one new holding in the tobacco portfolio and went on to note that holdings in tobacco companies are at the discretion of external fund managers.

2.53 The committee noted the high level of expenditure on travel and sought more detail from the agency. Mr Burgess informed the committee that it is an issue that is

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42 Mr George Savvides, Managing Director, Medibank Private Ltd, *Committee Hansard*, 12 February 2013, p. 41.

43 Mr Mark Burgess, Managing Director, Future Fund Management Agency, *Committee Hansard*, 12 February 2013, p. 47.

monitored and taken seriously by the agency. As the agency is centrally located in Melbourne, and does not have investment offices in other locations, this impacts on the travel budget and needs to be weighed against the cost of locating people overseas and reducing travel requirements.<sup>44</sup>

### *Other Portfolio agencies*

2.54 The committee explored a number of issues with the Australian Electoral Commission. Of interest to Senators was the early announcement of the election date and the impact on the office and processes. Other matters considered included the voting arrangements for blind and vision impaired persons at the next election, voting eligibility for people living overseas for longer than six years, rules and processes for viewing the electoral roll.<sup>45</sup>

2.55 ComSuper and the Commonwealth Superannuation Corporation (CSC) were examined together. The committee welcomed Dr Jill Charker as the new Chief Executive Officer of ComSuper and sought her views on how she would approach her new role. She cited the major challenge as continuing to provide efficient services within the financial constraints and in accordance with legislative requirements to meet the needs of members and trustees. The committee also questioned ComSuper about staffing reductions and corporate governance structure.<sup>46</sup>

2.56 The committee asked the CSC about its conflict of interest management policy in regard to multiple directorships for its directors, staffing levels, and the efficiencies following the merger of the nine superannuation schemes for public sector employees and Australian Defence Force personnel.<sup>47</sup>

2.57 The ASC Pty Ltd was asked about the operation of the new Collins Class Submarine support contract, the In-Service Support Contract (ISSC), which came into operation 1 July 2012. The Managing Director and Chief Executive Officer, Mr Stephen Ludlam, explained that it had been a positive beginning:

We have set some hard targets for improvement in that program. We are currently on track—a little bit ahead on an aggregate basis—with the neighbour's requirement for availability. We expect in our forecasts and the management of risk going forward that we will give the Navy what they wanted throughout the whole of the financial year. We are able to work the supply chain in a much better way, so we have greater efficiency in the supply chain and are getting quite good supply input at levels greater than 95 per cent across the piece on each work package...We are progressively removing waste from the operation under the lean methods, and our return on investments for the investments that we are making are around five to one—for every dollar we put in, we gain around \$5 back in savings. So I think ISSC has really been pretty good for us.

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44 *Committee Hansard*, 12 February 2013, pp 53–54.

45 *Committee Hansard*, 12 February 2013, pp 74–84.

46 *Committee Hansard*, 12 February 2013, pp 54–55.

47 *Committee Hansard*, 12 February 2013, pp 55–56.

2.58 The committee also questioned the ASC Pty Ltd on the full cycle docking program, the delay in the air warfare destroyer project and the process for setting dividend targets.

**Senator Helen Polley**  
**Chair**

