

Prime Minister and Cabinet Portfolio

3.1 The committee took evidence from the Department of the Prime Minister and Cabinet (PM&C) and portfolio agencies on Monday, 25 May and Tuesday, 26 May 2009, and the Department of Climate Change on Friday, 29 May 2009.

Office of the Official Secretary to the Governor-General

Governor-General's trip to Africa

3.2 A large proportion of the questions addressed to the Office of the Official Secretary to the Governor-General (OOSGG) concerned the Governor-General's recent trip to Africa. The committee heard that during this trip, which occurred in March and April 2009, Her Excellency visited nine African countries.

3.3 The Official Secretary, Mr Stephen Brady, responded to questions about the primary aim of the visit and stated:

The visit was regarded as a watershed in Australia's relations with Africa. It was about the Governor-General conveying in person that strength and engagement with Africa and the commitment to a broader and deeper engagement with the African continent as a whole, with the nine countries that were identified for the Governor-General to travel to. This was a visit that was without precedent. Over 30 years or more no Australian Governor-General has travelled to Africa.¹

3.4 He went on to say:

...the government is campaigning for election to the UNSC [United Nations Security Council], and those elections are to be held at the end of 2012. The issues are related but they are not the same thing. The Governor-General was in Africa to underline to senior levels of government that Australia wants to contribute to Africa's development where and when we have something unique to offer. She was there to highlight Australia's expanding business and people-to-people links. She was there because Australian mining companies, in particular, have a strong involvement on the continent. The visit pointed to the positive contributions those companies make to jobs, investments, skills, community development and environmental sustainability and responsibility. She met, whilst on that 18-day trip, with any number of Australian NGOs operating in Africa. The visit was not about promoting Australia's UNSC candidacy as the star purpose.²

3.5 The Official Secretary stated that any discussion of the UNSC bid was in the context of Australia's commitment to multilateralism:

The Governor-General referred to the bid in her meetings with the heads of state and heads of government that she met with. She put that into the

1 Mr Stephen Brady, OOSGG, *Estimates Hansard*, 25.5.09, p. 45

2 Mr Stephen Brady, OOSGG, *Estimates Hansard*, 25.5.09, pp 45–46.

context of Australia's engagement multilaterally, and towards the end of conversations it was raised twice with her by her interlocutors but, to my knowledge, on other occasions she referred to it as conversations wound up.³

3.6 A lengthy discussion took place concerning whether the trip to Africa represented a politicisation of the role of the Governor-General. The Official Secretary responded to this stating:

It is entirely appropriate for the Governor-General—any Governor-General—to promote Australia's interests overseas. I would have assumed that as a statement of fact.⁴

3.7 The Official Secretary went on to reject claims that the Governor-General had been involved in Australian foreign policy⁵ and informed the committee that the trip was similar to that taken by the former Governor-General to China, stating:

I would regard and characterise Mr Bryce's travel to Africa in identical terms. Can I also say that here you have Prime Minister Harper announcing a state visit of the Governor-General of Canada to Africa. That preceded the visit of Governor-General Bryce. Here, the Governor-General of Canada will represent Canada on a five-country state visit to Africa. At the request of the Canadian Prime Minister, the Governor-General will lead a trip to these countries. I do not see how this trip was different.⁶

Briefings delivered to the Governor-General

3.8 The committee questioned the OOSGG on the subject of briefings given by heads of federal departments to the Governor-General. Mr Brady answered that it was usual for newly-appointed Governors-General to receive briefings in their first 100 days of office.⁷ The committee heard that more recently, the Governor-General had proactively arranged a briefing for state governors and a territory administrator, and that invitations had gone directly through to the heads of the relevant departments, bypassing the ministers. OOSGG agreed to take on notice how they would handle this in the future, if the situation arose.

Appointments of staff

3.9 The OOSGG was asked about several senior staff vacancies that were not advertised, including the position of Deputy Official Secretary. The Official Secretary informed the committee that:

Under section 13 of the Governor-General Act, the official secretary is given the right to employ staff. It is usual, for a variety of positions at Government House, that we do regularly advertise them. For the deputy

3 Mr Stephen Brady, OOSGG, *Estimates Hansard*, 25.5.09, p. 48

4 Mr Stephen Brady, OOSGG, *Estimates Hansard*, 25.5.09, p. 48

5 Mr Stephen Brady, OOSGG, *Estimates Hansard*, 25.5.09, p. 52.

6 Mr Stephen Brady, OOSGG, *Estimates Hansard*, 25.5.09, p. 53.

7 Mr Stephen Brady, OOSGG, *Estimates Hansard*, 25.5.09, p. 62

official secretary, I decided that a secondment was the best way of proceeding—from the public sector. A secondment is straightforward because, if an arrangement does not work out, the person is able to return to their home department.⁸

3.10 Mr Brady also pointed to the six month probation condition under which the Deputy Official Secretary had been employed, which was in excess of the usual probation period.⁹

3.11 Other issues covered by the committee with the OOSGG included the Governor-General's comments on an Australian republic, and staffing levels at Government House.

Department of the Prime Minister and Cabinet

Increase in overall staff numbers

3.12 The committee heard that the 2009–10 budget provides for an increase in PM&C's staffing numbers by 71 positions in terms of the average staffing level. Of these 71 positions, 17 are for the COAG Reform Council, for which funding is shared between the Commonwealth and the states. Sixteen of the new staff will work in the newly created Office of the Information Commissioner. There is provision for nine extra staff for the Community Cabinet function and 17 new positions in the National Security and International Policy Group, relating to the National Security Advisory Group. The remaining positions are spread across other areas of the Department.¹⁰

Economic stimulus measures

3.13 The committee questioned the newly-appointed Commonwealth Coordinator-General, Mr Mike Mrdak, on the progress of building measures under the Nation Building and Jobs Plan. Mr Mrdak responded to the question, stating:

The implementation of the nation-building program is going very well. At this stage all of the COAG time frames are being met and work is starting on a range of projects. We are effectively now transitioning out of the project approval and planning processes into the start of construction.¹¹

3.14 Mr Mrdak went on to list the status of various construction programs under the purview of the Coordinator-General.¹² He also reported favourably on state relations, stating that he has weekly meetings with his state counter-parts, and that a new reporting system would commence within the next month. Mr Mrdak stated that the reporting system would deliver a 'report every month on expenditure and project

8 Mr Stephen Brady, OOSGG, *Estimates Hansard*, 25.5.09, p. 67.

9 Mr Stephen Brady, OOSGG, *Estimates Hansard*, 25.5.09, p. 68

10 See discussion, *Estimates Hansard*, 25.5.09, p. 86, p. 102.

11 Mr Mike Mrdak, PM&C, *Estimates Hansard*, 25.5.09, p. 92.

12 For full detail, please see *Estimates Hansard*, 25.5.09, p. 92.

process against every project, so for every school and every housing project we get a monthly report'.¹³

3.15 Mr Mrdak was asked whether the Commonwealth had oversight of the selection of state and territory Coordinators-General. He advised the committee that states and territories had responsibility for these appointments, stating:

Certainly a number of jurisdictions advised us of their intention to appoint particular people. That was a decision that they made, and they simply advised us of their intentions as to whom they were going to appoint.¹⁴

3.16 The committee questioned Mr Mrdak on how the Commonwealth deals with the differing issues associated with different jurisdictions. Noting that, to date, all COAG milestones had been met, Mr Mrdak outlined his approach:

It is fair to say that what I do is work with each of those jurisdictions. Quite early on we met as a group to understand each of the different approaches being adopted. What has been happening through the exchange of information from coordinators-general is jurisdictions are picking up best practice, essentially. Where one jurisdiction has put in place a better method of procurement or, for instance, a jurisdiction has had template designs for school buildings, they have been shared with other jurisdictions. So we have actually done that as a means of keeping the program moving.

Coming back to your point, Senator: yes, there are different approaches being adopted, but what we have tried to do through the coordination arrangements is to make sure we are picking those up. Similarly, a number of jurisdictions have made changes to their planning laws and regulations to facilitate the faster development of these projects. That has been, in a couple of cases copied by other jurisdictions.¹⁵

3.17 A committee member asked the Coordinator-General to detail what oversight is in place to ensure that states or territories do not cost-shift at the expense of the Commonwealth. In answer to this question, Mr Mrdak stated:

The most important one is that, as part of the COAG agreement in February, the states and territories agreed to maintain their effort in relation to existing forward estimates spending in education, housing and infrastructure. That is locked into the national partnership agreement. That is monitored by the Treasury. The heads of Treasury process monitors that. States and territories have been required to provide details of their forward estimates spending in each of those portfolios where the Commonwealth is putting additional investment in. That is then monitored on a quarterly basis by the treasurers to ensure that there is no diminution of state effort and spend. That is the main process that is taking place at the macro level. At the micro level, in relation to individual project costs, we look closely at the project proposals that have been put forward for states to make sure that we

13 Mr Mike Mrdak, PM&C, *Estimates Hansard*, 26.5.09, p. 28.

14 Mr Mike Mrdak, PM&C, *Estimates Hansard*, 26.5.09, p. 25.

15 Mr Mike Mrdak, PM&C, *Estimates Hansard*, 26.5.09, p. 26.

do have a look at issues like project management fees and the like that are proposed in there. I am not aware at this stage that any state is using any Commonwealth program funds to fund the coordination process.¹⁶

National Security Advisory Group

3.18 One of the budget measures included in the PM&C portfolio for 2009–10 was the establishment of the National Security Advisory Group, at a cost of \$17.9 million over 5 years.¹⁷ The committee asked what additional capabilities this group would add to PM&C. Mr Angus Campbell, Deputy National Security Adviser, informed the committee that the adjustments to PM&C's National Security and International Policy Group occurring as the result of the establishment of the National Security Advisory Group were driven by the recommendations of the Smith Review into Homeland and Border Security.¹⁸ He emphasised that one of the key outcomes was an improvement in intelligence coordination:

Intelligence coordination prior to the announcement of the Smith review was being undertaken first through a foreign intelligence coordination group looking only at our foreign intelligence but not then across the breadth of other forms of intelligence, such as law enforcement, border, immigration or security intelligence. This national intelligence coordination approach is new and is undertaken in the Department of the Prime Minister and Cabinet. It was not being done before.¹⁹

Response to swine flu outbreak

3.19 The committee questioned the department on their response to the potential for a swine flu pandemic in Australia. The committee was informed that the Pandemic Emergency Taskforce had been 'stood up' on 28 April 2009, within two days of swine flu cases being reported from Mexico, but that it had been stood down by the time of the hearing (26 May 2009). Dr Rob Floyd, Acting First Assistant Secretary, Homeland and Border Security Division explained further, stating:

The role of the Pandemic Emergency Taskforce is to coordinate whole-of-government responses and activities around a pandemic, or pandemic like disease situation, such as the one we have. The primary work of coordination of the health response comes through the Department of Health and Ageing. So the decisions which are about appropriate health measures are all done through the Department of Health and Ageing in consultation with the states and territories through the Australian Health Protection Committee. When there are broader whole-of-government issues

16 Mr Mike Mrdak, PM&C, *Estimates Hansard*, 26.5.09, p. 27.

17 Budget Paper No. 2, p. 372. Note that funding was provided in additional estimates 2008-09 under 'Departmental output, tba'.

18 Mr Angus Campbell, PM&C, *Estimates Hansard*, 25.5.09, p. 102

19 Mr Angus Campbell, PM&C, *Estimates Hansard*, 25.5.09, p. 104.

that need to be considered, then the Department of the Prime Minister and Cabinet is called together.²⁰

3.20 In response to committee concerns that the taskforce had been stood down at a time when swine flu cases appeared to be increasing, Dr Floyd explained that the department continued to monitor the situation, and would reconvene the taskforce when necessary. He went on to provide further detail, stating:

Yesterday we held discussions about whether we needed to stand up the pandemic emergency task force again or not, so this is very actively and constantly monitored. It does depend on the circumstances within Australia, and the need for the pandemic emergency task force is in the area of whole of government coordination, not in terms of the health response, which is being managed through the Department of Health and Ageing with jurisdictional colleagues... We have a number of staff who are continuing to work full-time on the pandemic issue; although we do not have it formally constituted as a pandemic emergency team, they are still fulfilling that kind of role. So there is a proportionate staffing response that we use, and we continue to engage and monitor whole of government issues as required.²¹

3.21 The committee heard that the taskforce is comprised of members of PM&C and provides support to the National Pandemic Emergency Committee (NPEC). Dr Floyd provided further detail in regard to the NPEC, stating:

We are involved in standing up the National Pandemic Emergency Committee as issues come up where we need to coordinate with jurisdictions and with the Australian government. That committee stood up late last week for the purpose of considering the schools' issues and it will stand again, as it needs to. Those senior officials are from first ministers' departments, emergency service departments and health departments in all jurisdictions and the Commonwealth. The NPEC is a mechanism that we are responsible for bringing together as is required and we have done that over the history of this event.²²

Economic stimulus plan websites

3.22 Extensive discussion between the committee and the department took place concerning the websites associated with the Nation Building and Jobs Plan, including www.economicstimulusplan.gov.au. More detail can be found in the general issues section in Chapter 1.

Use of Commonwealth Cars

3.23 In the context of questioning surrounding several Comcar contracts from the end of 2008 and beginning of 2009, the committee asked for clarification of the policy on usage of Commonwealth cars by the Prime Minister's staff. Senator Faulkner, Special Minister of State, informed the committee that the policy stands as follows:

20 Dr Rob Floyd, PM&C, *Estimates Hansard*, 26.5.09, pp 4-5.

21 Dr Rob Floyd, PM&C, *Estimates Hansard*, 26.5.09, p. 7.

22 Dr Rob Floyd, PM&C, *Estimates Hansard*, 26.5.09, p. 5.

...all employees of the Prime Minister may use a Comcar to travel to and from RAAF Base Fairbairn when embarking or returning from travel with or on behalf of the Prime Minister. That is clause 36. Clause 37 says that with prior notification to the Comcar client liaison manager, the Prime Minister's employees may also travel in a Comcar when the car would otherwise be travelling without passengers, in a range of circumstances: (a) if the Comcar is travelling out of zone, for example, from Canberra to Merimbula to meet the Prime Minister and employees need to travel on the same route to meet the Prime Minister, and (b) if a Comcar is travelling as part of the Prime Minister's advance party and the employees need to travel along the same route. Finally, in using Comcar for these purposes the Comcar booking will be based solely on the Prime Minister's requirements. Employees must make their own way to and from any pick-up drop-off point that Comcar advise which will be on the direct intended route. The Comcar schedule cannot be altered to incur waiting time on behalf of an employee.²³

Other issues

3.24 Other matters discussed with the department included: changes to the private health insurance rebate; the National Health and Hospitals Reform Commission; Community Cabinets; Medibank Private; health services for staff; the National Broadband Network; executive training for national security groups; the Defence White Paper; the Ashmore Reef incident; establishment of a crisis coordination centre; and matters relating to the Prime Minister's VIP jet.

Office of the Privacy Commissioner

3.25 The committee heard that the Office of the Privacy Commissioner (OPC) is to be absorbed into the Office of the Information Commissioner (OIC) and that this process is currently scheduled to commence in January 2010. Also sitting beneath the OIC will be a Freedom of Information Commissioner. The committee asked the Privacy Commissioner, Ms Karen Curtis, whether the potential existed for a conflict of interest between the Privacy and Freedom of Information Commissioners. Ms Curtis responded, stating:

I would expect that the Information Commissioner, as the CEO, will manage any internal conflicts that do arise. But, essentially, there will be two major pieces of legislation being administered, the FOI Act and the Privacy Act, and there are specific provisions that will necessarily mean that normal activities will still occur in those two broad streams. The idea of bringing information, the FOI function, and privacy together is that there will be greater scope for information management across the Commonwealth.²⁴

3.26 Ms Curtis went on to assure the committee that though the two agencies may share office space, their information management would be strictly in accord with the

23 Senator the Hon John Faulkner, Special Minister of State, *Estimates Hansard*, 26.5.09, p. 90.

24 Ms Karen Curtis, Privacy Commissioner, *Estimates Hansard*, 26.5.09, p. 39.

Privacy Act, ensuring that there would be no misuse of information across the two offices.

3.27 Other issues discussed with the committee included the performance of government departments in handling privacy issues, the office's response rate in dealing with complaints, and the ongoing privacy awareness campaign run by the office.

Australian Institute of Family Studies

3.28 The committee briefly examined the Australian Institute of Family Studies. Matters discussed included the effect of the efficiency dividend on the agency, and the amount of research currently being undertaken.

Australian National Audit Office

3.29 The committee spent considerable time questioning the Australian National Audit Office (ANAO) on government advertising. The ANAO explained that under the guidelines developed and administered by the Department of Finance and Deregulation, any campaign over the value of \$250,000 conducted by an agency is referred to the ANAO for possible review. Since the current guidelines came into operation in July 2008, there have been approximately 29 campaigns reviewed by ANAO.²⁵ Mr Peter White, Group Executive Director of the Performance Audit Services Group was asked to outline the guideline, and responded stating:

There are five broad categories in the guidelines: material should be relevant to government responsibilities; the material should be presented in an objective, fair and accessible manner; material should not be directed at promoting party political interests; material should be produced and distributed in an efficient, effective and relevant manner with due regard to accountability; and the last, very broad one is that the advertising must comply with legal requirements.²⁶

3.30 It was asked whether the advertising campaign on the cash stimulus payments was in accordance with ANAO's guidelines in that recipients did not need to do anything to receive the payments, rendering the campaign unnecessary. Mr Michael White, an Executive Director of the Performance Audit Services Group, replied:

In a number of those types of situations that we have looked at, one of the things we would look at are the operational costs of call centres when those kinds of payments are made and someone has not provided advice in advance. If the call centre advices are extreme then obviously it is part of the cost-benefit analysis. It would be listed as one of the costs of the campaign, as opposed to the benefit of, say, providing them a letter of advice in advance of them receiving it.²⁷

25 *Estimates Hansard*, 26.5.09, p. 91.

26 Mr Peter White, ANAO, *Estimates Hansard*, 26.5.09, p. 90.

27 Mr Michael White, ANAO, *Estimates Hansard*, 26.5.09, p. 92.

3.31 The discussion moved on to campaigns below the value of \$250,000. According to the ANAO, unless a campaign was deemed sensitive by the Department of Finance and Deregulation and referred to the ANAO, they would not necessarily be aware of it.²⁸ When asked whether there could be many low-value campaigns that are not being referred to ANAO, the Deputy Auditor-General, Mr Steve Chapman responded:

Correct, but I suspect that public scrutiny and others might have an opinion about that and there would be some feedback mechanism to it. We have found that, in our relationship with departments who are referring campaigns to us, they tend to take a conservative approach and often seek to discuss the campaign with us in an informal way—I am talking here about campaigns of over \$250,000—to ensure that they do fully comply with the guidelines.²⁹

3.32 Other issues considered include a Department of Climate Change advertising campaign, credit card use in the public service, and the economic stimulus website. Further detail on the last issue can be found in the general issues section of Chapter 1.

Australian Public Service Commission

3.33 The Public Service Commissioner, Ms Lynelle Briggs, was asked to comment on a potential affiliation of the Community and Public Sector Union with ACT Labor. The Commissioner was not aware of any concerns raised with the Australian Public Service Commission (APSC), though agreed to take the matter on notice. Senator Faulkner made reference to APS Values and Code of Conduct, and noted that it was quite acceptable for APS employees to participate in political activities and that they were expected to separate their personal views on policy issues in the performance of their official duties.³⁰

Old Parliament House

3.34 Old Parliament House was questioned on the recent opening of the Museum of Australian Democracy with reference to the consultation of former Prime Minister Howard in relation to exhibits concerning his time as Prime Minister. The matter was taken on notice.

Office of the Inspector General of Intelligence and Security

3.35 Following on from discussion of the Defence White Paper with the Department of the Prime Minister and Cabinet, the Inspector-General, Mr Ian Carnell was questioned about media reports that he had investigated alleged pressure on Defence Intelligence Organisation officials to alter their assessments for the White Paper. Mr Carnell confirmed that he had conducted an investigation, but it was as part

28 Mr Steve Chapman, ANAO, *Estimates Hansard*, 26.5.09, p. 94.

29 Mr Steve Chapman, ANAO, *Estimates Hansard*, 26.5.09, pp 94–95

30 Senator the Hon John Faulkner, *Estimates Hansard*, 26.5.09, p. 110

of his routine activities.³¹ He informed the committee that he found no evidence of improper pressure, stating:

In the course of that inquiry, one of the several things I did was to do a survey of DIO staff. We examined the responses, naturally. There was some questioning in a small number of the survey responses as to the debate and pressure that had gone on—at least pressure in the eyes of some—in relation to DIO's contribution to the white paper. When I say contribution, I had the advantage of listening to a part of the proceedings earlier in the day. As the minister at the table described, DIO produced a set of papers that were provided to the white paper as input. I did examine this question of had there been improper pressure. You naturally expect, in the course of assessment activity, for there to be debate or challenge and sometimes that can be robust. For me, it is a question of: is a line crossed where it is said to be improper pressure? The sorts of things that I have in mind there are: is there an attempt to direct what the judgments ought to be; are there threats either expressed or implied; or, indeed, does the conduct approach harassment or bullying or that sort of thing? The finding I made in this regard was that there was no improper pressure in relation to DIO's development of those products. In my forthcoming annual report I propose to have as an annexe the unclassified executive summary findings and recommendations from this inquiry. You will be able to see there that it is stated as a clear finding that I found no evidence of improper pressure.³²

3.36 The Inspector-General also discussed budgetary matters with the committee.

Office of National Assessments

3.37 The committee also questioned the Office of National Assessments (ONA) on the Defence White Paper. In particular, the Director-General of ONA, Mr Peter Varghese was asked whether he had written to the Prime Minister expressing concern about a distortion of national security priorities in relation to China. Mr Varghese replied:

I am not going to go into the details of any correspondence I have with the Prime Minister, but what is very relevant to your question is that the issue I may have raised in a letter to the Prime Minister went to the methodology of the white paper and not to the issue to which you refer. And I should add that the methodology issue that I raised was very satisfactorily resolved.³³

3.38 In response to a question, on whether Mr Varghese, and officers of ONA's views were satisfactorily reflected in the White Paper, Mr Varghese answered that there were 'no strategic judgments in the White Paper with which I disagree'.³⁴

31 Mr Ian Carnell, IGIS, *Estimates Hansard*, 26.5.09, p. 113.

32 Mr Ian Carnell, IGIS, *Estimates Hansard*, 26.5.09, pp 113–114.

33 Mr Peter Varghese, ONA, *Estimates Hansard*, 26.5.09, p. 116.

34 Mr Peter Varghese, ONA, *Estimates Hansard*, 26.5.09, p. 117.

Finance and Deregulation Portfolio

4.1 The committee took evidence from the Department of Finance and Deregulation and portfolio agencies on Wednesday, 27 May and Thursday, 28 May 2009.

Department of Finance and Deregulation

Fiscal sustainability in the medium term

4.2 The committee asked the Department of Finance and Deregulation (Finance) to confirm debt figures across the forward estimates. Finance suggested that this was an area to question the Department of the Treasury,¹ but were able to confirm public figures from the budget papers. The committee heard that net debt in 2012–13 is forecast to be \$188.2 billion, while gross debt would be \$300.8 billion.²

4.3 The committee asked Finance how it would observe fiscal discipline in order to hold real growth spending down to two per cent per annum. Dr Ian Watt, Secretary of the department, responded to the question stating:

Ultimately, it is a matter of government deciding to keep new spending tight, limited, and to bear down on existing spending wherever possible. When you look at the periods where the government had had low rates of growth of real spending—these have occurred in the case of all three former governments, going back to the late seventies—they have usually come in periods of tight budgets and been sustained as long as budgets stayed tight. I think the answer is that the government has made a commitment and that commitment is certainly able to be realised, but it will be a matter of all agencies, all departments and all members of the government being signed on for that commitment and working towards meeting it.³

Contingent liabilities

4.4 The committee spent some time discussing the subject of contingent liabilities. A contingent liability is 'a specific category of fiscal risks. Broadly, they represent possible costs or gains to the Australian Government arising from past events which will be confirmed or otherwise by the outcome of future events that are not within the Government's ability to control'.⁴ In response to questioning, Finance informed the committee that it has 'a role to play in collecting information on contingent liabilities and reporting those in the statement of risks'.⁵

4.5 The department was also questioned on methodology adopted in advising the government on potential exposure to contingent liabilities for policy decisions.

1 Dr Ian Watt, Finance, *Estimates Hansard*, 27.5.09, p. 3.

2 Dr Paul Grimes, Finance, *Estimates Hansard*, 27.5.09, pp 3–4

3 Dr Ian Watt, Finance, *Estimates Hansard*, 27.5.09, p. 5.

4 Budget Paper No. 1 2009–10, p. 8-4

5 Dr Paul Grimes, Finance, *Estimates Hansard*, 27.5.09, p. 6.

Dr Paul Grimes, General Manager of the Budget Group, explained that Finance conducts a survey of agencies each year, stating 'in the lead-up to preparing the budget documents we will be in contact with all agencies to collect this information'.⁶ He went on to state:

...the risks here are reporting both positive and negative risk to the budget; they are not conducting an analysis of weighing up the benefits and costs of specific risks. Obviously those are things that are considered through the budget process proper and through the policy development process. If the government takes on a contingent liability, in taking on that liability, that would have been a policy decision that the government had made, and in making that decision the government would way of benefits and costs. That is not outlined in this statement. The statement is a disclosure of the actual liabilities and risks that have been recognised.⁷

National Broadband Network

4.6 Following on from the subject of contingent liabilities, the committee questioned Finance on matters relating to the proposal for a National Broadband Network (NBN). Finance was asked to give more detail on the costing of the NBN proposal, but initially declined on the grounds that it went to a cabinet process, and involved commercial-in-confidence material, opting instead to take the matter on notice.⁸ On the subject of what technology was involved in the costing, Mr Peter Saunders, Division Manager of the Budget Review Division, confirmed that there were assumptions about technology and uptake, but cited commercial-in-confidence issues, taking the question on notice.⁹ The committee did hear however, that it was assumed in the costing that 90 per cent of the network would involve fibre-to-the-premise, while the remainder would adopt wireless and satellite technology.¹⁰ In response to further questions on the costing process, Mr Saunders stated:

We were provided with unit costs and the number of kilometres that had to be covered, with unit rates per kilometre. We sought to find benchmarks for those, had an iterative dialogue with the department of broadband about that and eventually narrowed down the range to the one that has been mentioned—\$38 billion to \$43 billion.¹¹

4.7 The committee asked what mechanisms would be in place to ensure that the new NBN company, which would be formed under the proposal, operated at arm's length from the Government. Mr Lewis replied that the new company will be established as a government business enterprise and that:

6 Dr Paul Grimes, Finance, *Estimates Hansard*, 27.5.09, p. 6.

7 Dr Paul Grimes, Finance, *Estimates Hansard*, 27.5.09, p. 6.

8 *Estimates Hansard*, 27.5.09, p. 10

9 *Estimates Hansard*, 27.5.09, p. 11.

10 *Estimates Hansard*, 27.5.09, p. 11

11 Mr Paul Saunders, Finance, *Estimates Hansard*, 27.5.09, p. 11

It will operate in accordance with the usual governance arrangements for government business enterprises. An appropriate board will be appointed to oversee the management of the company. Legislation will be introduced to give effect to a range of policy announcements that the government has already made... There will be the regulatory arrangements in relation to how the wholesale company should operate and there will also need to be arrangements put in legislation in relation to future privatisation of the company.¹²

Suggestion of a joint sitting of Treasury and Finance at an estimates hearing

4.8 Following a series of questions on both the budget and the NBN that were referred to Treasury by Finance, Senator the Hon Helen Coonan made the following comments:

Just as a matter of interest, has any thought been given—this is something for you, Senator Sherry—to the utility of having some sort of joint Senate estimates with both Treasury and Finance? I make the suggestion in all seriousness. To get a composite picture, in fairness—in terms of public accountability and general transparency of the estimates process—it seems to me that, rather than putting witnesses in positions where they have to assume responsibility over and over again, there could be some utility in having a joint sitting.¹³

4.9 The minister representing the Finance Minister, Senator Sherry responded to these comments by taking the suggestion on notice, stating:

I have not given it any consideration. I would want to consult with the appropriate ministers and so I would take that on notice. We will deal with this suggestion if it emerges in the Senate.¹⁴

Deregulation program

4.10 The committee asked Finance how savings through deregulatory measures were costed. Finance informed the committee that often in the case of major economic deregulatory measures, the Productivity Commission will have provided a costing, though these tend to be for a broad series of reforms. Other savings that relate to reforms within government are generally costed in the standard budget or similar process.¹⁵

4.11 The committee heard that, generally, the focus is on savings to business and business processes. Ms Susan Page, General Manager of the Deregulation Policy Division, provided more detail, stating:

...invariably there is an investment upfront in order to achieve the savings for business. IT systems are a good example of this. For example, some of

12 Mr Simon Lewis, Finance, *Estimates Hansard*, 27.5.09, p. 34.

13 Senator the Hon Helen Coonan, *Estimates Hansard*, 27.5.09, p. 34.

14 Senator the Hon Nick Sherry, Minister representing the Finance Minister, *Estimates Hansard*, 27.5.09, p. 34.

15 *Estimates Hansard*, 27.5.09, p. 82

the work that is being done through the financial services working group, which Senator Sherry is overseeing, that requires an investment initially in departmental and other time in order to develop the simplified product disclosure statements that will hopefully provide savings for both consumers and business over time. But some savings over time, such as removal of particular types of regulation processes, things like that, they do provide savings for government.¹⁶

4.12 Finance was also asked about a further round of microeconomic reform scheduled as part of the Nation Building and Jobs Plan. Ms Page commented that in addition to a role in relation to a reform of the legal profession through the Business Regulation and Competition Working Group of COAG, Finance is conducting a review of pre-2008 subordinate legislation. Ms Page explained further, stating:

That involves scrutinising the Commonwealth database, the FRLI database, which has about 30,000 items. We are in the middle of filtering that so that we can go to agencies and say, 'Of all of these instruments, these are the ones that appear to us to impose costs on business'—in other words, those that are in fact economic regulations. There are a lot of things in the database that are gazette notices, notification, court notices and things like that.

So what we are doing at the moment is working with agencies, and we have a first tranche of agencies that we are working with at the moment, showing them what we think the major pieces of economic regulation are. Then we are working with them essentially to refine further the nature of the regulation—what the purpose of it was, at the age of it, whether or not it has been recently reviewed—and on the basis of that we will prepare a report for our minister to say, 'There is a scope here,' perhaps for further review, perhaps not, depending on what we find. As a secondary effect of that process, we may even be able to identify further redundant regulation for clean-up or removal.¹⁷

4.13 When questioned about the Government's previously announced 'one-in, one-out' policy towards new regulation, Ms Page stated:

The government has instituted the 'one in, one out' policy. The way in which it works is that ministers are asked to identify scope for an offsetting regulation. It is not mandatory that they have to provide one. Part of the reason for that is that the deregulatory agenda has expanded since that initial commitment by the government.

There are a range of other things that ministers have done. They have provided various offsets in the form of redundant regulation as part of various clean-ups. Some of them are involved in various reviews at the moment. But we do have some examples of offsets that are provided from time to time by ministers. It is proving to be quite an important discipline—when people are proposing regulation, they are starting to think about how

16 Ms Susan Page, Finance, *Estimates Hansard*, 27.5.09, pp 82–83

17 Ms Susan Page, Finance, *Estimates Hansard*, 27.5.09, p. 85.

it will affect the stock of regulation that they have and whether or not there is scope for any further rationalisation.¹⁸

Gershon Review of ICT

4.14 Finance provided an update of the implementation of recommendations from the *Review of the Australian Government's Use of Information and Communication Technology* by Sir Peter Gershon. Finance informed the committee that they have completed phase 1 of the 'business-as-usual' review and realised savings of approximately \$110 million across 51 agencies.¹⁹ 'Business-as-usual' refers to ICT expenditure on the normal operations, as opposed to projects that alter an agency's ICT capability.²⁰

4.15 The committee also heard that Finance had revised down the expected savings from implementing the Gershon findings. This was the result of collecting improved data since the publication of the review, which suggested less savings were available from 'business-as-usual' activities. The revised saving figures were \$298.2 million in 2010–11, \$303.1 million in 2011–12 and \$306.1 million in 2012–13.²¹

Travel entitlements

4.16 There was extensive questioning of the Ministerial and Parliamentary Services (MAPS) branch of Finance over travel entitlements. The committee questioned MAPS over media reports alleging that Senator McLucas had incorrectly drawn a travel allowance while in Canberra.

4.17 The committee was informed that the Special Minister of State had requested a brief on the matter, and the advice given by MAPS was that Senator McLucas was within entitlement and that the protocol for investigation of alleged misuse of entitlements did not need to be invoked.²²

Other issues discussed

4.18 Other issues discussed with Finance included its role in the decision to convert Medibank Private to for-profit status, the balance of the three nation building funds, the public sector superannuation liability, consultancy costs across government, government procurement, the Commonwealth grants framework, ministerial staff travel and Comcar.

ASC Pty. Ltd.

4.19 ASC Pty. Ltd. (formerly the Australian Submarine Corporation) appeared before the committee for the first time. The committee discussed the history of the plan to privatise the company, which has been put on hold due to the global financial

18 Ms Susan Page, Finance, *Estimates Hansard*, 27.5.09, p. 86.

19 *Estimates Hansard*, 27.5.09, p. 105.

20 *Estimates Hansard*, 27.5.09, p. 105.

21 *Estimates Hansard*, 27.5.09, pp 105–106

22 *Estimates Hansard*, 28.5.09, pp 14–15.

crisis and related factors.²³ The committee also discussed consultancy costs related to the postponed sale, the company's relationship with the Defence Materiel Organisation and the economic benefits of the company's activities.

Medibank Private

4.20 Issues discussed with Medibank Private included its conversion to for-profit status, the impact of the Medicare Levy Surcharge, the use of generic prostheses and the prevalence of fraud.

Conversion to for-profit status

4.21 The committee sought advice from Mr Savvides, Managing Director of Medibank Private, on the initiation of the discussion to convert Medibank to for-profit status. In response, Mr Savvides stated:

...it is not a new idea. All I am really dealing with here is the word 'initiating'. From the time of the previous government, when Medibank was being reviewed for sale and there was a process in play for preparation of that event if it did take place, Medibank back at that time, with the help of their external auditors, started to put in place the process of accounting as a for-profit, in the event that that might happen. If you were to walk inside of our organisation, especially in the finance department, and see what our people do, you would have seen the capability starting to be reflected. So it is quite an old idea. It goes back several years.

In our conversations with our shareholder and finance department, which are regular conversations, it is not something that we do not talk about. We are in parallel mode and we are ready to move if we need to move. So 'initiation' is the wrong word. When the correspondence occurs between the chair and the shareholder, that correspondence is about making sure that both sides understand. Certainly, the board is expressing its view about what it thinks is important and, if there is a decision by the owner to make a change, then the organisation is obviously ready because it has been in parallel mode for some time.²⁴

4.22 When asked what Medibank's assumptions were about tax and dividend policy after the conversion, Mr Savvides declined to go into detail on the grounds that it was commercial-in-confidence information. He later provided further information stating:

The payment of tax and dividends only occurs if there is surplus or a profit for a converted company. That is an after-the-event distribution. As I said earlier the fund has a strong balance sheet with reserves beyond the capital adequacy requirement. If in fact the fund has covered its risk, paid its claims, paid its overheads, met its margin requirement for its corporate plan

23 *Estimates Hansard*, 27.5.09, p. 58.

24 Mr George Savvides, Medibank, *Estimates Hansard*, 27.5.09, p. 65.

to achieve a certain profitability and delivered a surplus then it is distributing after having achieved all of its required obligations.²⁵

Future Fund Management Agency

4.23 There was an extensive discussion with the Future Fund Management Agency (FFMA) concerning the fund's current investment strategy. FFMA indicated to the committee that they have been targeting higher rates of return on their investments in the last three months. Mr Paul Costello, General Manager of FFMA, provided more detail to the committee stating:

The best way to observe that is in the lowering of the proportion of cash held in the portfolio as the proportion of other higher return seeking assets grows. That has always been the expectation—and it has been commented on continuously since we began—of the rate at which the Future Fund program would become invested. By definition, that is reducing the cash holding to a more normal size for a long-term program like ours and replacing that with a range of other exposures in equity markets, debt markets, property markets and a range of other areas.²⁶

4.24 Other matters discussed with FFMA included its policy towards hedge funds, and expectations of the future inflation rate.

Australian Electoral Commission

4.25 The committee spent considerable time questioning the Australian Electoral Commission (AEC) on the decision to close electoral education centres in Melbourne and Adelaide. The committee heard that the closure of these centres will yield savings to the AEC of \$620,000. Mr Ed Killesteyn, the Electoral Commissioner, stated that the decision was made with regard to falling attendance at the centres, the continuation of outreach education programs and the need to ensure the maintenance of the core capability of the AEC to conduct elections and manage the roll.²⁷

4.26 The committee also questioned the AEC extensively on the process by which new addresses are registered on the electoral roll after electors moved, followed by a discussion of the enrolment of members and senators in their electorate in the event that they reside outside that electorate.

4.27 Other issues discussed with the AEC included progress in assisting people with disabilities to vote more easily, and allegations of undeclared campaign donations.

25 Mr George Savvides, Medibank, *Estimates Hansard*, 27.5.09, p. 68.

26 Mr Paul Costello, FFMA, *Estimates Hansard*, 27.5.09, p. 113.

27 Mr Ed Killesteyn, AEC, *Estimates Hansard*, 28.5.09, pp 35–36.