



COMMONWEALTH OF AUSTRALIA

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SENATE

STANDING COMMITTEE ON FINANCE AND PUBLIC
ADMINISTRATION

**Reference: Appropriation (Nation Building and Jobs) Bill (No. 1) 2008-2009; Ap-
propriation (Nation Building and Jobs) Bill (No. 2) 2008-2009; Commonwealth In-
scribed Stock Amendment Bill 2009; Household Stimulus Package Bill 2009; Tax
Bonus for Working Australians (Consequential Amendments) Bill 2009; Tax Bonus
for Working Australians Bill 2009**

FRIDAY, 6 FEBRUARY 2009

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**SENATE STANDING COMMITTEE ON
FINANCE AND PUBLIC ADMINISTRATION**

Friday, 6 February 2009

Members: Senator Polley (*Chair*), Senator Fifield (*Deputy Chair*) and Senators Cameron, Collins, Hanson-Young, Moore, Parry and Ryan

Participating members: Senators Abetz, Adams, Arbib, Barnett, Bernardi, Birmingham, Bishop, Bilyk, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cash, Colbeck, Coonan, Cormann, Crossin, Eggleston, Farrell, Feeney, Fielding, Fisher, Forshaw, Furner, Hanson-Young, Heffernan, Humphries, Hurley, Hutchins, Johnston, Joyce, Kroger, Ludlam, Lundy, Ian Macdonald, Marshall, Mason, McEwen, McGauran, McLucas, Milne, Minchin, Nash, O'Brien, Parry, Payne, Ronaldson, Pratt, Scullion, Siewert, Stephens, Sterle, Troeth, Trood, Williams, Wortley and Xenophon

Senators in attendance: Senators Abetz, Bob Brown, Cameron, Jancita Collins, Coonan, Fielding, Fifield, Hanson-Young, Joyce, Milne, Moore, Ryan, Polley and Xenophon

Terms of reference for the inquiry:

To inquire into and report on:

Appropriation (Nation Building and Jobs) Bill (No. 1) 2008-2009; Appropriation (Nation Building and Jobs) Bill (No. 2) 2008-2009; Commonwealth Inscribed Stock Amendment Bill 2009; Household Stimulus Package Bill 2009; Tax Bonus for Working Australians (Consequential Amendments) Bill 2009; Tax Bonus for Working Australians Bill 2009

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Committee met at 9.07 am

COWAN, Mr Paul, Acting General Manager, Families, Seniors and Service Delivery Support, Centrelink

PRATT, Mr Finn, Chief Executive Officer, Centrelink

SEITTENRANTA, Ms Eija, Acting Deputy Chief Information Officer, Centrelink

DEL GIGANTE, Mr Michael, Managing Director, Defence Housing

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GOLIGHTLY, Ms Malisa, Deputy Secretary, Employment, Department of Education, Employment, and Workplace Relations

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SANDISON, Mr Barry, Group Manager, Families, Department of Families, Housing, Community Services and Indigenous Affairs

WINZAR, Ms Peta, Group Manager, Housing, Department of Families, Housing, Community Services and Indigenous Affairs

POPPLE, Mr Jeffrey, Acting Deputy Secretary, Delivery Policy and Compliance, Department of Human Services

CHAIR (Senator Polley)—Welcome. Information on parliamentary privilege and the protection of witnesses and evidence has been provided to you. As departmental officers you will not be asked to give opinions on matters of policy, though this does not preclude questions asking for explanations of policy or factual questions about when and how policies were adopted. I invite you to make short opening presentations and at the conclusion of your remarks I will invite members of the committee to put questions to you.

Mr Pratt—Centrelink does not have an opening statement.

Mr Leeper—The Department of Families, Housing, Community Services and Indigenous Affairs does not have an opening statement.

Mr Popple—The Department of Human Services does not have an opening statement.

Senator ABETZ—Can I start off with FaHCSIA. When were you first invited by the government to make a submission or provide advice in relation to the plan?

Mr Leeper—I cannot identify an exact date, but we were contacted soon after New Year to begin to input ideas into a potential policy process.

Senator ABETZ—Can you please take that on notice and get back to us. From your records you must be able to identify an exact date and time. And can I ask the Department of Human Services the same question.

Mr Popple—I believe that we first became aware of it on around about 13 January.

Senator ABETZ—So chances are that is when the other departments would have been told, I would imagine. Centrelink?

Mr Pratt—We had our initial contact about this package on 13 January with Prime Minister and Cabinet.

Senator ABETZ—And Defence Housing? I am sorry you are on our list as well for witnesses this morning.

Mr Leeper—It was the week of 6 January in respect of FaHCSIA.

Senator ABETZ—All right. Can you then give us the exact date, because there are seven days in a week, so you may have been told on 12 January, say.

Mr Leeper—I would say it was the 6th or 7th—the Monday or the Tuesday.

Senator ABETZ—Let's get the exact date, please. For Defence Housing, when was the first contact from whoever—Treasury, PM&C—about you making a contribution to the package?

Mr Del Gigante—In our case, it is a little bit more complicated. We approached the government about a year ago for extra funding for more houses.

Senator ABETZ—I am sure all the departments always contact for extra funding. There is nothing unusual about that. When were you contacted about the specifics of this plan?

Mr Del Gigante—To be included in this program? It was our initiative, I think. We approached ministers and departments—

Senator ABETZ—With great respect—sorry to interrupt, but time is short—I am sure you did not approach the government to suggest this nation-building plan. I am sure the government or Treasury decided on this plan and then approached you for specific comments and support information for the plan, and that is the date we are after.

Mr Del Gigante—That is not my understanding. When the newspapers were talking about perhaps the need for a new stimulus program, we wrote a short proposal to the department of finance, I think late last year.

Senator ABETZ—And so there was no further contact?

Mr Del Gigante—No, there had been. I can give you a date when we—

Senator ABETZ—Yes. Look, did you have contact around about the beginning of January—let's not waste time here—about this specific plan?

Mr Del Gigante—Yes.

Senator ABETZ—Can you tell us what date in January that was?

Mr Del Gigante—Sure.

Senator ABETZ—If you do not have it there straightaway, look it up and we will move on, because I have a question for FaHCSIA. As I understand it, you are to receive about \$2.6 billion. Is that right? That is contained in Appropriation (Nation Building and Jobs) Bill (No. 2) 2008-2009, on page 16.

Mr Leeper—I do not have that document with me, but in the housing area a total of roughly \$6.4 billion will be provided. In relation to one-off payments, there is a further total as well. The \$260 million in bill 2 for this year is for housing.

Mr Sandison—I think the \$2.6 billion that you are talking about will be linked to the association with the back-to-school bonus. It is approximately \$2.6 billion and \$1.4 billion for the single-income bonus.

Senator ABETZ—So we are not confused, do you actually have the bills in front of you or not? Can we please provide the witnesses with a copy of the bill? Appropriation bill No. 2 tells me that for FaHCSIA, under the column 'Payments to States, ACT, NT and local government', there is \$260 million.

Mr Leeper—Yes, that is correct.

Senator ABETZ—What is that for?

Mr Leeper—There are two components to that. \$200 million of that is half the money that is being provided for additional maintenance and repairs to public housing stock. The other \$60 million is the first instalment of payments to the states for the construction of additional housing.

Senator ABETZ—Can I take you to page 71 of the UEFO. At the very top of that page, I am told that the Department of the Treasury is getting that money, if I have the figures right.

Mr Leeper—I have that page in front of me. It certainly says Treasury, but the money is being appropriated to FaHCSIA.

Senator ABETZ—So the money is being appropriated to FaHCSIA—

Mr Leeper—That is my understanding, and it is in our portfolio supplement additional estimates statements at page 8. That is where our part of the appropriation bills is reconciled.

Senator ABETZ—We can ask Treasury about that, but it looks as though we have identified potentially another error. But we will leave that for another day.

Mr Del Gigante—To follow up on that question, on 25 November the chairman of DHA wrote to the government in relation to potential future stimulus programs. That is when we began working on this.

Senator ABETZ—When did the government approach you for this specific plan?

Mr Del Gigante—I was informed in January. I do not recall the date.

Senator ABETZ—All right. Can you go back and find that out, please?

Mr Del Gigante—Yes.

Senator ABETZ—In relation to the \$2.618 billion on page 16 of Appropriation (Nation Building and Jobs) Bill (No. 2) 2008-2009, is that the same figure as appear on page 66 of the UEFO?

Mr Jennaway—Can you tell me what that number is?

Senator ABETZ—We are dealing in millions, of course. It is \$2,618.5, which is I assume is a rounding up of \$2,618,444.

Mr Leeper—That is the back to school bonus payments.

Senator ABETZ—So although that figure is slightly in variance, by—

Mr Jennaway—Perhaps I can help there. If you go to page 3 of our portfolio supplementary additional estimates statements—

Senator ABETZ—I am sorry; I do not have that with me. Does the secretariat?

Mr Jennaway—While you are looking for it, right up the very front it says that we are seeking additional appropriations of \$260 million through Appropriation (Nation Building and Jobs) Bill (No. 2) 2008-2009 and \$4,107.9 million—

Senator ABETZ—I am looking for the supplementary estimates document from FaHCSIA.

Mr Jennaway—Correct. As it reads, we are seeking \$4,107 million, or \$4.1 billion, through special appropriations. I guess that what we are looking at here is that, given that we have the four measures and one of them that you are looking at is the \$260 million relating to the housing appropriation, the balance of it is special appropriation funding in relation to the other three measures that FaHCSIA has responsibility for.

Senator ABETZ—Treasury told us that the social housing would be owned by the states. Is that correct?

Mr Jennaway—Yes.

Senator ABETZ—How will you ensure that it is not going to be sold off after 10 years by the state government? I know that it happens currently, but this seems to be an extra lot of money. Are we going to protect the Commonwealth taxpayer against the state saying, 'That's fine, and in 10 years we'll flog it off and get a windfall'?

Mr Leeper—The Commonwealth, under the previous Commonwealth-State Housing Agreement and now under the National Affordable Housing Agreement, makes payments in excess of a billion dollars per year to the states and has done so since the Commonwealth-State Housing Agreement was introduced in 1946. The Commonwealth does that—

Senator ABETZ—Yes, we are aware of the history. I am—

Mr Leeper—I am answering your question, Senator.

Senator ABETZ—Time is very short. We are aware of the history.

Mr Leeper—I am trying to be as brief as I can.

Senator ABETZ—I am just asking about this special package and whether there is going to be any special measure so that they cannot do that.

Mr Leeper—We are not proposing to either restrict or in any way direct the states in relation to retention of the stock for any period, which is the same as for existing funding. It is not different from our current approach.

Senator ABETZ—I know that. I wanted to know about this specific program. We were told in aged care communicate and in the UEFO that special measures would be put in place to ensure that state governments—I do not think it talked about local governments; we might get onto that at a later stage—would not be allowed to cost shift. In the COAG communicate at attachment B under 'social housing', we are told that the Commonwealth will also provide up to \$400 million for repairs and maintenance of existing public housing stock over two years.

How on earth are we going to determine whether there is cost shifting? In relation to the building of new houses there may be plans et cetera on the drawing boards, but as to how much maintenance a state government would do, you would not have that planned and mapped out four, five or six years in advance, so

that they could be pinged for cost shifting. I am just wondering how we are going to ensure that the paint brush that was going to be paid for by the state is now not going to be paid for by the Commonwealth.

Mr Leeper—I am advised that it is the Commonwealth's intention that heads of treasury, which is the meeting of treasury officials, will be attempting to baseline expenditure by the states so that the money on maintenance and the additional money for construction of social housing dwellings is clearly over and above the states' existing efforts.

Senator ABETZ—So you will try to baseline. It has not been baselined as yet. How long do you think the baselining will take?

Mr Leeper—We would have all of that work done well before 30 June.

Senator ABETZ—When did work start on this baselining?

Mr Leeper—It will start now that the agreement has been signed.

Senator ABETZ—It has not even been started but we have the package and the money allocated to it. So one would hope that the baselining works out with the states. Why was the figure of 20,000 houses picked? Why not 21,000 or 19,000?

Mr Leeper—That is a decision for government.

Senator ABETZ—That is a decision for government. Right, have we got any idea how the 20,000 houses are going to be allocated around Australia?

Mr Leeper—The proposal is that the funding will be provided on a per capita basis consistent with the rest of the Commonwealth-state funding agreements.

Senator ABETZ—So, not on a needs basis.

Mr Leeper—On a per capita basis. Should, however, a state indicate to us that they do not think they can use all of their allocation I will put in place a process where states can overbid, and we would redirect any surplus funds to other jurisdictions.

Senator ABETZ—I would have thought that if it is social housing it is because a specific need has been identified. Are you saying that the social housing needs of Australia are equally distributed throughout the six states and the two territories—that there isn't one state with a greater social housing need than another?

Mr Leeper—There may well be but the decision of government was to allocate the funds on a per capita basis.

Senator ABETZ—So the decision of government was that one size is going to fit all irrespective of the social needs of the various populations in the various states and territories. When were the state governments contacted in relation to this?

Mr Leeper—Contact was made by me and by several of my officials at several stages on and from that first week of January. So, some time after 6 January there was periodic contact as we sought to gather sufficient information to provide informed material for the policy process.

Senator ABETZ—So you contacted the states. Were they told at that time that there would be a need for a baseline?

Mr Leeper—Not at that time, Senator, no. But it was quite clear from—

Senator ABETZ—So when were the states first told—

Mr Leeper—May I answer your question, please?

Senator ABETZ—You said, 'No.'

Mr Leeper—But I was going on to say that I have made it clear at several stages during those discussions that the Commonwealth's expectations would be that if any funds were provided that it would be additional to their existing efforts, which—

Senator ABETZ—When was that communicated to them? That was going to be my next question.

Mr Leeper—I would have to take the exact date on notice, but it would be some time between 13 and 28 January.

Senator ABETZ—So this has all been pretty rushed, hasn't it? A fair bit of midnight oil would have been burning in the department, I would have thought. But that is a comment and I withdraw that for the purposes of the questioning.

Can I ask Defence Housing: have we decided where we are going to put the houses?

Mr Del Gigante—Yes, we have.

Senator ABETZ—Could you provide us with a list of that? Just table it; we do not delay any further with that.

Can I ask Centrelink: how much time do you need to get the money out?

Mr Pratt—That is subject to the passage of the legislation, but if the legislation as presented was to pass, we will start payments from 11 March.

Senator ABETZ—Was there anything stopping Centrelink from commencing its computer work, or whatever needs to be done in anticipation of the legislation passing?

Mr Pratt—We have commenced our computer work.

Senator ABETZ—You have already commenced your computer work?

Mr Pratt—Yes.

Senator ABETZ—We were told it would take, I think, three weeks, and that was why there was this huge urgency about passing the package. So you could have everything ready to go—is that right?—and then when the legislation passes, press the button for the money to flow out?

Mr Pratt—Not quite. We need to know as soon as possible what the parameters will be. We are coding—

Senator ABETZ—You have a—sorry.

Mr Pratt—If there are significant changes to the legislative package as presented we will not be able to pay from 11 March. It is possible if they are relatively minor changes that we may be able to accommodate them but we would have to see what is presented. We have to move fast in order to make the 11th.

Senator COONAN—We were told at great length in the Senate by the Senate leader, Senator Evans, that you could not even begin until the legislation was passed—

Senator ABETZ—That is right.

Senator COONAN—and that two days would be absolutely critical.

Mr Pratt—We have been very clear with our advice to government on the need to get this legislation passed as soon as possible.

Senator ABETZ—Sorry, Mr Pratt. Could you speak up.

Mr Pratt—Of course. What I was saying is that we have been very clear in our advice to government about, from Centrelink's perspective, the strong need for us to understand the complete package as soon as humanly possible. If we are to get this package in place by 11 March, we have to start on what we know from last week.

Senator JACINTA COLLINS—Do you—

Senator ABETZ—Sorry, you do not have the call.

Senator JACINTA COLLINS—Sorry, Senator Abetz, but there is a capacity to ask a supplementary question.

CHAIR—Can I just remind committee members that it was agreed that a question could be asked that was relevant to the question just asked, but senators are limited to the issue and the topic that was originally asked.

Senator ABETZ—All right. Fair enough.

Senator JACINTA COLLINS—I simply want to ask Mr Pratt to please elaborate on the reasons for that advice.

Mr Pratt—A build of this sort is very complex. There are large numbers of customer groups and different payment types. For a package of this sort, it would typically take us at least a quarter, generally, to develop and implement. We are fast-tracking this. We are able to do that to some extent because some of the coding that we did for the economic stimulus package is being replicated here, but the time frames are very tight.

Senator ABETZ—I understand 'a quarter' to be three months.

Mr Pratt—Typically, 10 to 12 weeks is what we would—

Senator ABETZ—All right. And when were you first asked to work on this package?

Mr Pratt—We were first approached about this package on 13 January, but we knew the final details last week.

Senator ABETZ—Can you tell us what day last week you were only told the final details?

Mr Pratt—It was the 27th.

Senator ABETZ—27 January?

Mr Pratt—That is correct.

Senator ABETZ—That is when you were told of the final details of the package. Thank you for that. Can I ask that of FaHCSIA as well? When were you told of the final details?

Mr Leeper—That goes to matters of how governments make decisions. I am not sure I should be asked to answer that.

Senator ABETZ—Are you saying that Mr Pratt has breached all Public Service protocols by telling us this?

Mr Leeper—No, I am not.

Senator ABETZ—You have really put Mr Pratt into it! I suggest you get him out by answering the question.

Mr Leeper—What I am saying is that after governments make decisions it may be some days before line departments such as mine are informed about them because we get to see a copy of an actual decision.

Senator ABETZ—That is fine. I am just asking you when you were told. It is no state secret.

Mr Leeper—Last week.

Senator ABETZ—What date last week? Let me guess—the 27th?

Mr Leeper—No. I think it was the 28th or 29th.

Senator ABETZ—Oh, 28th or 29th? Who else do we have here—Human Services?

Mr Popple—At the same time as Centrelink was advised.

Senator ABETZ—The 27th?

Mr Popple—Yes.

Senator ABETZ—Defence Housing?

Mr Del Gigante—With all due respect, we were told last week—I do not recall the exact date—that that program was accepted.

Senator ABETZ—If you could find out for me, please, I would be much obliged. So something which normally takes you 10 to 12 weeks to organise you were told on 27 January to have ready within how many weeks? You were hoping to get it out on 11 March; is that right?

Mr Pratt—Our advice, from memory—I may be corrected by my colleagues—was that, in total, we would need six weeks.

Senator ABETZ—Six weeks. In other words, that which normally takes you 12 was going to be truncated down to six, in rough terms. The maths is right there?

Mr Pratt—Correct.

Senator ABETZ—Thank you. This was a government decision, so it is not advice to government. I am just wondering if you were told by government what the imperative was to overwork your officials to rush this through in a matter of six weeks, whereas if it would have been seven weeks—

CHAIR—There is a point of order. Senator Cameron?

Senator CAMERON—Senator Abetz is making assertions and putting words into the witnesses' mouths. If he wants to ask the witness whether Centrelink was overworked, he should ask the question.

Mr Pratt—We were not asked by government to overwork our employees.

Senator ABETZ—Good—as HK was in Treasury when she worked 37 hours straight.

Mr Pratt—What we were asked was: when would we be able to implement this? What was the earliest date? Our advice was that we could do it from the week of the 11th because we had a major systems release on

at that time, and it enabled us to engage all of the infrastructure which is in place to do a major release. We have many, many testers in place, so that was one of the reasons why we could fast-track it.

Senator ABETZ—It is not a good reflection on the workers at Centrelink if you are saying getting it done in six weeks did not overwork them but you normally take 12 weeks to do something of this nature, is it? That is just a comment and an observation I make: if the normal course of events is 12 weeks, one assumes that, if you do it in half the time, the beavers might be beavering a little bit harder than normal.

Mr Pratt—We are certainly working very hard on this, as we have done for governments over many years. When the situation calls for it, we can, in fact, put greater effort in to get something done.

Senator COONAN—I think everyone accepts that you people work very hard. I do not think that is really at issue here. What is at issue—and I think you have just given a very graphic example of the fact that, if need be, you stand on your head, proverbially speaking, to try to meet government's requirements; I know that you do that and have done that, perhaps, since your inception—is that two days delay really will not be critical. It might be difficult, but it will not be critical. That is right, isn't it?

Mr Pratt—I am just repeating the advice I have given to government: our strong preference is to know what—

Senator COONAN—Yes, it is a strong preference—I understand that—but it is not critical.

Mr Pratt—It depends on what emerges after those two days. That is also part of my advice.

Senator COONAN—But it is not the two days of themselves that are the problem; it is what might emerge.

Mr Pratt—It is subject to what emerges.

Senator COONAN—Good.

Senator JACINTA COLLINS—Further to Senator Coonan's question, what would then be the consequences if amendments arise out of the delay.

Mr Pratt—As I was indicating before, if there are amendments which are of an insignificant nature then we may be able to accommodate them. Any other amendments are likely to push back our implementation date by two or three weeks—maybe a month.

Senator FIFIELD—Following up on that point, so that we are completely clear on it, the holding of a Senate inquiry into this legislation, should this legislation emerge unchanged from the parliament, does not delay you in any way.

Mr Pratt—No, I do not agree. My position on this is that we need to know what this legislation will be as soon as humanly possible in order to finalise the work to have this implemented from 11 March. There is also a huge opportunity cost for us if we are coding in the wrong direction, for example.

Senator FIFIELD—I appreciate that. Let me rephrase: if the legislation emerges unchanged, you will still be able to meet your 11 March target.

Mr Pratt—Correct.

Senator FIFIELD—That is what I said before. So the existence of this committee and parliamentary scrutiny over the course of the next week in the Senate, should the legislation emerge unchanged, would not stop you from meeting your 11 March deadline.

Mr Pratt—I understand your point, but it is a hypothetical. You must also understand my point.

Senator FIFIELD—It is—

CHAIR—Could we just allow the witness to answer. You have put the question. If you allow the witness to answer, then you can continue.

Senator FIFIELD—I do not think it is a hypothetical.

Mr Pratt—From our perspective, we need to know the parameters as soon as humanly possible. We have people potentially working on things which may not eventuate, which will impact on our capability to deliver at 11 March—or a later date if changes emerge.

Senator ABETZ—But Mr Pratt, if I may ask, you said that, if there were changes to the legislation, it might delay things by three or four weeks.

Mr Pratt—Potentially, subject to what the changes were.

Senator ABETZ—Right. If, next week, the Senate were to change things—even if we sat on Friday, 13 February—you would still have four weeks, would you not, until 11 March to make those changes?

Mr Pratt—Correct.

Senator ABETZ—Correct. Thank you very much. Therefore, delaying this legislation in the parliament for a week and examining it properly, rather than rushing it through in 48 hours straight, will not as of necessity, even if there are amendments, delay the payments till 11 March.

Mr Pratt—If the parliament passes this legislation next week, as currently presented, we will be able to implement it for 11 March. If there are changes made next week, it is quite likely that this will result in a deferral of our implementation date.

Senator ABETZ—By how much?

Mr Pratt—It depends on the nature of the changes.

Senator JACINTA COLLINS—Could it be four weeks, as you said earlier?

Mr Pratt—If there are changes, for example, to customer groups and those sorts of things, it could easily take up to another month.

Senator ABETZ—We heard that Defence Housing was very proactive and approached the government and said what they wanted in the package. Did Family and Community Services and Human Services do a similar thing, or not?

Mr Pratt—FaHCSIA did not, of itself, offer a proposal.

Senator ABETZ—Thank you.

Mr Popple—Neither did Human Services, Senator.

Senator ABETZ—And Centrelink implement rather than make policy. Is that right?

Mr Pratt—That is correct.

Senator ABETZ—Thank you.

Senator JOYCE—As you know, the Senate is always open to amendments. There is not one piece of legislation that goes through this place without amendments. So this idea that if it goes through as suggested, in the form it was initially presented, is completely erroneous because that never happens.

Mr Pratt—Senator, I understand your observation.

Senator JOYCE—So it would be a foregone conclusion that there will be amendments. If there is a piece of legislation that goes through the Senate, where the government does not have a majority, there are going to be amendments.

Mr Pratt—Conceivably, Senator. All we are saying is that, in terms of implementing the legislative package that is before us, we need to have knowledge of what is in that package as soon as possible. And in terms of the implementation date of 11 March, we need to know that basically around now.

Senator JOYCE—I think we have proved that you have the capacity to work in parallel with the operation of the Senate.

Senator COONAN—Very flexible.

Senator JOYCE—On Defence Housing, Mr Del Gigante, you were musing about some conversations that were had back in November last year, where you approached the government because you said you needed new houses. Did the government give any inference whatsoever of a future stimulus package in those conversations.

Mr Del Gigante—I did not speak directly with the government, but there were meetings and correspondence with the Department of Finance and Deregulation, for example, in November, and with various other people in government, about the possibility that, if there were to be any future stimulus package, we had a program ready to go.

Senator JOYCE—So you had it ready, if there were a future stimulus package. You had been talking with the government and, if there were a future stimulus package, then these were the sorts of things that would be nice to have out there.

Mr Del Gigante—Yes. Subsequently to those early contacts, we then went across to Finance and provided a lot of details—exactly where the land was and—

Senator JOYCE—And the government were willing to talk to you about that—they were open and listening to your discussions?

Mr Del Gigante—Sure. We provided all of the details they needed. Their question was: can you build these houses in that short time frame? Do you have the land?

Senator JOYCE—They said that in November?

Mr Del Gigante—Yes.

Senator JOYCE—So it sounds like they had a stimulus package on the go and another one in mind at the same time.

Mr Del Gigante—I cannot answer for that. On our initiative, we provided information about a housing program. Defence is growing, we need houses and we are looking for ways to fund it in this environment, so we provided a program to the government.

Senator JOYCE—And they were very interested in that program?

Mr Del Gigante—I think they were. I mean, they accepted our information and took it. I am not sure what they did with it. By 'government' I mean the department of finance.

Senator FIELDING—On that point, you said the number of houses was 802.

Mr Del Gigante—Yes.

Senator FIELDING—Doesn't 802 seem odd to you?

Senator JOYCE—It seems a peculiar number. Was it a number out of the blue?

Mr Del Gigante—It is not out of the blue. Defence gives us a housing forecast every year in about September. We then look at what stock we have in the 29 locations where they need them and we calculate the difference, our shortfall, and how we are going to provide that shortfall. Then we have several months of planning with Defence and Finance to figure out how we are going to provide that housing. As a result, we figured out how many we needed, where and how much money is involved. We have correspondence, details and reports to that effect.

Senator JOYCE—Did you contact any of the people who are likely to build all of these houses? Who builds all these houses? Twenty thousand is quite a quantum.

Mr Del Gigante—No, not 20,000; 800.

Senator JOYCE—Has any person gone out to the marketplace? Who have you had discussions with? Who are the people likely to build these houses?

Mr Del Gigante—We produce 1,000 a year in the normal course of business. Most of them we build, some we buy and some we negotiate land and house packages for. We manage 17,000 properties around Australia. We have a capital program of over \$400 million. This is what we do; it is our business.

Senator JOYCE—Have you gone out to the marketplace and approached any person? I do not want to know the specifics, but have you approached construction groups that are going to build these houses?

Mr Leeper—We certainly did not make any direct contact with potential developers or providers. Our contact was through the state housing authorities. I point out that about 140,000 to 150,000 dwellings are completed in Australia each year. Dwelling approvals are off by 20 per cent in the year to December, so 20,000 dwellings over two years is not a big stretch I suggest.

Senator CAMERON—How long has there been this systemic shortfall in Defence Force housing?

Mr Del Gigante—We have been aware for about a year and a half that, given our current resources, the financial situation and the growth in Defence, we have a gap in housing needs that Defence want. We have been looking at various ways to fill that gap, and this was one opportunity.

Senator JOYCE—Are any of the major construction companies involved with the construction of these houses donors to, or involved in any way, shape or form with, the Labor Party?

CHAIR—I do not think that is a relevant question. I am fairly confident that departmental officers would not know who made donations to any political party. I think that is out of order.

Senator COONAN—What percentage of new public housing projects, by number of dwellings, were completed on time and on budget within the 12 months, or five years, to 30 June 2008? Could you break it down by state and territory and nationally please?

Mr Leeper—I would have to take that on notice, firstly, because it is a rather complicated question and, secondly, because the Commonwealth does not, apart from the Defence Housing Authority, get directly involved in the construction of housing. These are matters for the state housing authorities. We would need to seek the information from them.

Senator COONAN—What proportion of projects that receive development and planning approval during the 12 months, or five years, to 30 June 2008 have, firstly, proceeded to the construction stage and, secondly, have been completed? Could you break it down by state and territory and nationally?

Mr Leeper—Again, I would need to take that on notice. There may be some data from the Australian Bureau of Statistics that is possibly helpful there.

Senator COONAN—Does this data not exist or do you just not have access to it? Why don't you collect it?

Mr Leeper—The data may exist. I do not have it with me certainly and it would take a fair bit of research to derive it at this point. Organisations like the Housing Industry Association may well have it though. We can ask if they have data as well.

Senator COONAN—What proportion of funding provided under the NAHA for state and territory public housing, not including funding for homelessness initiatives, SAP funding or NRAS funding, was set aside for maintenance, operational and administrative expenses, and new capital projects and upgrades?

Mr Leeper—Under the National Affordable Housing Agreement, the Commonwealth provides a general bucket of funds covering what were previously the Commonwealth-State Housing Agreement, the Supported Accommodation Assistance Program and a crisis accommodation program. Under the new arrangements, which prevail from 1 January, the Commonwealth makes a single payment. We engage with the states around outcomes and indicators. How they allocate that payment is completely up to them, across maintenance, capital, operating costs—whatever. I do not have the information, but the Commonwealth would not seek to prescribe how they might spend those funds.

Senator COONAN—Can you tell me this or take it on notice: what is the value of funding set aside for new projects not included in the programs mentioned in my previous question? How many new dwellings were to be provided by the funding?

Mr Leeper—We would have to take that on notice. Under the National Partnership on Social Housing there is a further amount of \$400 million which was provided as part of the COAG discussions last November. That is separate from the money announced under the stimulus package this week.

Senator COONAN—Going to the package for a short time, 20,000 houses are part of the social and defence home spending. How many blocks of land are available to build on that the department is aware of?

Mr Leeper—Acquisition of land for dwellings would again be a matter for the states to consider. If you do the quick maths, the average cost we are providing to the states is around \$300,000 for each of the 20,000 units. It may be cheaper than that or it may be more expensive than that. That is something for the states to consider. Through work that the department has done in support of the National Housing Supply Council, we are aware that there are very substantial blocks of land available in virtually every capital city that would support this kind of development, certainly more than 20,000 lots.

Senator COONAN—I am sorry if you have been asked this, because I was not here right at the very beginning. Do you have any kind of list or map that could show us the geographical distribution of where these houses will be, by each state?

Mr Leeper—What we have at the present time is a funding envelope. We will be asking the states to develop proposals to access that funding. There are a number of conditions and objectives that we have set out in schedule C to the national partnership agreement that was signed yesterday through COAG. We will be looking to the states to come back to us with proposals. At this point I do not have addresses and lot numbers and things because we are waiting for that advice from the states.

Senator COONAN—As to what is provided in the average cost of these packages, does it include the price of the land? What are the criteria that are going to be used to decide on acquisition?

Mr Leeper—In some cases it may include land; in other cases the state housing authority may already have land available that they are prepared to put into the transaction. Not every house will require land purchased to be brought forward. The specific objectives that we put in the agreement were: to increase the supply of social housing through new construction; to provide increased opportunities for people who are homeless or at risk of homelessness to be put into accommodation; and, thirdly, to stimulate the building and construction industry.

Those are the three broad objectives of this particular measure. We are also seeking to achieve a number of outcomes, including meeting the needs of people on public housing waiting lists, particularly those with high needs; to reduce waiting times; and, again, to achieve a particular time profile for the construction which will deliver economic benefits.

Senator COONAN—I will come to the time profile in a moment. I understand the objectives as described. Obviously you would appreciate that we are interested in knowing the real substance of this—whether it is achievable and whether or not you are going to be able to build them within the time frame contended. For example, there is the updated economic and fiscal outlook. As you know, I asked this question of Finance who handed it to you. There is a reference to the first stage of the program to fund some 2,300 new dwellings, bringing forward construction already approved. Surely there must be a list of where they are.

Mr Leeper—I do not have that list. We asked the states to give us an indication of what they had on their lists for development approval but for which funding had not been identified by their state governments. They did not do that at a block and section level, but they have done it at a broad level. To make sure the information is as current as possible I have now asked the states to give us their firm proposals against that \$692 million initial round of activity, and those will be coming over the course of the next week and a half.

Senator COONAN—Are you relying totally on information provided by the states for the capacity for the delivery of this program to develop 20,000 new public and community housing dwellings to be completed by the end of next year?

Mr Leeper—Our expectation would be that the states would work with their own development arms, private sector development arms and community housing providers to deliver these dwellings. I think it is easily achievable across the three of those sectors.

Senator COONAN—You have not verified this independently in any way and you have accepted what you have been told by the states for the purposes of proposing this package. Is that correct?

Mr Leeper—We sought advice from the states about what they could realistically deliver.

Senator COONAN—And you accepted what they told you?

Mr Leeper—Without taking the individual bits of information externally, we tested in the broad some of the capacity issues with the Housing Industry Association.

Senator COONAN—How did you do that? What did you test?

Mr Leeper—We tested the capacity or the ability for the sector to deliver that number of houses over that period of time.

Senator COONAN—And what specifically did you ask?

Mr Leeper—I do not recall the conversation in detail, but we would be testing with them—

Senator COONAN—Did you say you would be testing or you did test?

Mr Leeper—In a conversation with a member of the HIA, I tested whether the sector would have the capacity to respond were the government to choose to invest further in social housing, and from memory the response I got was they would welcome it.

Senator COONAN—Is that in a document?

Mr Leeper—No, it was a conversation.

Senator COONAN—So you rang up and said, ‘Give us a number that you think we can deliver’, and they said, ‘20,000’. Is that how it happened?

Mr Leeper—No, but I think we were testing with them what the objective data suggested the capacity of the sector would be. I will correct a figure I gave before. The reduction in the number of dwelling unit approvals in the 12 months to November—I think I said it was 20 per cent—is 34.7 per cent. That comes from the ABS catalogue *Building Approvals, Australia, November 2008*. That is against an annual construction program across Australia of 140,000 to 150,000 units of housing. A 34 per cent reduction in units approved for construction says to me that there was easily capacity, and I sought merely to confirm that we had estimated that correctly.

Senator COONAN—What is the size of these houses to be in, say, square metres or numbers of bedrooms?

Mr Leeper—It will vary, but we would expect they would range from one-bedroom or even studio apartments, up to three and four-bedroom houses because there are people on the waiting list with a wide

range of housing needs. We would like the states to construct a range of suitable accommodation that meet disability and environmental standards. There will be no one size.

Senator CAMERON—Senator Joyce has asked me to ask you whether they will have pink batts.

Mr Leeper—I cannot answer that.

Senator COONAN—I will withdraw that question because my recollection of what Dr Watt from Finance said last night was that there were going to be arrangements to try and standardise the dwellings—that they would be a standard design. Because I said to him—and I am sure I can say most of the people at the table are veterans of dealing with government tenders—by the time you get this package running, the money actually flowing and the approvals and all of the processes to get these houses on the drawing board and built, 20,000 of them by 2010 is a bit ambitious, isn't it?

Mr Leeper—I think I have indicated already that the data suggests that the capacity exists in the Australian construction industry to deliver this level of housing. I did not see, nor have I read, what Dr Watt said, but no state housing official would ever have suggested to us that we would be delivering a single standardised unit of housing. The needs of families vary, from the needs of single people, single people who are aged, people with disabilities, single parents or families with children. The housing stock needs to accommodate all of those needs. They must be different.

Senator COONAN—I would expect that, and that really goes to my point that by the time you accommodate all of these variables, the prospect of delivering 20,000 to meet the needs of various applicants is really going to put pressure on you to do it by 2010. My last question on this particular set is: how does the cost of building each of these homes compare with the average price of building a new home in Australia, both including and excluding land?

Mr Leeper—Again, I think I have indicated that this was costed at an average of \$300,000 per dwelling, which in some cases will include land and in some cases will not. The cost of new housing varies according to the location. I would think that these \$300,000 dwellings would be towards the lower end of first homes, but certainly in some of the capitals they are likely to be smaller than first homes in some of those locations where the land costs are more expensive. In regional areas, \$300,000 would probably be a high figure.

Senator BOB BROWN—A matter upfront that I would like to ask as a Tasmanian senator is whether there are any conditions in this expenditure on housing which might put an end to the Tasmanian government's proclivity for selling public housing into the private sector?

Mr Leeper—The condition on the funding is that the state would need to demonstrate to us that the houses constructed are additional to what they have and are over and above their planned effort over the forward estimates period. So we want no substitution of Commonwealth funds for state funds. Beyond that point, the Commonwealth does not seek to limit or direct how the states manage their housing stock. As you are aware, in Tasmania and in a number of other jurisdiction states are considering moving some public housing stock into the community sector, and in some cases they sell down stock. As part of these measures, though, the \$400 million in additional maintenance funding will, we expect, avoid the need for about 2,500 dwellings to be sold that would otherwise have been sold because their condition would have deteriorated to an extent where the public housing authority would not have wanted to have kept them on the stock list. So there is some modest increase in stock as a direct result of the maintenance funding that is being provided.

Senator BOB BROWN—If a state is selling housing at a time when it needs to look at its budgetary bottom line while the Commonwealth is building housing in that state, that is a transfer of funds, in effect, isn't it?

Mr Leeper—I think I indicated in an answer to an earlier question that we will be doing a baseline document with the states through Treasury that will seek to lock in state's efforts in this area to make sure the Commonwealth's money is additional.

Senator BOB BROWN—But will you be looking at the ability of the states to say: 'Thank you very much. We will build 1,000 houses with this money from the Commonwealth. Meanwhile, over here we'll sell 1,000 houses to raise money for our other budgetary requirements.'

Mr Leeper—The states have the ability to do that now as they always have had. Our expectation would be that we would ask them to try to keep the stock numbers that they have. But they have to take commercial decisions. It may be related or unrelated to the stimulus package. I would not want it to be related to the stimulus package. We want these houses to be net additional on the stock.

Senator BOB BROWN—There is \$400 million in this package for repairs to existing public housing. Will that maintenance component include energy and water efficiency measures or retrofits?

Mr Leeper—It could include a whole range of things—repairs and upgrades to bathrooms and kitchens. Some states have already asked us whether they could install insulation using the \$400 million. I think our answer has been: if that is a necessary and related part of what they are doing, yes. We would not want to see the \$400 million spent just on insulating public housing. We want to try and improve the quality of the stock and keep some additional dwellings.

Senator BOB BROWN—What energy efficiency and water efficiency requirements are built into this expenditure?

Mr Leeper—Into the \$400 million—we have not made any conditions there. In the schedule to the national partnership agreements, we have indicated that proposals under the components of the capital funding will have regard to a number of factors, including their adherence to universal design principles that facilitate access for people with disabilities and that the constructed dwellings are environmentally sustainable. That is on page 17, schedule C, paragraph (c)18 of the national partnership agreement that was signed yesterday.

Senator BOB BROWN—What does ‘environmentally sustainable’ mean?

Mr Leeper—It is energy usage and water usage. I am aware of a couple of social housing projects which have demonstrated some pretty good results in environmental sustainability.

Senator BOB BROWN—Will that level of requirement apply to this expenditure?

Mr Leeper—We have said that we will assess their proposals against a number of key requirements. Those are two of seven. Not all of their proposals will meet universal design principles but, to the extent that they do, they would score better in that respect. Not all of them might meet environmentally sustainable conditions, but we want to encourage the states to build stock that is better in the long run.

Senator BOB BROWN—I ask again: what are the environmentally sustainable conditions?

Mr Leeper—We have not sought to prescribe them. We have kept it at a very broad outcomes level, and we would be looking to the states to come back and indicate the ways in which they would see the stock as complying with that requirement.

Senator BOB BROWN—Does the department have an indicative outline of what environmentally sustainable means when it comes to housing?

Mr Leeper—I would have to take that on notice. I do not know, I am sorry.

Senator BOB BROWN—Would you.

Mr Leeper—Yes.

Senator BOB BROWN—And could you get that back to the committee some time today?

Mr Leeper—If we have it, yes, we would.

Senator BOB BROWN—Mr Leeper, I am surprised that it is the case that you are not readily able to tell me what that is, because we are in an era where, for example, Obama in the United States has a \$50 billion package aimed at greening up government buildings and housing stock, and Germany is way ahead. Here we are with a country very exposed to climate change and drought and where water has been a huge matter of contention. Are all houses required to have built into them water tanks and fittings to ensure that, for example, as in Victoria, those water tanks are connected to the toilet flushing systems and so on? Will grey water utilisation and recycling be looked at?

Mr Leeper—The Commonwealth does not directly construct dwellings, with the exception possibly of the Defence Housing Authority. We are at an outcomes level. The states do the delivery on the ground. It would take more than today, but if the committee was interested, we could collate information that they could give us about how they pursue environmentally sustainable objectives through social housing. The Commonwealth does not directly construct dwellings. To date, we have not been in the business of prescribing to states what a dwelling should meet in terms of standards for environmental sustainability. That is not something we have done.

Senator BOB BROWN—I am suggesting that it is something that the Commonwealth should have done—

Mr Leeper—I understand.

Senator BOB BROWN—and got on to it long ago, because many other nations have done that. You may not be constructing housing but it is taxpayers' money that is going into this. By the way, it would be good to get an assessment of how many jobs would be created if true environmentally sustainable conditions were applied to this expenditure of money in housing right across Australia. Otherwise, isn't it true that we end up with the lowest common denominator? Victoria might be expending money with some conditions attached to environmental sustainability, but what about the other states? For example, in sunny Queensland, is there any indication that solar hot water systems should be applied to all housing?

Mr Leeper—I do not know .

Senator BOB BROWN—Why not?

Mr Leeper—The Commonwealth does not get involved in the direct delivery of housing.

Senator BOB BROWN—But the Commonwealth is spending the money to build those houses in an age where jobs are bottom line to this package and environmentally configuring these houses lowers the cost for those people—and very often low income people live in these houses—in terms of saving them hundreds of dollars on their power bills and water rates where those apply. You are saying that we have other conditions but we are not in the business of putting conditions on here, and I ask why not?

Mr Leeper—Senator, what I said to you was that, in the key requirements for proposals for construction, we have a specific heading requiring that the constructed dwellings are environmentally sustainable. Should I go beyond that and prescribe them in fine detail? I could try to do that, but that would slow the process down. I actually throw the ball to the states and say: within that broad requirement, come back to us with proposals and indicate the degree to which they meet sustainable objectives. It would be one of a number of factors we assess.

Senator BOB BROWN—There is a major fault here. It is high time this notion had specific basic environmental conditions. Here we are retrofitting in this package some 2.7 million homes that do not have ceiling insulation, for goodness sake, and, if I am not wrong, the worst offender here on a pro rata basis is the coldest state in Australia, which is Tasmania. How long has it been required that all housing stock being funded by the Commonwealth has ceiling insulation?

Ms Winzar—Through this process, although we are keen to work with as much speed as possible, we do know that we are going to have quite some lengthy dialogue with the state and territory governments over the next month around the tender specifications for these 20,000 houses. Through that process we will perhaps not be able to get down to the level of prescription which might be desirable in the way that you suggest, but we will certainly be able to specify some dimensions of both universally accessible design and environmental sustainability.

Senator BOB BROWN—My problem is that next Thursday I am being asked to vote for a multibillion dollar expenditure which is to not just stimulate the economy but create jobs—it is abundantly clear to me that having houses properly sustainably built in this day and age creates lots of jobs and creates long-term skilling for building in the industry further down the line—and what I am getting from government is that there are no specifications in that area that you can give to this committee. You may be talking to the states in a few weeks time, but we have to deal with this next Thursday.

Mr Leeper—As Ms Winzar indicated, we have discussions with the states ahead of us. I have heard clearly what your concerns are. I cannot settle this for you in the next four or five days because those discussions will take longer than that, but we undertake to raise with the states and we can get some advice from them about the degree to which their current building standards service and meet environmentally sustainable objectives.

Senator BOB BROWN—I would recommend, if I may, Chair, that the minimum here is that the best standard in our eight-government system be sought and applied universally. It is high time we accelerated into an age which took note of climate change but also the great benefits. This is not a cost load; it is beneficial in terms of jobs and in terms of the costs for people living in these houses to have them configured so they are energy and water efficient to begin with.

Another matter that Senator Milne asked about last night that you may be able to help us with is with the spot purchases of new houses and the land packages, where there is going to be, presumably, developments in greenfield sites. What is the requirement that they have public transport and good cycle and pedestrian mobility amenities available?

Ms Winzar—In addition to the couple of requirements that Mr Leeper has already outlined, we have some other requirements against which we will assess the state proposals, including spot purchasing or off-the-plan arrangements. That certainly includes access of the potential residents to adequate transport and employment opportunities. We are particularly concerned to avoid large-scale greenacre developments where one or two thousand low-income families are accommodated without support services.

Senator BOB BROWN—What are the conditions there?

Ms Winzar—We have not gone down to a great level of specificity, but through the course of last year we had much dialogue with state and territory governments through the COAG process about the need to ensure that affordable housing provided to low-income Australians was very closely located to opportunities, particularly transport.

Senator BOB BROWN—How is that worked out? Is that worked out with state governments or local private transport?

Ms Winzar—Through the state governments.

Senator BOB BROWN—In what form does that assurance come?

Ms Winzar—The issue with this package of funding is that the Commonwealth will have the final say on approving the funding for the particular proposals that come through the states. Our expectation is that in the first stage the states will bring forward a whole lot of work, which they know is already underway or available to be immediately started. Beyond that, for the longer term, for the majority of the 20,000 houses we would expect a tender process to be conducted across each state and territory with some fairly detailed specifications. The results of that would come back to the Commonwealth with the states' recommendations and we would then consider whether or not they were satisfactory. We would hope to get most of that tendering assessment work done by around July or August this year.

Senator BOB BROWN—Over what period of time do you anticipate this package will be spent?

Ms Winzar—At this stage we think we can probably have construction commencing on around 10,000 dwellings in 2009. Most of that would be in the second half of this year with the balance started in 2010. Our objective is to have 75 per cent of those 20,000 houses completed by December 2010.

Senator BOB BROWN—Forgive me if I am wrong—I got the indication that it was a government decision to come up with the figure of 20,000. I am also hearing here that there is not the need for solar hot water systems. I think building standards would require ceiling insulation now: is that correct? Or might some of these houses be built without ceiling insulation?

Ms Winzar—I would certainly hope they would all be built with ceiling insulation.

Senator BOB BROWN—Do we know they will be?

Ms Winzar—We can certainly make it a requirement.

Senator BOB BROWN—It would be a bit strange, wouldn't it, to build a house without ceiling insulation and then have people apply under the same program to have it retrofitted with insulation?

Ms Winzar—Certainly, Senator. I cannot speak for all jurisdictions but a number of them have indicated to me that all of their public housing stock already has ceiling insulation. Where it was not fitted at the start, they have retrofitted it already. Some jurisdictions may still have some work to do in that regard. Certainly for new construction I think that would be a very minimal requirement.

Senator BOB BROWN—I would like to have a list of what actual requirements there are in terms of energy efficiency, water efficiency and any other efficiency measures which are going to make those houses both more comfortable to live in and cheaper to run in the coming decades back to the committee today but, if not, at least by Monday. I finally ask: wouldn't it be better to have 19,500 houses built with that amenity ensured than to simply say to the states, 'Build 20,000 houses,' a lot of which are going to be much more expensive to run because they do not have, for example, solar hot water services?

Ms Winzar—Senator, at this stage I think that we would be able to get 20,000 certainly with ceiling insulation. I am not sure if we can get them all to have solar hot water services, but we would do our best.

Senator BOB BROWN—Can I recommend that you look at that because buying in bulk is a wonderful thing. The workforce is rapidly skilling to be able to do that. It lowers power bills by hundreds of dollars a year. These are low-income people that we are looking at housing here so it is a win-win situation.

Ms Winzar—We will.

Senator BOB BROWN—Thank you.

Senator MOORE—Ms Winzar, I know you are coming back to see us at community affairs on Monday and I am sure you are looking forward to that. You are going to give us requirements about the environmental safety aspects. Could we get a document that lists all the requirements that the federal arrangement has. We are aware that it is a state-federal coalition on those issues. If there are requirements that the federal government puts on the kinds of buildings and the standards, if we could get a list of all of those it would be very useful.

Ms Winzar—Certainly.

Mr Leeper—I think that exists. It is actually the material which is in schedule C to the national partnership agreement.

Senator MOORE—So there is nothing new?

Mr Leeper—Beyond that, we will be required to execute implementation plans with each jurisdiction, so there may be some common features.

Senator MOORE—I just wanted to know whether there was anything different. I have the schedule.

Mr Leeper—Okay. Take a look at that. Thank you.

Senator FIELDING—What is the current unmet need for community housing?

Ms Winzar—The waiting list for social housing—largely public housing but including community housing—is roughly 178,000 people. That figure is current as at June last year.

Senator FIELDING—What is that roughly in unmet community housing? I am interested in knowing what the unmet need is.

Ms Winzar—Perhaps I have misunderstood your question. There are 178,000 people on the waiting list for public and community housing at the moment, who are seeking to be housed.

Senator FIELDING—Okay. From Defence we heard that there was 802, and that seemed to be a bottom-up approach to getting the numbers. I think we need—what was it?

Ms Winzar—One hundred and seventy-eight thousand.

Senator FIELDING—And we have come up with doing 20,000 more. What made you stop at 20,000 rather than 30,000 or 40,000? Or why not 10,000?

Mr Leeper—That is a policy decision by government.

Senator FIELDING—So we are still 158,000 short.

Ms Winzar—Yes. Bear in mind that this is not a static figure. Were we even to fund the construction of 150,000-odd more houses no doubt there would be a further 150,000 people who would then seek to join a waiting list. It is not a set figure.

Senator FIELDING—But you would have to say we have a mammoth shortage, haven't we?

Ms Winzar—Of affordable housing, yes.

Senator FIELDING—Of meeting the unmet need. It is quite clear, isn't it, that there is a mammoth shortage?

Ms Winzar—A significant shortage of affordable housing for those in the very lowest income quintile, yes.

Mr Leeper—The objective data suggests that, for those in the lowest two income quintiles, the normal measure of housing difficulty is housing stress, which is spending more than 30 per cent of your income on housing costs. From memory, there are 156,000 households in those bottom two quintiles that are in housing stress. Very few of those are in the community or public housing sector because the rents are pegged as a proportion of income there. So to the extent that available resources do not meet all the requirements and demand for public housing, yes, some low-income people experience housing stress in the private rental market.

Senator FIELDING—When it came to stimulating the economy and creating jobs, was there any analysis put forward by you that said that you would stimulate the economy and create jobs by building more community housing and maybe not as many gyms or things in other areas?

Mr Leeper—No. The department's advice that was put into this policy process went to the merits or otherwise of investments in housing. Assessments of that relative to other ways governments could spend their money are a matter for government, and issues of relative employment-generation effects would have been considered by Treasury in that process.

Senator FIELDING—The question that has been put to me is: where is the more urgent need; is it in community housing or is it in gyms for schools? I do not want to make that decision yet; I am getting community feedback on it. I am just saying that, given they both involve construction, it is hard one to actually determine. This is where, in a \$42 billion package, we have to get the components right and the weighting right. We seem to have a massive shortage of community housing in Australia.

Ms Winzar—The only other thing that might be worth bearing in mind is that, whilst some of this housing construction would be, I expect, undertaken by some of the large or certainly medium-sized building firms, I think some of the commentariat in the press yesterday suggested that a lot of the gymnasium and school related work might fall to the small builders because it is much more broadly geographically distributed. So in that sense there is a bit of a bonus for both the small builder and the large.

Senator FIELDING—I am going to run out of time and I think that this is an important bill, but I have very limited time. With time pressures you get pretty abrupt, so I am just going to see if I can keep going from here. You said there was a 20 per cent downturn in construction for housing. I think you used those terms. Do you know how many jobs that is at all? How many jobs are going to be lost?

Mr Leeper—What I noted was a 34.7 per cent reduction in dwelling approvals in the 12 months to November 2008. I do not know what that equates to in job terms. We do not have that data, I am sorry.

Senator FIELDING—Let me cover a different area. We heard last night that even with this package, unemployment will go up over the period of this package from about 4½ per cent, which is 500,000 at the moment, and it will go up to roughly 780,000 unemployed at seven per cent. I would be interested to know what we are doing in this package for those unemployed. Do you know specifically what we are doing for those people unemployed, in addition to what they currently get on Newstart or job seeking? Is there anything that you folk around the table know of?

Ms Winzar—Apart from the employment-generation dimension of the package itself?

Senator FIELDING—I understand that but, by the way, those unemployment figures have already taken into account the up to 90,000 unemployed that this \$42 billion protects. This \$42 billion does not protect the next 300,000 that become unemployed. The department last night said there would be only 100,000. I think that is a very low number. A hundred thousand more Australians will be unemployed even with this \$42 billion package and I am struggling to find what we are going to do with those people given that we have a huge shortfall in community housing. These people are going to be looking for what is in it for them.

Mr Leeper—Apart from what would otherwise be people's normal entitlements, the only thing that I can find in the package which appears to be directed towards any of the needs of people who would be unemployed and/or studying is the measure for the training and learning bonus. That is a DEEWR measure. Robyn, is that yours?

Ms Shannon—Yes; correct. There is a measure in the bill to provide a \$950 supplement to the education entry payment, which may be received by some unemployed people undertaking qualifying study. So, in that sense there is an incentive for people who are unemployed to do approved short courses to retrain or maintain their skills in employability. To that extent, that is a measure that will be of particular assistance to unemployed people.

Senator FIELDING—A primary fear of people out in the suburbs is job security and we know that even with this \$42 billion there is going to be another 300,000 unemployed over that period. There are not going to be many jobs around, and even though that is useful, it is not going to help them pay their rent or their mortgage at all. I am really concerned that we are spending a lot of money and we are focusing on creating jobs, which we should do, and stimulating the economy. But I am not convinced yet that we are doing enough for those people who are going to fall off the cliff. By all means, we would have 90,000 fewer falling off the cliff, but 300,000 more people are going to be out of jobs. I am struggling to really get a sense that this government or the departments are really sensing the fear that is out there about their jobs. Not only that but what are we going to do with these people? It is capacity in the community that needs to be enhanced in some way. Maybe some of you may have lost your jobs over a period of time. It is demoralising. I am worried that we are spending \$42 million, and we will not get this money back once we have spent it. Can we spend it

better to make sure that we have even fewer people unemployed? And if we are going to get unemployment, what are we going to do to help them keep their houses, whether they are renting or buying, because if they move out of their houses they lose their support group, they spiral downwards and it takes 10 years to get through.

CHAIR—Senator Fielding, you have asked probably about five or six questions there, and made about five or six statements. You are running out of time, so perhaps we could have an answer before we need to move on.

Mr Leeper—Senator, it is difficult to respond to the range of questions you have asked because you are asking us to think about alternative designs of the package. The government has made decisions and we are here to explain how the measures might operate and how we can make sure that the best stimulus is received from the measures that have been decided. Ms Shannon is here from the education and employment department. I am sure she has noted the comments that you have made. I do not think beyond that, with great respect, we can offer much more at this point. We understand and register the point that you are making but these are decisions that were made by the government and I do not think we are here to speculate about possible policy alternatives.

Senator ABETZ—We would like you to but we do understand.

Mr Leeper—We are not allowed to. Thank you, Senator.

Senator FIELDING—Unfortunately, we are running out of time. It is a pity that we are running out of time, on a \$42 billion package, for some decent debate and discussion on the package. I mean that sincerely. This is not politics. This is serious. This is taxpayers' money.

Senator ABETZ—Well, it is not taxpayers' money. It's being borrowed!

Senator FIFIELD—Yes.

CHAIR—Have you another question, Senator Fielding, at this time?

Senator FIELDING—Yes. FaCSIA are responsible for people living in rural and regional areas and remote areas. Is that wrong?

Mr Leeper—It depends on which programs you might be talking about.

Senator FIELDING—What sort of funding is available under this stimulus package specifically for people living in rural and remote areas? And just how much is it? I just want to see how much this 42 billion bucks is focused on remote and rural areas.

Mr Leeper—I think that would be a piece of analysis. It could be difficult. Mr Sandison may add to this. Clearly, where people live they will receive the money according to their categorical entitlements—the bonus payments. People who live in regional areas and rural areas may benefit from the additional 20,000 housing dwellings. I cannot answer that for you at the present time. We do not have the detailed proposals in from the states yet.

Senator FIELDING—Could you take that on notice then?

Mr Leeper—I guess what I am saying is that it is an impossible question to answer at this point because, apart from the by-product of a categorical entitlement, which depends on which postcode you are in, that is where the money goes. But you get a payment or you do not get a payment according to your income support status, not according to where you live.

Senator FIELDING—Australians do believe in a fair go and I would be interested to know what you reckon of this \$42 billion is being spent on regional versus city. I am not for one or the other. I just do not want to be against one of the groups.

Mr Sandison—Certainly. On the side of the back-to-school bonus, that is a straight distribution based on eligibility through their children. That will be spread across Australia, so wherever people live on that side of the funding arrangements people will receive in rural, regional or remote areas their allocation of the money of the back-to-school bonus and the single income family bonus. So there will be funding that will be distributed to those people in rural and remote areas.

Senator FIELDING—That is generally—

CHAIR—I am sorry that we are going to have to move on. We have been very good so far. We will go to Senator Xenophon.

Senator XENOPHON—Thank you, Madam Chair. At the outset I say that if I seem terse I am not being rude; I am just trying to crank through as much as I can. Firstly, in relation to the issue of potential double-dipping, Patricia Karvelas of the *Australian* wrote a piece yesterday speculating that there may be double-dipping, so if I could get some clarification in relation to that. If a husband or wife are earning \$100,000 or less, would they be eligible for some or all of the \$950 lump-sum payment regardless of how much their partner earns?

Mr Sandison—That is from the tax side in Treasury so it is not a payment for us. But under the back-to-school bonus, the single income family bonus and the tax bonuses the eligibility is by each one individually.

Senator XENOPHON—So the answer is yes?

Mr Sandison—That is correct.

Senator XENOPHON—In relation to the issue of a student working part-time, would they be eligible for the two payments? Could students receive \$950 towards their tuition fees, books and other education and training costs for the 2009 academic year? Could they also get a benefit based on their income levels as well?

Mr Sandison—As to the income level that is the independent assessment. Ms Shannon can answer on the training and learning bonus.

Ms Shannon—I am sorry but I missed part of the question.

Senator XENOPHON—Could a student receive the \$950 for their tuition fees, books et cetera and could they also meet the income criteria so they could also receive a further benefit?

Ms Shannon—That is correct. If they pay tax in the relevant tax year, they would receive the taxpayer bonus as well as the training and learning bonus if they are also receiving some qualifying student income support payment.

Senator XENOPHON—And that is clearly what is intended in relation to that?

Ms Shannon—Yes.

Senator XENOPHON—I will go to the issue in relation to housing. You referred earlier to this, Mr Del Gigante, that with Defence Housing normally there is a mix of building your own and private and buying off the market. Is that correct?

Mr Del Gigante—Yes.

Senator XENOPHON—To what extent will that mix change with this package? Do you expect there would be a change to that mix of those three elements with this particular package?

Mr Del Gigante—Yes, I think so because the additional package is aimed at construction, whereas the existing program is a mixture. When you add the two together, the proportion of construction versus the proportion of spot purchases, if you like, will shift a little.

Senator XENOPHON—What? More spot purchases?

Mr Del Gigante—No, less. In other words, if today's program of 600 houses is 200 spot purchases and 400 constructions, then if you add another 800 constructions you have 1,200 constructions and 200 spot purchases. So the percentages will shift.

Senator XENOPHON—I've got it. Senator Brown asked a number of questions about energy efficient housing. Insofar as Defence Housing goes, it is not difficult to realign houses and to design them in a way that is much more energy efficient. Will Defence Housing be insisting, given the government's greenhouse response and its white paper, that we have smarter design of our buildings?

Mr Del Gigante—We do a lot of it now. Solar heating we already do and also water tanks, with greywater in some situations particularly when there is a community of houses where they all participate in a greywater recycling system, insulation—obviously roofs and walls and we have standards for wall insulation—energy efficient lighting, landscaping—we just do not put down grass anymore—water resistant plants et cetera. Also there are the materials we choose, the chemicals and the sorts of carpets we use and recycling. We do look at childcare requirements and schools when we develop land ourselves.

Senator XENOPHON—Does that mean a seven-star rating, for instance?

Mr Del Gigante—I am sorry?

Senator XENOPHON—Is there a baseline?

Mr Del Gigante—I think the minimum rating that we use now is five, from memory. We are trying to improve that. In some areas we are required to provide, as part of the development, some affordable housing. There are local planning requirements, which on a 100-lot development will require 15 per cent of those to be set aside for affordable housing. So most of these requirements we already have in place.

Senator XENOPHON—But if I can ask this again, further to the issues raised earlier by Senator Brown: how difficult would it be to aim for at least a minimum seven-star rating in terms of getting to that given you are at five already?

Mr Del Gigante—Part of it is, I guess, to change some of the construction requirements and part of it has to do with cost. It is not difficult in terms of delivering it. It is a question of judgement as to whether you spend the extra money and how you design the houses.

Senator XENOPHON—Thank you. Can I move on to the general housing issue. I think we have heard evidence today that, with the proposed package of school building programs, many small builders could be involved in that. Has any consideration been given, notwithstanding the current excess capacity in the system—although I can never seem to find a tradesman when I need one—that this package in its totality could lead to bottlenecks in terms of the trades, given that there is the housing component and there is the schools component? Has any consideration been given that we could well face some bottlenecks particularly given the evidence we have heard today that a lot of small builders will be involved in the proposed schools program?

Mr Leeper—The best answer I could give to that is to say, in relation to our component, we are confident it can be delivered. I cannot comment, I am sorry, on whether or not across the whole package there is any increased likelihood of blockages or supply constraints down the track.

Senator XENOPHON—But, Mr Leeper, wouldn't your confidence as to the ability to deliver be contingent on the overall package, because billions are proposed to be spent on school buildings? Wouldn't that have an impact in terms of your requirements to build additional social housing? They are interrelated, aren't they?

Mr Leeper—Potentially, yes. Our state housing colleagues remain confident that they can achieve the program, and that is what we are talking to them about at the present time.

Senator XENOPHON—Has any work or analysis been done taking into account the proposed expenditure on schools, the fact that many small builders will be involved and the impact on the social housing that is proposed?

Mr Leeper—What I said is that I am not aware of it being done, but then I would not be aware of it being done because our contribution was around the housing space. It may be a question that is more appropriately asked of Treasury, because they were bringing the thing together. I could not see the whole package.

Senator XENOPHON—Okay, and—

Senator Fielding interjecting—

CHAIR—Is that a follow-up? No? Sorry. I call Senator Xenophon—unless it is relevant to the question he has asked. You will have a chance later before we finish.

Senator XENOPHON—Mr Pratt, you referred—it seems a long time ago—to the whole issue of any delays in the package depending on whether there were amendments to the package and said, I think, that different customer groups could affect the implementation by several weeks. Could you just give the committee more details in relation to that—in other words, what sorts of amendments and what sorts of changes do you say would affect or delay the implementation of the package to a significant degree?

Mr Pratt—The point I was making was that virtually any changes which are of a significant nature will delay our implementation of the package—from the one proposed by the government. Superficial changes—things like dollar amounts and stuff like that—could be accommodated quite easily, but something like adding in a customer group, for example, would be quite a significant change and would require us to go through the whole process in terms of programming, testing and validating. Without having specific details of what might be proposed, it could easily add a month to the implementation date. Our advice to government here was that we needed to know the parameters that had to be put in place, and we needed a minimum of six weeks to get that in place for the release date that we have currently, that we are working to. Part of the reason—and I explained this earlier—that we can do it so quickly in that time is that we already have a major release timed for that date.

Senator XENOPHON—I am not suggesting that this will happen, but, if you cut out one category, is that less difficult from an administrative point of view than adding an additional category, an additional customer group?

Mr Pratt—Removing a group would be far easier.

Senator XENOPHON—I am not suggesting that will happen; I am just trying to understand how it would work.

Senator Abetz interjecting—

Senator XENOPHON—No, Senator Abetz, do not construe anything; I am just trying to understand how it works. Essentially, it is all about customer groups in terms of implementation. You say six weeks. Can it be done in less than six weeks?

Mr Pratt—No, unless it was a very superficial change.

Senator XENOPHON—Chair, because I am a generous soul: I think Senator Fielding might want to squeeze in a question.

CHAIR—We will have a short time afterwards. The last 10 minutes will be divided, so, if you have no further questions, I am proposing that we go to the opposition.

Senator XENOPHON—Very well.

Mr Pratt—Sorry, Senator, but could I just add one thing. I am saying there is a minimum of six weeks. Depending on the nature of the change, it could in fact be longer.

Senator ABETZ—But that would be a substantial change in the customer base?

Mr Pratt—That is right.

Senator ABETZ—Mr Pratt, can I ask you about the first stimulus package. A payment was made to social security recipients. How many social security recipients live overseas—what percentage?

Mr Cowan—A relatively small number of customers live overseas.

Senator ABETZ—Yes, but what is it?

Mr Cowan—They are largely age pensioners. It is in the vicinity of 60,000.

Senator ABETZ—And that money would then be—using the old term—posted to them overseas?

Mr Cowan—It is paid into whatever account we pay their normal payments into.

Senator ABETZ—Yes. But one would assume, then, that that helps to stimulate the economy in the Greek islands or in the UK or somewhere else, if that is where they are living. You cannot comment on that.

Mr Pratt—They may spend it back here in Australia, of course.

Senator ABETZ—They may, but I would imagine that would be doubtful. Thank you for that.

Senator FIELDING—It is a good point. To clarify: 60,000 by how many dollars? What is the total? Is it \$60,000? \$600,000? How many dollars?

Senator ABETZ—As a minimum they would have got \$1,400—is that right?

Mr Cowan—\$1,400 for a single and, I think, \$2,100 for a couple.

Senator FIELDING—So what is the total, based on that \$60,000? I know these are estimates but, based on the \$60,000, what, roughly, is going offshore?

Senator ABETZ—So that 60,000, as a maximum, by \$1,400?

Mr Cowan—In the range of \$70 million to \$75 million.

Senator FIELDING—\$75 million?

Senator ABETZ—\$70 million to \$75 million? Well, that would help a few people, I would have thought. But anyway, let us move on. To return to the housing package: as I understand it, the money will be available to buy both house and land—is that correct?

Mr Leeper—If necessary, yes.

Senator ABETZ—The money is going to be allocated, we were told before, irrespective of social need, in various states, but on a State Grants Commission—though I do not think it is called that any more—basis?

Mr Leeper—On a per capita basis, yes.

Senator ABETZ—So it will not be distributed on the basis of the cost of housing in the various states and territories?

Mr Leeper—No.

Senator ABETZ—Well, that is good news for my home state of Tasmania, I would have thought, because I think you could leverage a bit more out of that.

Senator CAMERON—You can support the package, then.

Senator ABETZ—Every cloud has a silver lining, Senator Cameron. But I was just wondering: are Defence Housing and FaHCSIA able to double dip and get the \$1,600 for insulating their houses?

Mr Del Gigante—No.

Senator ABETZ—You cannot? That is a pity.

Mr Del Gigante—A clarification: my understanding is that the funding for us is for construction. We already have the land.

Senator ABETZ—Yes. I was only asking about the social housing aspect, but thank you for that.

Senator JOYCE—Can I just jump in while we are on that issue. When you purchase the land, who are the people who own the land when we are purchasing this house and land package?

Mr Leeper—Ownership would be retained either by the state or territory government or, with their agreement, ownership might pass to a community housing or not-for-profit housing organisation with the intention of building the economic and financial capacity of those organisations.

Senator JOYCE—So, just to make sure: we are not buying land off the state government, are we, to hand back to the state government?

Ms Winzar—No. I understood your question as Mr Leeper did but if you are asking, ‘Who is the land going to be bought from?’ it would be bought from developers, where it was needed to be bought, but in some cases the state government will already hold the land, and all we are doing is paying for construction on their land.

Senator JOYCE—So the state government, in a lot of instances, would have sold the land to the developers. The developers sell the land to the Commonwealth. And then the Commonwealth hands the land, with the house on it, back to the state government?

Mr Leeper—That is possible, yes.

Senator JOYCE—That would be a very nice deal if you were a state Labor government.

Senator ABETZ—Is it anticipated how many blocks of land might be bought?

Mr Leeper—I am not aware that we have a figure for that. We have provided an average figure of \$300,000—

Senator ABETZ—Yes, I understand that.

Mr Leeper—on the basis of some land.

Senator ABETZ—So we do not know how many blocks of land this might impact? I would have thought that injecting 20,000 new homes into the marketplace must of necessity require the hoovering up of thousands and thousands of blocks of land. Were you asked to have a look at the impact that that might have on home affordability for first home buyers, given the huge extra demand for land and within the construction industry? Surely that is going to increase the cost for first home buyers to get into the marketplace.

Mr Leeper—I am not aware that we were asked or that we did any analysis on any possible effects there.

Senator ABETZ—But I would have thought it would stand to reason that it would make it more expensive for first home buyers to buy a block of land and a first home if the Commonwealth is out there hoovering up thousands of blocks of land right around the country because, when there is increased demand, one thing I do know about economics—or I was told—is that, if the demand goes up, chances are the price goes up as well. And they are not making any more land, are they.

Mr Leeper—But, as I have mentioned a number of times, the forward dwelling approvals data suggests that activity in the housing sector has slowed substantially. So even if all 20,000 dwellings required their own

bit of land—and they certainly will not, but even if they did—there would be no more pressure on the system and there had been when the market was running at quite a hot level.

Senator ABETZ—Wait a minute. You said you did no analysis. Now you are saying it is not going to have any impact. Either you did or you did not and you are qualified to comment on it or you are not.

Mr Leeper—I am answering your question by drawing into my mind all the data that I can and answering the question as best I can. We did not write down any analysis; I am doing this in front of you as I think about it.

Senator ABETZ—Can I say that that is how in fact the package strikes me—that people were writing it as they were thinking about it without any proper analysis of the consequences of some of these things.

Senator CAMERON—That is not appropriate to be raising with a public servant. That is a commentary. It he is asking the public servant for a commentary and how the government put together the policy proposal, it is just not appropriate.

CHAIR—I take that point of order—

Senator ABETZ—What is the size of the houses?

CHAIR—I think Senator Abetz knows full well the policy areas that the departmental officers cannot go into.

Senator ABETZ—When Senator Cameron never makes a comment at these hearings I will accept his point of order as being sincere. Can the design of the houses vary? Can they be, let's say, on a large block of land, a block of 20 units? What have we agreed to here?

Ms Winzar—Our expectation is that the design of the dwellings will range from, as Mr Leeper indicated before, studio apartments and one-bedroom units right through to three- and four-bedroom houses. It will depend on the need in that particular state. In some states family sizes are a bit different than in others—

Senator ABETZ—Yes, of course.

Ms Winzar—What we are aware of is that on the waiting list for public housing at the moment are large numbers of single people, so we would expect the profile to be biased towards one- and two-bedroom unit accommodation.

Senator CAMERON—On this question of needs based versus per capita, can you have a needs based approach within a per capita funding approach?

Ms Winzar—Yes. It is quite safe to say there is more need than will be accommodated by these 20,000 dwelling units. So, within a state allocation, we would be asking that the dwellings get allocated to those who are on the priority end of the public housing waiting list, who are at risk of homelessness or who are indeed homeless.

Senator CAMERON—So it would be wrong to characterise this as not having a needs based approach?

Ms Winzar—That is right.

Senator JOYCE—With the whole process of moving this expenditure out, how quickly can Treasury float the money for you to start purchasing property?

Mr Leeper—In the funding profile set out in the appropriation bills, we expect to spend \$60 million this financial year as part of the construction program and \$200 million as part of the maintenance and repairs program. The profile is then set out in the rest of the documents. I can give you the figures if you need them, but it will be done through normal payment arrangements to the states.

Senator JOYCE—So the states become the facilitator of that \$¼ billion?

Mr Leeper—There is \$260 million in the housing program this financial year, \$4.07 billion in the 2009-10 financial year, \$1.744 billion in the 2010-11 financial year and \$312 million in the 2011-12 financial year. That just reflects the program of commencements and progress payments.

Senator JOYCE—Mr Leeper, obviously you know the position I am in. My task is veracity and questioning. With that \$¼ billion, what is the proportion that you lose by way of an administration charge by the states for looking after that? You send them \$260 million. When they actually go out to buy and build the houses, how much money will fall out of the system by reason of the operation of the state government intermediary?

Mr Leeper—Of the \$260 million, \$200 million is for additional repairs and maintenance and our expectation is that that money would be poured into existing contractual arrangements—they will just do more of it—so there ought to be very little, if any, administrative costs for the states in that. The \$60 million for housing construction will be paid to them. I am not aware, and therefore I cannot answer the question with any detail, whether the states cover their costs for that construction from another part of their revenues or whether they charge part of that to this money. I am sorry; I cannot answer that question for you at the present time.

Senator JOYCE—I will make it simple: is the amount that will be expended going to be \$260 million on houses and repairs, or is it \$260 million less what the state governments take out for administration in any way, shape or form? Does that process happen?

Mr Leeper—I would hope that it is the former. I cannot rule out that there might be some small component, but I am stressing that I do not know. Between here and Monday I will do my best to find out, if I can.

Senator BOB BROWN—I would be very pleased if you could supply the committee with what conditions there are on building or purchasing housing stock that the Commonwealth applies when it transfers the money to the states, with a particular emphasis on environmental conditions. I want to ask about the back-to-school bonus. Is it really? Do you have to go back to school to get that money?

Mr Sandison—It is a descriptor of the payment. To ensure it minimises red tape so that the money can flow to families, it is based on age only. It is not an eligibility of proof.

Senator BOB BROWN—It is a child bonus rather than a back-to-school bonus, isn't it.

Mr Sandison—It is a back-to-school bonus.

Senator BOB BROWN—It is called a back-to-school bonus, isn't it?

Mr Sandison—Yes, it is called that.

Senator BOB BROWN—But it is available to the parents of all children without condition.

Mr Sandison—That is correct.

Senator FIELDING—Your department is also responsible for policy with regard to carers. I am trying to work out what in this stimulus package is for carers and what in this stimulus package is for pensioners. I know there are one-off payments for various people, but I have had a lot of people come to me with concerns about carers and pensioners. I am after direct payments; I am not after indirect ones. I just want to know about direct payments to carers and pensioners. Can you outline them?

Mr Sandison—The direct payment to disability pensioners and to carers is linked to the back-to-school payment. It is for those who are 18 years and under. Again, in the back-to-school bonus it was linked to their age, the same as the payment—

Senator FIELDING—I will ask the same question about pensioners and carers of the other departments here. I have had a lot of people contact me with huge concerns that they seem to have missed out on this.

Ms Shannon—In relation to the learning and training bonus, some people who currently receive the education entry payment receive pension payments. As a matter of fact, more than half of the recipients of the Education Entry Payment are sole parents receiving parenting payment single, which is a pension payment. A further proportion, around one-third, are disability support pensioners and a smaller proportion, around four per cent, are carer payment recipients. So they are studying and they are getting the Education Entry Payment. They will also get this \$950.

Senator FIELDING—Let me ask this the other way round: which pensioners and carers get nothing? Seriously, there are a lot of them.

Ms Shannon—If they are not studying—

Senator FIELDING—Yes, that is correct.

Ms Shannon—then this package will not provide a direct payment to them through the training and learning bonus component.

Senator FIELDING—But other than that? FaHCSIA is responsible for carers generally speaking. I am not just after the back-to-school bonus or those things, I am saying generally.

Mr Sandison—It is not specific to carers or pensioners. There are no elements that are specific to them. It is based on their eligibility of education or having children.

Senator FIELDING—So is it correct that there are many carers and pensioners who get nothing out of this package directly?

Mr Sandison—There will be a number who will not get a direct payment.

Senator ABETZ—I was wondering—and I dare say you do not have this figure in your back pocket, so if you could take it on notice—what is the current maintenance budget of each of the state governments for their social housing stock?

Mr Leeper—Yes, we will have to take that on notice.

Senator ABETZ—Thank you very much for that.

Senator JOYCE—For the benefit of the nation, are they going to be putting aside all state government charges so that we get the biggest bang for our buck out of this package? Or are they still going to be hitting you with all of the taxes and charges that they usually do?

Mr Leeper—As far as I am aware, these houses will be built under normal commercial arrangements.

Senator JOYCE—So that is yet another boon to the state Labor governments. Surely, when they all came down here the other day, Mr Rudd sat across the table and said: ‘Look, we’re making a big sacrifice. Now you’re going to have to waiver your charges on this one.’ Was that suggested to them?

Mr Leeper—I am not aware of that.

Senator CAMERON—The Western Australian Libs were there as well. They like it.

CHAIR—There is a question before the chair. After that I will go to Senator Xenophon and then we will be finished with this section. Senator Joyce, is that a question that you put forward?

Senator JOYCE—Yes, the question was: what proportion of charges are state government charges on the purchase and the construction of a house?

Mr Leeper—It varies according to each state, so I could not answer that with a single answer.

Senator JOYCE—Well give me one state. Let us pick one: Queensland.

Mr Leeper—I would need to take that on notice, but I will try to get an answer for you by Monday.

Senator JOYCE—If you are taking that on notice then can we get Queensland, New South Wales, Victoria, South Australia, Western Australia, Northern Territory and Tasmania as part of that? I think the Australian people have to know how much of this money goes straight into the state governments’ pockets by reason of state government taxes and charges on the construction of a house—stamp duty being one.

CHAIR—That has been taken on notice.

Senator XENOPHON—I have a question on the mix of housing. To what extent are we looking at high density, inner city and outer suburbs? There is that concern of having people away from services and public transport. You may want to take that on notice as I do not know if you can answer that now.

Mr Leeper—All of the above. We have stressed in the agreement that we want these additional social housing dwellings to be built with regard to people’s chances to take part in economic and social activity, so located near public transport. They will be in all kinds of places basically. They will not be in any one spot. Nor will they be in any one kind of urban type or form.

Senator XENOPHON—Senator Moore is chairing an inquiry into housing on Monday, so you may want to take this on notice: to what extent will there be a shift in the current mix of housing towards more inner-city or high-density housing?

Mr Leeper—The main shift, if any, would be around what kinds of stock we would need to construct to meet the needs of those on the waiting list with high priority. As Ms Winzar said, we think that is more likely. We are more likely to have more single person and one- and two-bedroom dwellings than exist at the moment, so there may be a slight change in the dwelling type. I do not think I can give an answer though about dwelling location. It could be anywhere.

Senator XENOPHON—Thank you.

Senator JOYCE—In regional areas, how many—

CHAIR—We have concluded this section. I thank all of the departments. Senator Moore has alluded to the fact that the housing segment will be back on Monday.

Proceedings suspended from 10.58 am to 11.09 am

D'ASCENZO, Mr Michael, Commissioner of Taxation, Australian Taxation Office

GRANGER, Ms Jennie, Second Commissioner of Taxation, Australian Taxation Office

VESPERMAN, Mr Stephen, Assistant Commissioner, Tax Bonus Project, Australian Taxation Office

ENGLISH, Mr Dominic William, First Assistant Secretary, Economic Division, Department of the Prime Minister and Cabinet

TUNE, Mr David, Associate Secretary, Domestic Policy, Department of the Prime Minister and Cabinet

CHAIR—Welcome. Information on parliamentary privilege and the protection of witnesses and evidence has been provided to you. As departmental officers, you will not be asked to give opinions on matters of policy, though this does not preclude questions asking for explanations of policy or factual questions about when and how policies will be adopted. I now invite you to make a short opening presentation. At the conclusion of your remarks, I will invite members of the committee to put questions. Would somebody from Prime Minister and Cabinet like to make an opening comment?

Mr Tune—We do not have an opening statement.

CHAIR—Would someone from the Australian Taxation Office like to make an opening statement?

Mr D'Ascenzo—No.

Senator FIFIELD—I should just flag for the benefit of the committee at the outset that Senator Abetz has passed to the tax commissioner a series of cameos, which I think the commissioner is going to be endeavouring to seek some advice on during this session.

Senator ABETZ—Or possibly later.

Senator FIFIELD—I might start with the officers from PM&C. It would be fair to say that Australia is in a much better financial and economic situation than most countries in the world, wouldn't it?

Mr Tune—I think that is a fair statement.

Senator FIFIELD—I will not go to the reasons why I think that is the case, because some may see that as partisanship on our part. You may also be aware, Mr English and Mr Tune, of an article in the *Economist* of 31 January, which I think has been in some of the press and some of the morning TV commentary today. This article states that the weighted average stimulus of the G7 countries plus Brazil, Russia, India and China was 3.6 per cent of GDP spread out over several years. Why should Australia have a bigger stimulus than these other countries, which are clearly in a much worse financial and economic state than Australia?

Mr Tune—I guess it is a matter of trying to think forward. The objective of the package is to get in ahead of the game, in a sense. Looking at the projections that the Treasury had produced on where they thought the Australian economy was going, the view was taken that it would be sensible to get in ahead rather than wait and see what actually happens. Those forecasts may or may not turn out to be correct; we will see. But, based on the best information that was available to us in the department, that was the basis of the advice that we were giving to the government around that time in conjunction with the other central agencies. Really, it is a question of whether you wait and see or whether you get in ahead of the game. On this occasion, the government obviously decided to get in ahead of the game.

The size of the fiscal stimulus and the period of time over which it occurs are also very important here. If you take into account what the government did in December last year in the ESS, the economic stimulus package, and what is being done in the current package, you are probably looking at up around three per cent of GDP. It is in line with the sorts of averages there in other countries that you have been talking about. I think it is really a matter of trying to act in advance of need. It is preventative to a large extent.

Senator FIFIELD—If you add together the \$10.4 billion package, the \$15 billion COAG package, the \$42 billion second stimulus package and the \$4.7 billion infrastructure package, isn't that a stimulus of something more in the order of 6.5 per cent of GDP?

Mr Tune—No, it depends on how you spread it out. I must admit I have not done the calculation, so I do not know whether it is 6.5 per cent or not, but certainly the COAG money is spread over a large number of years. Some of the other money in the infrastructure package is also spread over a large number of years, so I would want to sit down and do the calculation year by year before saying yes or no to that.

Senator FIFIELD—Would you be able to do that for the committee?

Mr Tune—We can do that.

Senator FIFIELD—That would be useful, because I certainly have a sense—as I am sure my colleagues do—that this stimulus package is out of proportion to Australia's economic circumstances.

Mr Tune—There is actually a table on page 11 of the Updated Economic Fiscal Outlook that gives the calculation on that. It includes the Nation Building and Jobs Plan, the December Nation Building Package, the COAG package and the Economic Security Strategy. You can see the breakdown by half years.

Senator CAMERON—I want to ask a question on the size of the package. Isn't this economically mainstream in terms of what is happening globally?

Mr Tune—Sorry, I am not sure I follow, Senator.

Senator CAMERON—What we are doing here is not a radical approach to dealing with the global economic crisis; it is more an economic mainstream approach.

Mr Tune—I think that is a fair comment. Most advanced countries are doing fairly substantial fiscal stimulus programs at the moment. The IMF has called for fiscal stimulus as being a necessary element of a response to the global recession, so yes we are in the mainstream.

Senator JACINTA COLLINS—What is the IMF recommendation for 2009?

Senator FIFIELD—Chair, we do have the call.

Senator JACINTA COLLINS—This is a supplementary on size. We are asking very few questions here.

Senator FIFIELD—I did not ask a question about the size.

Senator JACINTA COLLINS—That was the earlier question we went to. I am sorry, you should have made that point then. It will be very quick, Senator.

Mr Tune—I think the IMF recommendation or view is that fiscal stimulus should be at least two per cent in calendar year 2009.

Senator JACINTA COLLINS—And what are we asking for in 2009?

Mr Tune—Around that figure.

Senator JACINTA COLLINS—I thought we were at about 1.4.

Mr Tune—I think when you add the other bits in there that flow through from other packages it would be about two.

Senator JACINTA COLLINS—Thank you.

Senator RYAN—Following up from Senator Cameron's question I do not want to misquote you but you said that what was being done here was in line with what was being done in other OECD countries.

Mr Tune—I have not done a detailed analysis but I think the question that Senator Cameron was asking me was: are we in the mainstream, are we in the mix where people are doing fiscal stimulus? The answer I gave was yes, I think we are in that sort of mainstream.

Senator RYAN—The question I had then was that Senator Fifield pointed out that the *Economist's* data showed that the weighted average was a 3.6 per cent stimulus and Australia is looking at 6.4 for this package. Would you consider a stimulus that was double what comparable nations or nations that we are often compared with or grouped with to be in the mainstream or would you consider that to be substantively different?

Mr Tune—If I can refer you to the table on page 11 of the document, you will see it is spread out over time. What is happening is that there is quite a bit of it in the second half of 2008 which was obviously the Economic Security Strategy. If you look at the two numbers there against the first half of 2009 and the second half of 2009 with some flow through to early 2010 and you add those up, you are looking at the combined effects.

Senator RYAN—I do not have the exact data in front of me but as I understand it the comparison that the *Economist* is referring to or that we are basing this comparison on—the 3.6 per cent—is also spread over several years.

Mr Tune—I do not know. I have not seen the *Economist* article. I cannot comment on that.

Senator RYAN—What I am asking is: is double what other nations are doing still 'in the mainstream' or is it something that would be exceptional if we were doing double what others might be doing?

Mr Tune—I am not accepting that it is double, I am sorry. I am looking at the data here and that is not coming to 6.4 in my view. I cannot comment on the veracity of the 3.6 in the *Economist* article. I have not seen it. I do not know how it was calculated.

Senator FIFIELD—If you could take that on notice.

Mr Tune—We could have a look at that and see whether there is anything there that we can give to you.

Senator FIFIELD—If you could do the comparison between the two, thank you.

Senator COONAN—Are there any stimulus packages around the world that do not include tax cuts as part of the stimulus?

Mr Tune—I do not know. I have not studied every fiscal package.

Senator COONAN—Is there one?

Mr Tune—I could not tell you. I am sorry.

Senator COONAN—Is that because there aren't any?

Mr Tune—I do not know.

Senator COONAN—This same *Economist* article says that every single stimulus package around the world apart from Australia includes tax cuts as part of the stimulus.

Mr Tune—That may or may not be true. I do not know.

Senator COONAN—That could be correct could it?

Mr Tune—I do not know.

Senator JOYCE—I cannot believe that we are about to have a \$42 billion package and yet you do not seem to have the collective competency to find out what the rest of the world is doing.

Mr Tune—There was a fair amount of work put into thinking about what was going on around the rest of the world. It was not a detailed analysis of every element of the package, but work was done definitely inside the Treasury around what was happening in other parts of the world.

Senator JOYCE—There is obviously an absolute paucity of detail if every other package has tax cuts and we do not. What is more to the point is that PM&C is not aware of that.

Mr Tune—I do not follow your reasoning.

Senator JOYCE—You have just said that you are not aware of whether we are unique in that we do not have tax cuts. We have an article that says that all the other stimulus packages do have tax cuts and we are about to spend \$42 billion yet missing a crucial factor of what everyone else in the world thinks is essential for a stimulus package.

Mr Tune—As I said, I cannot comment on the veracity of what is in *The Economist*. I do not know whether it is true or not true. I will undertake to have a look at it to see if there is something there that we can fill you in on.

Senator FIFIELD—It seems peculiar that you do not know the make-up of other stimulus packages around the world yet at the same time contend—and I think the government contends—that this package is comparable to other packages around the world. I do not see how you can do that if you are not aware—

Mr Tune—I think they are two different questions. I think the first question I was asked was about the size of the stimulus. The second one is about the—

Senator FIFIELD—The quality.

Mr Tune—No, the composition.

Senator FIFIELD—Are you saying that government advisers have only looked at the size of stimulus packages around the world and not the composition of them?

Mr Tune—No. Obviously, the government advisers also provided advice to the government on the composition.

Senator FIFIELD—But you as a government adviser are not aware of the composition of packages around the world?

Mr Tune—Not in detail, no; I am not.

Senator COONAN—Would you know who in the government—

Mr Tune—Treasury have done that analysis. It probably would be appropriate to ask them.

Senator FIFIELD—So that is more a question for Treasury than for you.

Senator CAMERON—Is the government package consistent with IMF and OECD approaches?

Mr Tune—Yes, I think so.

Senator JOYCE—Do the UEFO documents have a comparison of other policies? The obvious question is asked time and time again in this place: can you inform us of other, alternative policies? The alternative policy talks of form, and you cannot talk of form, because you are not aware that every other nation in the world has a package that has tax cuts.

Mr Tune—The UEFO refers to what the government has done. It obviously does not go through alternatives.

Senator FIFIELD—The Prime Minister talks extensively about the importance of the coordinated effort of nations around the world. How can you coordinate effort if you do not know in detail what the efforts of other nations are?

Mr Tune—Coordination is largely around the size of that fiscal stimulus; it is not so much around the composition. Each country—

Senator JOYCE—I want you to take on notice how our package compares to other packages around the world on a like-for-like basis. Can we do that?

Mr Tune—In terms of composition?

Senator JOYCE—Yes, in terms of composition.

Mr Tune—I am happy to do that.

Senator COONAN—And percentage of GDP.

Mr Tune—If I could just clarify: you want to talk about the composition?

Senator JOYCE—Yes.

Senator COONAN—In particular we want to know whether Australia is the only country that does not have tax cuts as part of the stimulus package.

Senator ABETZ—I think Cuba and North Korea.

Senator COONAN—We want to know if all of the main countries, like all of the G7 and the BRIC countries—Brazil, Russia, India and China—have tax cuts in their packages.

Senator JOYCE—How can we be coordinating with the world if we do not know what the world is doing?

Mr Tune—I will check this with the Treasury, but I think the Treasury has a pretty good view of what has been happening around the world. I think you will find—

Senator JACINTA COLLINS—Today Treasury tabled a very useful document that perhaps the opposition has not had a chance to absorb.

Senator FIFIELD—You have agreed to take the question on notice and reply with a detailed comparison of the stimulus on a like-for-like basis.

Mr Tune—I will do that. I will have to do that in conjunction with my Treasury colleagues.

Senator COONAN—That is fine.

Senator FIFIELD—You are well aware of the *World Economic Outlook*, produced by the IMF?

Mr Tune—Yes.

Senator FIFIELD—Their October edition categorically states that tax cuts are superior to spending increases as a stimulus measure, especially in advanced economies. Are you aware of that?

Mr Tune—I cannot recall the detail of that, but I am not going to dispute it if that is the quote.

Senator FIFIELD—Is that a view that you are familiar with?

Mr Tune—I have heard that view expressed, yes. There is a school of opinion that argues that. There is a school of opinion that argues the opposite, of course.

Senator FIFIELD—What is your view?

Mr Tune—I guess my view would be that, if I look at what has been done in the recent past, one-off payments have their place. It seems to have had some quite strong stimulatory impacts—and there is no absolute proof on this yet—in the December quarter, much better than you otherwise would have got. Tax cuts might have their place over a longish period of time. It depends a bit on the way you see the course of the economy going. But, in terms of short-term stimulus, my view would be that one-off payments are probably going to give you the biggest bang for your buck.

Senator COONAN—Would you do both in a package?

Mr Tune—It is a matter of affordability. Where do you think you are going to get your benefits from? There are also other elements around infrastructure in this package. It is a large package. You end up having trade-offs in these things, and you have to make choices. That is what the government has done.

Senator CAMERON—What is your comment on the argument that you should bring forward the tax cuts to bring about a stimulus? And given that that would only be about a \$150 stimulus for a taxpayer on \$30,000, about \$800 less than the government's proposal, what would that do for stimulus in the economy?

Mr Tune—That is the issue, I think, Senator, in that if you provide a large lump sum in one hit that can have strong consumption effects. That very much depends, of course, on where you direct it to. You would try to direct it if you could to people who have a high propensity to consume—that is, they are going to spend most of it rather than save it—so you would want to target it in some way. Obviously if you give a tax cut, that is spread over a period of time. Let us say it was a \$1,000 lump sum, just for the sake of argument, and \$1,000 of tax cuts spread over 52 weeks. I would have thought you would get a better stimulus impact from the \$1,000 lump sum than from the \$1,000 spread over 52 weeks.

Senator COONAN—How is the current handout in this \$42 billion package targeted to spending?

Mr Tune—Basically, by the groups of people who are receiving it.

Senator COONAN—So that is an assumption, that because of the groups—

Mr Tune—Yes, in the same way as the previous package, the ESS, was directed at those that are seen to have higher capacity to consume—mainly low- to middle-income groups. The same thing has broadly been done with this package, including of course the tax offset in there which has a limit of \$100,000. So you are trying to target basically to that low- to middle-income area, if I could put it fairly broadly like that.

Senator JOYCE—Do you know what they are spending it on and where they are spending it?

Mr Tune—You do not know that exactly, no. You never do. You get some idea from looking at household consumption patterns in previous household expenditure surveys, where you can work through where they spend their money, but you are not going to be able to tell exactly what people are going to do now with a certain amount of money.

Senator COONAN—And there is a big lag anyway. You do not know till the end of the quarter, I suppose

Mr Tune—You do not know until you see the retail sales data that is coming out and those sorts of things. Based on the analysis you do of what has happened in the past and where you think people are at in terms of the economy at the moment, you come to a view, a judgement, about where you think that should go.

Senator FIFIELD—Just to close off on the tax issue, I note the *World Economic Outlook* is a very significant IMF publication. I know there are debates on these issues, but it is a very reputable and substantive publication.

Mr Tune—I agree. There are various views around this; I accept that.

Senator COONAN—Can I get a comment from Mr Tune, who I know knows about these things, about choosing what goes into the Updated Economic and Fiscal Outlook. I notice that all that goes in is international calls for fiscal stimulus but no real analysis of—

Senator ABETZ—The composition.

Senator COONAN—Yes, the composition. There is a reference, for instance, to Mr Blanchard, who is only one officer of the IMF. I am just wondering how the choices are made that, without being pejorative, I might say are fairly selective references.

Senator ABETZ—It is like the *Monthly* essay.

Mr Tune—I did not write this document, so I cannot comment on how choices were made about what went in and what did not. It is a Treasury document.

Senator COONAN—Perhaps the point has been made. It seems to me to be very selective.

Senator JACINTA COLLINS—Do you accept this assertion that it is selective?

Mr Tune—There is one there from the *World Economic Outlook Update* which is later than the one that Senator Fifield was referring to. I do not know if it is selective or not.

Senator FIFIELD—Moving to a different subject, the issue of the multiplier effect of the stimulus package, I want to take you through a briefing paper which ABN Amro prepared, dated 4 February. I would just like to share with you the conclusion of that document and get your thoughts. The paper compares the multiplier, the bang for the buck, of the Rudd government stimulus package and the Obama government stimulus package. It notes in its conclusion that the Obama stimulus package has a multiplier, or bang for the buck, of around one. This means that there is around \$1 of GDP added for each \$1 of stimulus spent. The Rudd stimulus package seems to have a much lower multiplier, of 0.3 in its first year and no more than 0.6 in its second year. The paper goes on to make the observation that the multiplier is much lower because the Rudd package chooses to spend its money on social infrastructure rather than on economic infrastructure. It summarises that in terms of economic impact the bang for the buck in the Rudd package is so soft it must be rated as a 'dull thud'. It would probably be a little unfair to ask you for a comment as to whether you thought the effect of the package was a dull thud, but I will ask you why this package has chosen to spend its money on social infrastructure rather than on economic infrastructure when you would accept that by spending money on economic infrastructure you would get a bigger multiplier effect.

Mr Tune—I do not know if I am comparing apples with apples here. You have got one per cent on the Obama package. It is not clear to me whether that is this year, next year, five years time, 10 years time. That is the key issue here. You have got to make sure you are comparing apples with apples.

Senator FIFIELD—That is why I am seeking your assistance, because the Prime Minister has said over and over again that our package is comparable with that of other nations, that we are endeavouring to act in concert with other nations, citing the Obama package as inspiration. So surely the government knows what the multiplier effect of the Obama package is compared with the multiplier of its own package.

Mr Tune—You are quoting an ABN Amro source. I have not seen the piece of paper. I cannot comment on whether that is a true statement or not, and I do not intend to speculate, Senator. If you want to talk about multipliers, I suggest you go and talk to the Treasury. They are the experts on this particular issue. But I would make the comment that you do have to be careful in looking at these things, that the multiplier will vary according to the period of time that you are looking at. Some of the stuff that is in the US package around big infrastructure projects, they may have quite a strong multiplier over time but they will not have much of a multiplier in the short term because it takes them a while to get going. This package is different to that in that it has got more of a short-term multiplier whereas that one may have more of a long-term one.

Senator FIFIELD—I guess my question is more what was the rationale behind the decision to have the focus on social infrastructure rather than economic infrastructure in this package.

Mr Tune—The key focus was to try and get immediate stimulus. That is what it is about, and that is why there was a mix there of cash payments, including a tax offset, and infrastructure—mainly community infrastructure because it is very fast to get going. The whole intent of this package is to try and get stimulus during the course of 2009.

Senator JOYCE—That IMF update that we were referring to before is only six pages long and it does not mention anything about spending versus tax cuts.

Mr Tune—Sorry, which one are you talking about?

Senator JOYCE—The IMF update. In the update—

Mr Tune—28 January—is that the one you are referring to?

Senator JOYCE—Yes, I think so. I have not got it in front of me. The recent update. The *World Economic Outlook*. October, chapter 5, sorry.

Mr Tune—What is the question?

Senator JOYCE—The question is, are you aware in the IMF's world international outlook principal statement on IMF economic policy that it is only six pages long and it does not mention anything about spending versus tax cuts?

Mr Tune—I would have to go back and have a look at it, Senator.

Senator JOYCE—Did you ever go through any alternate policies? Did you sit down and see the multiplier effect of capital infrastructure on such things as ports, rail, whatever versus tokenistic statements such as boom gates, pink bats, school halls?

Mr Tune—There is a lot of discussion about those things that goes on.

Senator JOYCE—I bet there was.

Mr Tune—The essential point, though, was the one I stated before, that you are looking for immediate stimulus. If that becomes your highest priority then you will put your package into certain areas rather than other choices that might be made.

Senator JOYCE—So you conclusively answered the question whether we have the capacity out there to insulate 2.7 million houses?

Mr Tune—We looked at that, yes.

Senator JOYCE—And we do?

Mr Tune—We have the capacity to expand supply quite substantially.

Senator JOYCE—Do we have the capacity to do it or not?

Mr Tune—As a country, yes, we do.

Senator JOYCE—Straightaway.

Mr Tune—It is over 2½ years, yes.

Senator JOYCE—Over 2½ years? That is a bit different from straightaway.

Senator CAMERON—Barnaby, yes, we can.

Senator JOYCE—I have some questions for Mr D'Ascenzo, when I get a chance.

CHAIR—You have your opportunity—

Senator JOYCE—Okay, I will ask them straightaway.

CHAIR—The opposition have until 20 to 12 and that will be the time, so you have got five minutes.

Senator JOYCE—Mr D'Ascenzo, as you know and I know, being an accountant, these things turn into absolute nightmares when they arrive on tax agents tables. Have you had any correspondence back from them as to how they will deal with people who believe they are getting money and do not, who thought they were getting money but did not? Is the money that is proposed going to turn up or are some people only going to get it when they actually collect their tax return at the end of the year?

Mr D'Ascenzo—There are certainly going to be some issues for tax agents, given that a lot of individuals go through tax agents. Some have the tax agent actually looking after their receipt of funds et cetera. Some refer their receipts back to the person. So it will vary. There will be an extra burden on some tax agents. There can be a lot of that toing-and-froing of issues. As soon as the proposal was announced, we had a meeting with the representative bodies of the accounting professions and we have set up working teams to work with them along those lines.

Senator JOYCE—I will cut to the chase. As you well know and we all know, this so-called immediacy of getting this money out straight away will just not happen for a lot of people because many of them will not get it until they do their tax returns, because they collect their tax benefit at the end of the year.

Mr D'Ascenzo—I think they need to have lodged last year's return. So there will be some work done on people who have not lodged last year's returns. There are already calls on some accountants, to ask, 'Can you hurry up in terms of lodging my return.' If they are lodged by 30 June—

Senator JOYCE—We think they are not busy, do we?

Mr D'Ascenzo—There are issues in terms of lodgement periods that we have to work through with the accounting profession. But, once they have lodged their return—and most people have already lodged their return—we would then work off last year's taxable figure and send the amount—

Senator JOYCE—So they will get the bonus based on last year's return, even though this year they might not be entitled to it?

Mr D'Ascenzo—Exactly.

Senator JOYCE—It will be sent out in the mail to them?

Mr D'Ascenzo—It depends on whether they have given us details of their bank account. If we have details of their bank account, we would send it through direct credit. If not, we would have to send it by mail, cheque and then to the address they have given to us—whether it be the last notice of address—or to their accountants, if that is how they operate.

Senator JOYCE—So we can refer all the calls to you, as they start hitting our office tomorrow—that the cheque is in the mail?

Mr D'Ascenzo—Not until the law is passed.

Senator ABETZ—Why is the ATO getting \$50 million in this package? Perhaps you can take that on notice. Also, in relation to the small business and general business tax break, \$2.7 billion has been set aside. That is for small businesses to be able to claim a 30 per cent deduction for the cost of eligible assets. Can you confirm to me that, if a small business were to buy a new car, that would be an eligible asset?

Mr D'Ascenzo—I do not know that one. Let me talk about the \$50 million one.

Senator ABETZ—No, because, unfortunately, time is very short. You will have to take that on notice.

Mr D'Ascenzo—That is fine.

Senator ABETZ—Are motor vehicles an eligible asset?

Ms Granger—We will take that on notice

Senator ABETZ—Perhaps you can also take on notice, if you do not know: did you inquire as to how many new cars are bought by small business, per annum, and, if they were all to claim their 30 per cent, how much of the \$2.7 billion will be swallowed up only on motor vehicle purchases? And can I suggest to you that there will be virtually nothing left, because there are 26,000 cars—and that is new cars—per month bought by the business community in Australia and, if that continues on track, you will swallow up the \$2.7 billion just in the 30 per cent tax break for motor vehicles. So is this going to be an open-ended scheme?

Mr D'Ascenzo—I think these are matters really for Treasury rather than the tax office. Ultimately, we will implement the law and the policy design, and that is a matter for Treasury to advise government on. We are not really in the forefront of developing that policy.

Senator ABETZ—That is why the fundamental question of course was whether motor vehicles would be eligible or not. Could you have that answer back to us as a matter of urgency, because we have Treasury appearing before us again. If the answer to that is yes then I can go to Treasury.

Mr D'Ascenzo—I understand.

Senator ABETZ—If the answer is no I will not bother.

Mr D'Ascenzo—Actually, Treasury advise on what is in and what is out of legislation until it is law. In other words, I only administer the law. There is no legislation at the moment.

Senator ABETZ—All right. So I have to ask Treasury, and I just hope they do not say that is a matter of administration.

Mr D'Ascenzo—We will pass on the request to Treasury and work with them to provide an answer.

Senator FIFIELD—This is not a question for witnesses. We have placed a number of questions on notice, and it would be appreciated, given we have to report by Tuesday, if those answers could be given as soon as possible. So any information that can be provided today would be great—failing that, Monday at the latest.

Mr D'Ascenzo—Some of those questions on notice may be questions that I may have to refer to Treasury.

Senator FIFIELD—I appreciate that. But that \$50 million appropriation process?

Mr D'Ascenzo—Yes, that is fine.

Senator FIFIELD—We can find that out today?

Mr D'Ascenzo—We can do that.

Senator BOB BROWN—Just on that, I asked last night about the numbers of low-income earners in the taxable range who have failed to pay tax because of tax offsets. The gentleman said he would get those figures to you. I want to ask about executive salaries. You will know that the President of the United States has put a conditional cap of \$US500,000 on some executive salaries. Has this been discussed as part of this package or as part of the potential stimulus to the economy?

Mr Tune—No, it hasn't. It is a different issue; it does not relate to the stimulus package per se. It is an issue that is under consideration in the context of the G20. As you would be aware, the G20 met in November last year in Washington. One of the things that came out of that was a series of working groups, one around regulation of financial markets. The issue of compensation for participants in financial markets is one of the issues being considered in the lead-up to the further summit that is taking place in London in April

Senator BOB BROWN—Yes, but President Obama has not waited for that; he has taken action.

Mr Tune—That is correct.

Senator BOB BROWN—Our Prime Minister has said that some of these packages are obscene. Has there been any move to look at how the Australian government might emulate the decision by President Obama to clip the wings of some particularly non-performing executives or those executives whose businesses have required financial backing of one sort or another from the taxpayers or from the government of Australia?

Mr Tune—I have not been involved in any discussions of that type.

Senator BOB BROWN—Just on another matter, the Prime Minister has said that he is ready to start cracking heads and knocking skulls, and he has appointed Mr Mike Mrdak as Deputy Secretary in the department to oversee the massive program. Who is Mr Mrdak and what is his role?

Mr Tune—Mr Mrdak is an existing Deputy Secretary in the Department of the Prime Minister and Cabinet. He looks after what we call our governance stream in the department, so he is responsible for corporate services, cabinet office operations and all of the external bodies that are attached to the Prime Minister's department, such as the official establishments. He was formerly a Deputy Secretary in what is now called the department of infrastructure, so he has wide experience in dealing with large infrastructure projects. He has been taken offline within the department for a period of time to do this job as Coordinator-General, and he will be working with counterparts in the line agencies within the Commonwealth. There will also be a Coordinator-General appointed by each Premier and Chief Minister following the agreement at yesterday's COAG meeting. So in the states we will set up structures similar to what we have in the Commonwealth, and Mr Mrdak will be working very closely both at the Commonwealth level with the line agencies and with the state Coordinator-Generals and their own coordinators inside their housing departments and education departments et cetera.

Senator BOB BROWN—Where does his role appear in the legislation we have before the Senate?

Mr Tune—It is not a statutory role.

Senator BOB BROWN—So this is a prime ministerial appointment for the purposes of administration.

Mr Tune—It is a Public Service role, yes.

Senator BOB BROWN—Is it going to be the Coordinator-General's responsibility to see that this quite rapid expenditure of massive amounts of money does not involve mistakes or double dipping?

Mr Tune—That is very much the role. There are two issues there. The role of the Coordinator General is to ensure rapid implementation of these measures, that there is proper planning in place, that approvals take place in a timely way and that where things can be expedited they will be. It is about rapid implementation and working closely with the various Commonwealth and state agencies. There is then an issue around double dipping and there is a second part of the COAG agreement from yesterday whereby the states have agreed that there will not be double dipping. Say they are putting \$1,000 into regional roads at the moment and they have said that in the budget papers. State and Commonwealth Treasuries would sit down with them and validate that \$1,000. Then if we are going to put in another \$500 to total \$1,500, the process the Treasuries will go through will ensure that \$1,500 is spent, the original \$1,000 plus the new \$500, so that there is no substitution of effort going on. That is the role of that part of the process.

Senator MILNE—One of the concerns we have is that there is not cost-shifting as a result of this package, particularly on infrastructure. I was assured yesterday and I will be clarifying again today that that will not happen with education, so that the states can just not fund what they had on the books and the Commonwealth fund it.

Mr Tune—No.

Senator MILNE—We were assured that in the education projects that would not be the case. We heard a little while ago on the housing projects that there is nothing to stop state governments selling their public housing stock while the Commonwealth is building new public housing. Is that the case. If it is the case, that is pure cost-shifting, undermining the ambition of increasing the stock of affordable housing. So can you clarify first whether the agreement with the Coordinator General is going to make sure that there is no cost-shifting on public housing and, if that is the case, why the housing people did not know that there is not this part of the regulation in the package?

Mr Tune—I did not hear that testimony, but to my understanding, the way this will work is that the states will have in place plans for their housing authorities over a period of four years or so in their forward estimates. That will include a mix of new construction, maintenance, recurrent operations and may include the sale of some dwellings that are no longer suitable. We will take that as the base so that, if there is a new construct and sale in there, we will be looking at that and ensuring that it is adhered to. What we put in on top is purely for new construction. Does that make sense?

Senator MILNE—It does except that in the Tasmanian case they sell public housing to service the debt which they incurred. It is not because there is no need for that housing; it is because they are selling it to service debt. Surely this whole project is about stimulating the economy and creating jobs but we are trying to address homelessness at the same time. I have a real objection to the states being allowed to continue to sell public housing. I do not object to the new public housing but I would have thought this was an opportunity for the Commonwealth to put its foot down and stop the states selling public housing, using the Commonwealth allocation for public housing and then just recycling it and service debt. That seems to be totally counterproductive and this is an opportunity to put your foot down.

Mr Tune—Under the COAG agreement last November there is an intergovernmental agreement around housing. So the way they operate in future will be subject to that agreement. I am not an expert on this area. You are probably best to ask the housing people in FaHCSIA about the detail of this.

Senator MILNE—They knew nothing about it.

Mr Tune—Is that right? We will see what we can find out for you.

Senator BOB BROWN—Going back to the CO, my staff have just pointed out that in October last the Prime Minister announced that the government will develop draft guidelines for addressing excessive executive salaries for discussion throughout 2009.

Mr Tune—Sorry, I should have mentioned that. I had forgotten that. My apologies. APRA, the Australian Prudential Regulatory Authority, is doing some work on that at the moment. They have been doing a bit of work on that over a period of time.

Senator BOB BROWN—So it actually has been discussed?

Mr Tune—It has not been discussed with me in detail. I had forgotten that piece of work was being done before Christmas.

Senator ABETZ—Senator Brown, I think the chief of staff in Mr Rudd's office is in charge of that.

Senator BOB BROWN—At what stage is that at? Can we have what work APRA has done?

Mr Tune—I am not sure where they are up to, quite frankly. Is Treasury coming back? It might be worth asking Treasury about that, as APRA sits within there.

Senator BOB BROWN—On Monday, would you ask Treasury—

Mr Tune—Certainly. I will ask them to follow it up.

Senator BOB BROWN—so they will be ready to inform us.

Mr Tune—I am sure they are listening at the moment.

Senator BOB BROWN—Have you discussed the potential—and I will ask Treasury this on Monday—about an alternative that should be in the mix, I suppose: reducing the GST?

Mr Tune—No.

Senator BOB BROWN—Why not?

Mr Tune—The GST is set down in legislation that is very difficult to change, and the government's policy is not to change it.

Senator BOB BROWN—Have you sought modelling to see whether that is an alternative way—

Mr Tune—I have not done any modelling and I am sure that PM&C has not done any modelling. You could ask Treasury, but I have no idea whether they have done any modelling or not.

Senator BOB BROWN—I will. Can you tell the committee what the cost will be of raising the \$125 billion that this legislation enables the government to raise on the bond market?

Mr Tune—No. Once again, you are in an area that is Treasury's responsibility. I do not have those numbers in front of me.

Senator BOB BROWN—You realise that there will be a cost.

Mr Tune—Of course there will be. If you raise money on the bond market, it has a cost in terms of interest payments.

Senator CAMERON—But it is not an unsustainable cost for the economy, is it?

Mr Tune—It depends where your starting point is. If you are looking at reasonably low debt levels to start with, you trade off the costs around these things in the future against the benefits you get in the current period. As long as you do not move the country into huge, unsustainable debt levels—which this will not do; net debt will remain at a reasonable level and low by international standards—there is probably not a problem. But yes, there is a cost.

Senator BOB BROWN—Why did the government decide to leave public transport off the agenda in this nation-building stimulus program?

Mr Tune—There is another set of processes with Infrastructure Australia that you are probably aware of, which is looking at large infrastructure projects, of which public transport would be very much a part. That is the process that is being gone through. The government is awaiting advice from Infrastructure Australia as to what it sees as being the high-priority projects before it makes any decisions on those things. That advice is due in early March, I understand. At that point, you would expect that the government would consider that report and come to some views. I expect that any issues around public transport would be dealt with in that context.

Senator BOB BROWN—Including bikeways?

Mr Tune—It is possible, yes.

Senator BOB BROWN—Well, are they?

Mr Tune—I would have to check the Infrastructure Australia list that they have been looking at, but my recollection is that there is at least one bikeways project on there. These are projects that have been submitted by the states and territories, in the main.

Senator BOB BROWN—You will be aware that Spain has committed €50 billion to very fast transport—high-speed trains: 350 kilometres per hour, 99 per cent on time and an eight per cent transfer from aeroplanes into the train system. Where is Australia at in planning an equivalent for this nation?

Mr Tune—You are asking someone who is not qualified to answer that question, I am sorry. That is an issue for the detailed transport planners.

Senator BOB BROWN—No, it is not. It is an issue for government.

Mr Tune—It is an issue for government, I am not denying that. But I am not the person to ask the question of, I am sorry.

Senator BOB BROWN—Has that question arisen, as far as you are aware?

Mr Tune—I am sure there are consultations and discussions that go on around that in the infrastructure department, for example.

Senator BOB BROWN—Are you aware of such consultations?

Mr Tune—No, I am not.

Senator BOB BROWN—You are not?

Mr Tune—I know that work on that is happening in the context of Infrastructure Australia.

Senator MILNE—In relation to domestic policy and this package, clearly the aim of the package was to try and keep Australia out of recession—to spend money and do it systematically over these quarters. What consultation did you have with the Department of Climate Change about the ambitions for the package?

Mr Tune—There were some consultations with the Department of Climate Change around the energy efficiency aspects of the package. Most of it was done with the Department of the Environment, Water, Heritage and the Arts, but, where it impacted on climate change issues, there was a flow through of discussions that went on there as well.

Senator MILNE—Were there any discussions about underpinning the package with a transition in the Australian economy to a low-carbon future—a whole-of-government approach with the package?

Mr Tune—Yes, there has been some discussion around that, around this concept of green jobs. There are some elements in the package that relate to that, but it is an issue that is under continuing consideration within the government.

Senator MILNE—Yes, but the question I asked was about underpinning the package with a philosophical shift to taking the economy to a low-carbon economy. You have just said you had some consultation on energy efficiency and some consultation on green jobs. What I am asking is: was there a whole-of-government consultation about underpinning the package with a transformational shift?

Mr Tune—No, not really, largely because, whilst we were very conscious of those particular issues and trying to ensure that we were consistent with it to the maximum extent possible—I will be blunt about it—the priority was immediate stimulus. So, whilst the insulation part of the package is consistent with a greener footprint, it also has to be balanced off against the need for immediate stimulus. So we are trying to get a balance there. As I said, there is a continuing body of work—a piece of work that is going on inside government—around this issue of green jobs, so it is very much a live issue within the government.

CHAIR—Thank you. We will have to move on. Senator Collins.

Senator JACINTA COLLINS—Just as a supplementary to the discussion earlier and what you have taken on notice from the opposition questions earlier in relation to a comparison across other countries, can I ask that you—or if it indeed ends up being Treasury who looks at that comparison—also deal with the issue of tax cuts that are already in the pipeline in other nations.

Mr Tune—We will take that into account.

Senator JACINTA COLLINS—So we need to look beyond just the immediate package that might be the stimulus package, at the context in which that sits in the broader framework.

Mr Tune—We will take that into account.

Senator JACINTA COLLINS—Also, with respect to the discussion about the mix as opposed to the quantum, can I ask: is it not the case that social capital has a higher short-term multiplier effect and this is why the IMF is indeed recommending a mixed approach?

Mr Tune—I will take that on notice as well. It depends how you define the multiplier, in a sense, whether it is just the dollars involved or whether there is some social good in there that may be unquantifiable but may be of benefit to people's wellbeing.

Senator JACINTA COLLINS—And indeed the term that you put it into as well—yes, that is right. Finally—this is to the Commission of Taxation—we heard from Centrelink the consequences of delay in terms of implementing this package when our economy needs it as soon as possible. Can you cover for us the consequences of delay in terms of the tax payments—

Mr D'Ascenzo—The period between now and April is a relatively short one when you are thinking of the size of the payments that we have to roll out to taxpayers. I think 75 per cent of our individuals market is affected, so that involves redeveloping our systems, working with Australia Post, working with the Reserve Bank, working with the tax profession. All that can be done prior to tax time, but once we get into June-July, I do not think I could do both at the same time. So one would have to be deferred. So any sort of further delay moves the feasibility of being able to do that into a critical period where I do not think both can occur.

Senator JACINTA COLLINS—That is just the delay issue. What about the change issue?

Mr D'Ascenzo—Basically I need to redevelop part of my system to allow for this. So if there is any change you are really back to square one in terms of that redevelopment of the system.

Senator JACINTA COLLINS—And how many weeks does that involve?

Mr D'Ascenzo—Jennie might be more precise on that.

Ms Granger—We are estimating about six weeks to do the systems redevelopment. To just give you an idea of scale: we have to create a separate database out of the 11.8 million individuals that lodged for the year. Just running that information takes an entire weekend, and we cannot do that during the week because the system is processing returns and payments, as it does throughout the year. So we would have to start that again. Then there is the detailed testing we have to do, because, as has already been raised here, integrity is going to be an issue for us. We are also trying to open the opportunity for people to come in and give us an updated address and updated payment details, which was an issue that was raised earlier. So we have got some converging workloads there.

We also need to give the Reserve Bank four weeks notice of how much money in what postcodes, so that they can arrange things like cash in ATM machines. There is a very big logistical exercise. So we are counting back from that early April period to how far in the systems build we need to be to be able to identify those taxpayers. There will also be people lodging during this period, because there are agent programs that means some of those returns are still yet to come in. We are expecting those ones will be in later runs. That is why we are saying it is a progressive rollout from early April. Part of that is around the infrastructure within the tax office and the community to do this process, but it is also taking account of the fact that there will be others lodging that will be entitled during the period.

Mr D'Ascenzo—Just to summarise, we think that to do the proposal to start getting payments out at the beginning of April is tight in terms of our current framework. Any delay pushes that back further. Really, the only window I have is April/May, because once we get to June/July I am into tax time.

Senator FIELDING—There was a statement made earlier that was a bit of a concern to me. I think it was Mr Tune who said that there was not detailed analysis of every element of the package.

Mr Tune—No, sorry—I hope I did not say that. There was detailed analysis of every element of the package. I think the question was around whether other options were considered in absolute detail. I said that other options were considered at its various stages and they were discarded. So work stopped on them and we focused on the ones we were going to take forward.

Senator ABETZ—Will we be provided with a detailed analysis of the boom gates initiative?

Mr Tune—You would have to ask the infrastructure department.

Senator FIELDING—We heard last night from Treasury that, even with this \$42 billion package, we would still end up with unemployment skyrocketing and hundreds of thousands of more Australians unemployed. What direct payments do these unemployed get through this particular \$42 billion package?

Mr Tune—Direct payments?

Senator FIELDING—Yes, direct payments.

Mr Tune—It depends on their age and so forth. Some of them would be getting the training and learning bonus.

Senator FIELDING—How much is that?

Mr Tune—It is \$950—all the bonuses are \$950.

Senator FIELDING—So some would get that. There would be a chunk that would not—correct?

Mr Tune—Correct, yes.

Senator FIELDING—The last time I looked at \$950—about \$3 a day—for someone facing rent or a mortgage, I do not know how many people you know who that is going to help. I do understand that the \$42 billion package will stop up to—and I still have not got the figure; that is the upper limit of 90,000. It could be, I assume, as low as 40,000. I cannot get Treasury to give me any other figure. That is the upper limit of 90,000. We have also got at least another 100,000 to possibly 300,000 who will possibly lose their house or have to go out of their current accommodation. What do you say to those Australians? We are spending \$42 billion and we are still going to end up with that many unemployed.

Mr Tune—I am not the government, to start with. The Prime Minister announced yesterday that further work will be done with the states in this particular area. The forecast, as you would be aware, would be for unemployment to rise to around seven per cent by June next year. This package does protect jobs; there are no two ways about it—it supports jobs. There are issues there about other people who will lose jobs. Yes, that is what happens in these sorts of situations. The existing income support system is there to assist those people. The Job Network is there to assist those people. Both those programs are demand driven, so there is no dollar

constraints on whether people can gain access to those payments or gain access to the services of the Job Network. So all of those things are there. The Prime Minister said yesterday that in conjunction with the states he would like to work through what more can be done in those particular areas. So that is an issue under active consideration at the moment.

Senator FIELDING—I think the package has failed those, I think, forgotten Australians. By all means, we should stimulate the economy and protect jobs, but what are we going to do with those people that have little prospect of finding a job for the next couple of years? More needs to be done. To spend \$42 billion and forget those people I think is pretty ordinary.

CHAIR—Your final question?

Senator FIELDING—The Prime Minister and Cabinet web site says that
By looking over the horizon to the challenges and opportunities—

it sounds like a white knight riding over the horizon, but I will keep going—

of the coming years, our high-level strategic advice further supports the government in taking all relevant factors into account to make the best possible decisions.

The department that we spoke to earlier this morning said that they provided advice on just their section of the package. What sort of strategic input did you have in putting the whole thing together?

Mr Tune—We were involved in the development of the whole package.

Senator FIELDING—The whole package?

Mr Tune—We provided advice to the government on all elements.

Senator FIELDING—Did you look at the 300,000 Australians who are going to be unemployed?

Mr Tune—That was a consideration that had to be looked at. If you take—

Senator FIELDING—And \$950 is what you gave them?

Mr Tune—That is on top of what they get in terms of existing services and existing income support, Senator, which is quite substantial.

Senator ABETZ—If it is quite substantial, why do they need \$950?

Senator CAMERON—If we do not get that \$950 into the economy in the shortest possible time, how much of a boost is being kept out of the economy? How much is being kept out if, as Mr D'Ascenzo says, we may not get it until the end of the year? What effect would that have on us being able to avoid a recessions?

Mr Tune—Basically, the cost of those measures and what they will inject into the economy. That is really what it comes down.

Senator FIELDING—This is not in relation to my point. I think that I should continue with my one question and you can come back later on to this.

CHAIR—We have a question. Let us allow the witness to finish answering it. Wrap up your question, Senator Fielding. We are running extremely late. We have to finish on time today so that people can get their flights. Senator Cameron has a question before the panel. We will have a response to that and then we will have to move on to Senator Xenophon.

Senator FIELDING—But given that his question is not clarifying any of my points—it is a new point—I should be able to continue my last question.

CHAIR—Yes. We will move on after that.

Senator FIELDING—When were employer organisations, like the Australian Industry Group, as well as union groups, like the ACTU and other unions, briefed on this package? Were they given a heads up earlier?

Mr Tune—Not be me or any other public servant that I am aware of.

Senator FIELDING—Are you aware of anyone else briefing those groups prior to the public?

Mr Tune—The government may have done so. I do not know.

Senator ABETZ—Can you find out?

Mr Tune—No. I am not privy to some of those discussions that may go on.

Senator ABETZ—But surely you can take that on notice?

Mr Tune—I will take it on notice.

Senator XENOPHON—My terseness is a function of time rather than temperament. In relation to the whole issue of tax cuts—even temporary tax cuts—versus a handout, are you familiar with the work of behavioural economists such as Richard Thaler who talk about the mental accounts that a lump sum can be banked in? The size of it and whether it is a handout can make a difference as to how it is spent. Is that something that was considered in determining the policy with respect to this?

Mr Tune—Yes. There are some very different views. Behavioural economics is very interesting. Some people say one thing and other people say the opposite, so it is a difficult area and it is a fairly young field in economics. Some people would argue—and this goes back to Milton Friedman many years ago—that there is something called a permanent income hypothesis; other people will say that there is not. The view taken on this package was that an immediate lump sum is going to boost consumption more in the short term than something that is done over a period of time. That is the judgement that has been made.

Senator XENOPHON—Following on from that, with respect to that, isn't it the case that a temporary tax cut could do the same thing in terms of stimulating the economy?

Mr Tune—It would provide some stimulus, but it would be spread over a much longer period of time.

Senator XENOPHON—Going back to the issue of the lump sums—the handouts—provided before Christmas, as I understand it, the early figures indicate that about a billion dollars of the \$10 billion was spent on retail. Does that indicate some concern from a policy point of view that a lot of that money has been saved rather than spent?

Mr Tune—The jury is still out on that one about what proportion of that was spent.

Senator XENOPHON—The jury is still out?

Mr Tune—Yes. There are still retail sales figures to come through yet. We have not seen those.

Senator XENOPHON—Can I put some questions on notice?

CHAIR—You certainly can.

Senator XENOPHON—Really, I have been very accommodating.

CHAIR—Yes; I appreciate that, but we are running out of time.

Senator XENOPHON—I may not be so accommodating in the future though. Germany looked at giving gift certificates or vouchers to be spent within a certain time on retail. Has that been considered? You may want to take that on notice.

Mr Tune—We did look at that momentarily but at the moment the technology does not enable that to happen in the Australian system. It may be so in the future.

Senator XENOPHON—Also on notice, Professor Grafton in the *Canberra Times* today has written a piece saying that we should be spending money on nation-building infrastructure that increases the nation's productive capacity. Was that considered, rather than giving \$2 million or \$3 million to some of the wealthiest schools in this country?

Mr Tune—That was the issue that Senator Brown and Senator Milne were raising with me—that there is a process around these big infrastructure projects. As you would appreciate, they are extremely large, extremely costly and you need to be very careful about looking at the cost-benefit ratios applied to these projects. So the government is going through a process around those with Infrastructure Australia.

Senator XENOPHON—Finally, does the government acknowledge that—and my information is—there are a number of shovel-ready projects to deal with energy and water infrastructure in this country—they are ready to go now—where expenditure is being deferred because of state budgetary considerations?

Mr Tune—I am not in a position to answer that one; I am sorry.

CHAIR—Did you want to place some questions verbally on notice now, just very quickly because we really are running out of time?

Senator XENOPHON—In 30 seconds or less, thank you. I would like to get some further information on the behavioural economics aspects of this package, whether consideration was given to that German approach to any extent and to what extent will the budgetary outcome be different if it were a temporary tax cut as distinct from a cash handout?

Mr Tune—On that one, are you saying the budgetary impact?

Senator XENOPHON—In terms of what the budgetary impact would be, short and long term.

Mr Tune—That depends on the size of the tax cut you give.

Senator XENOPHON—Well, if it is an equivalent amount. Again, I will put it on notice.

Mr Tune—Okay. We will do our best.

CHAIR—Thank you very much. That concludes this segment but I will ask people to clear the room because the committee needs to have a private meeting. I thank you all for appearing before us.

Proceedings suspended from 12.12 pm to 12.35 pm

NICOLL, Dr Carol, Group Manager, National Education System Group, Department of Education, Employment and Workplace Relations

SHANNON, Ms Robyn, Branch Manager, Participation Policy, Families, Social Inclusion and Participation Group, Department of Education, Employment and Workplace Relations

CHAIR—Good afternoon and welcome, Dr Nicoll and Ms Shannon, who represent the Department of Education, Employment and Workplace Relations. Information on parliamentary privilege and the protection of witnesses and evidence has been provided to you. As departmental officers, you will not be asked to give opinions on matters of policy, although this does not preclude questions asking for explanations of policy or factual questions about when and how policies were adopted. I now invite you to make a short opening presentation. At the conclusion of your remarks I will invite members of the committee to put questions to you. Do you have an opening statement?

Dr Nicoll—No, I do not. I am the group manager for the National Education System Group and I am also the national coordinator for Building the Education Revolution.

CHAIR—Thank you.

Senator ABETZ—Dr Nicoll, are you able to comment on employment as well?

Dr Nicoll—No, I am not. I am here on Building the Education Revolution.

Senator ABETZ—Do we have anybody here in the building who could comment on the employment aspect?

Senator JACINTA COLLINS—We are working on it.

Senator ABETZ—Thank you, Jacinta.

CHAIR—Senator Joyce, would you like to continue?

Senator JOYCE—Thank you. I do have a question on employment, so I will ask some questions in the hope that sooner or later someone turns up to tell us about the difference between ‘creating’ and ‘supporting’ jobs. Are you involved with the oversight of any plans for capital infrastructure requirements that would flow from this current package?

Dr Nicoll—Yes, I am.

Senator JOYCE—How have we been assessing those requirements?

Dr Nicoll—In terms of the way this policy was developed?

Senator JOYCE—In terms of what the schools actually need: the schools’ priorities. Has there been a form sent out to all the schools asking, ‘What do you require? How can we help you?’ or is it a case of, ‘We have an idea for you and here it comes.’

Dr Nicoll—Not at all. There was informal contact in the lead-up to the development of the program. That was contact that I had with a number of states and territories in relation to their capital needs. In addition to that, through the maintenance of the capital program through the Commonwealth, we have a sense, through the non-government sector, of what the unmet demand is. The demand is for capital structures throughout the non-government sector. The contact that I had with states and territories identified that there was clearly a need for investment in capital that they at this point could not meet and that that ranged from minor infrastructure, such as that which is going to be addressed under the national school pride program, and major builds which are going to be addressed by the primary school element of the program.

Senator JOYCE—Using a Senator Abetz question, when did you start that process of negotiating with the states about what their requirements would be for their schools?

Dr Nicoll—I have had informal contact with a number of the states and territories over the past few weeks.

Senator JOYCE—Over the past few weeks?

Dr Nicoll—Correct.

Senator JOYCE—So you got the call to go out and make informal contact?

Dr Nicoll—That was certainly part of it, yes.

Senator JOYCE—What is the assessment process for states’ views on determining where the spending needs to be on infrastructure?

Dr Nicoll—Every state has its own process. I will give you an example from New South Wales. New South Wales put out a survey to all of their principals—

Senator JOYCE—When did they do that?

Dr Nicoll—Late last year.

Senator JOYCE—Late last year?

Dr Nicoll—Late last year New South Wales surveyed every principal to identify what their needs are for capital. That included major and minor—

Senator JOYCE—Did every state do that?

Dr Nicoll—No. Different states do that on a different basis. But every state does have that sort of process for identifying capital needs.

Senator JOYCE—And then they turn that into a capital expense requirement, presumably?

Dr Nicoll—What they do is prioritise within that. The reality is that they are never able to meet all of the deferred maintenance, all of the needs that there are for maintaining 21st century schools. So every state has needs in terms of their building.

Senator ABETZ—Do we have any 20th-century schools in Australia?

Senator MILNE—There are plenty of 19th-century ones.

Senator JOYCE—Who generally pays for those capital requirements?

Dr Nicoll—The Commonwealth makes a contribution and, through the new SPP arrangements, through the COAG arrangements, the capital component that the Commonwealth puts to the states and territories has been rolled into the total amount of funding we are providing states and territories for education. In addition to that, every state and territory has a capital budget as part of their education budget.

Senator JOYCE—Mr Rudd said this was not to take the place of state expenditure. He used some metaphor: cracking heads, banging people together or something of that nature—some nebulous statement. Are the states now matching you dollar for dollar and not putting aside any of their requirements that they otherwise would have paid for? As it appears that the states have done the assessment of their own capital requirements, one would presume that they had anticipated that they were going to actually pay for it themselves before the federal government decided it was going to pay for it.

Dr Nicoll—Building the Education Revolution is additional funding. As part of the national partnership agreement that the premiers signed yesterday, it is very clearly articulated how heads of Treasury will monitor and prevent cost shifting. There are consequences for states and territories if cost shifting occurs. In the areas of schools funding, I have been holding briefings with every state and territory and every block grant authority over the last few days and I have made it very clear that their existing capital plans and expenditure into the forward estimates will be monitored and that it is intended that that be maintained over the next four years. It will be a matter of this money being additional to that.

Senator JOYCE—How are you monitoring whether they actually squib on this deal and say, ‘The federal government has just turned up, so let’s move all that part of the budget across to the stimulus package. The stimulus package can pick that up?’ How are you going to monitor to make sure they do not do that?

Senator ABETZ—Through a state official paid by the state.

Dr Nicoll—It is going to be a responsibility of Treasury to monitor that in relation to the national partnership. It is a mechanism that you would have to take up with Treasury officials, as to exactly what process they are going to use in that regard.

Senator JOYCE—Could you take it on notice and get back to us about exactly what that process is going to be? You might need to make an inquiry as to who the person is.

CHAIR—Could I just make a point to clarify so that senators are aware. Because there is not anyone here at the moment who can deal with employment from the department, what we really do not want to do is run out of time before they get here.

Senator JOYCE—If we stop talking to this person, do we bring another witness in?

CHAIR—Yes. We are trying to get someone else in, but if there is anything else to do with education we should allow the Greens and Independent to deal with that so that everyone has ample time and the best opportunity.

Senator JOYCE—I will leave it at one final question. Regarding the education revolution and taking every kid to the 21st century, how are we going with that? Is that now in every school? Is every school in Australia now on the internet?

Dr Nicoll—I cannot comment on that. That would be something you could certainly take up with my colleagues through the estimates process in a week or so, in relation to the Digital Education Revolution.

Senator JOYCE—Is any of this money liable to go into that?

Dr Nicoll—No. In fact, it will say that schools cannot double-dip. Secondary schools that have entitlements under the DER, the Digital Education Revolution, will not be able to use any funds from this program on whatever is funded under the DER. It would be specifically excluded.

Senator COONAN—Does that mean that the computer and the online equipment relating to that is different from the computer and online equipment in the 21st-century library?

Dr Nicoll—They are actually different things. The funding for the DER has a particular focus. When it is about setting up the fit-out of a library with the appropriate technology, that will be fine, partly because it is in a primary school and the DER does not apply to primary schools.

Senator COONAN—So it is the same thing but in the primary school area?

Dr Nicoll—The digital education revolution had a number of components, but a good part of it was for computers, laptops for students. What you are talking about would be the appropriate technology to fit out a library, and that would be feasible within this because it is for a primary school and it was not part of DER. DER focused on secondary schools.

Senator COONAN—So in effect it is the same outcome but under two different programs.

Dr Nicoll—Not at all. It is about the facilities within a library and the building that would go with the library or the refurbishment to bring it up to the appropriate technology.

Senator COONAN—A technical fit-out.

Dr Nicoll—None of that is funded under DER as it is. This is really directed to primary schools. It is the primary school component. If they do build a library, the fit-out could include some of that technology.

Senator JOYCE—Of course it would. If they are running an optic fibre into it they are not going to stop and say, 'We can't go any further because that is part of the education revolution. We have got to stop and wait for the Gettysburg address.' However they are equipping that facility, they are going to be equipping it for the education revolution and so quite obviously they are picking up the cost for the education revolution.

CHAIR—Is there a question there?

Senator JOYCE—That is the question.

Senator CAMERON—No wonder the witness looks confused.

Senator JOYCE—That is the question. How are you going to stop the allocation of resources for the so-called education revolution not being picked up by this process of the stimulus package? Once you say, 'I want you to rejig this facility,' if they are running the optic fibre from the node into the school and into the library as part of the library's costs, you are there.

Dr Nicoll—As I said, the primary school component is for primary schools. DER focused on secondary schools. No secondary school will get funding from this part of the program for what you are talking about. They are mutually exclusive.

Senator JOYCE—We will not go on with that. Do you have the employment person here?

Ms Golightly—Yes.

Senator JOYCE—Can you please explain to me the difference between supporting a job and creating a job?

Ms Golightly—I think the Prime Minister addressed that in his remarks. The Prime Minister was asked that at the press conference on the day, and I think the answer is quite clear in the transcript. I do not have it in front of me.

Senator JOYCE—From your understanding of it, what is the difference?

Ms Golightly—I would really prefer to refer to the transcript. If you can give me two seconds, I can get somebody to get it for me.

Senator JOYCE—Is there a difference?

Ms Golightly—I think the Prime Minister made the difference clear in his answers.

Senator ABETZ—That there is a difference?

Ms Golightly—He did point out a difference.

Senator ABETZ—Yes, that there is a clear difference and the two terms should not be interpreted as meaning the same thing.

Ms Golightly—I think he pointed out in there that there was a difference. I do not want to put words into his mouth.

Senator ABETZ—Thank you very much for that. We had Dr Gruen last evening telling us that it meant exactly the same thing. So thank you very much for that, Ms Golightly. I think everybody else in Australia would agree with you and, with respect, not with Dr Gruen.

Senator MOORE—Ms Golightly, as you raised it, perhaps we could get a transcript of that press conference. For the purposes of this inquiry, maybe you could read that into this transcript. That would be very useful.

Ms Golightly—I would be happy to do that.

Senator JOYCE—You would be aware that in this package we are apparently supporting—whatever that means—90,000 jobs. Has it been conveyed to you what exactly the form of supporting 90,000 jobs means? What are the pre-requisites for success in supporting 90,000 jobs as opposed to defining failure in supporting 90,000 jobs? How do the Australian people discern whether you have met the objective of supporting 90,000 jobs or have not? How are we ever going to be able to tell?

Ms Golightly—I think the way that we implement infrastructure projects and the way that they are managed, and this is a different portfolio than mine, will be able to tell you how successful those projects are.

Senator JOYCE—But what is the process? Okay, let us just say that we are supporting not 90,000 jobs, let us say that the goal is to support a job. What is the definition of supporting a job and how are we going to discern that? How are we going to discern one job that was supported? How are we going to do that?

Dr Nicoll—I would be happy to share how we intend to collect data about BER.

Senator JOYCE—Is this about supporting jobs?

Dr Nicoll—Yes, it is. It is about Building the Education Revolution.

Senator JOYCE—And that has got a thing in there about supporting jobs?

Dr Nicoll—Clearly there are two intents from Building the Education Revolution. One is to provide stimulus to economies and local economies and generate jobs. As part of that, every school that receives money under this program, which is every school in the country, will report on an online portal about the projects they have got and how many people were employed on those jobs, including apprentices, so that there is a correlation between the actual project and the number of people who were employed on that project.

Senator COONAN—How many people are you expecting?

Dr Nicoll—I cannot anticipate that, Senator.

Senator COONAN—How many jobs are expected to be created as a result of this particular measure?

Dr Nicoll—Any modelling about that would have been done by Treasury and it would have to be taken up with Treasury officials when they return, in terms of modelling about the impact on the labour market.

Senator JOYCE—So will your job through this be determined as a job that has been created, a job that has been supported or outside the whole scheme of things? So we can clearly understand from a level, would your job, Dr Nicoll, be determined to be a job that was supported, a job that was created or something else?

Dr Nicoll—In terms of that sort of distinction, I am not prepared to give you a definition at this point—

Senator JOYCE—Not even for your own position. I am looking for a definition. You have said that you had a clear definition and you cannot even define your own job.

Senator JACINTA COLLINS—Chair, can I suggest that Senator Joyce has been told these are modelling questions that should go to Treasury. Badgering a witness—

Senator JOYCE—I have had Treasury here and we did not get the answer.

CHAIR—There is a point of order before the chair. One person at a time, please. Senator Collins.

Senator JACINTA COLLINS—Treasury will be back for precisely this reason. We are wasting time badgering a witness further on a point that they have already told you needs to be addressed to Treasury.

CHAIR—I take that point of order and remind people that we are very limited for time. You have less than five minutes left for the opposition. Senator Joyce, you have the call.

Senator JOYCE—So without any assertion at all about Ms Golightly, the one that the Labor government had sent in here to describe employment cannot differentiate between supporting, creating and otherwise, nor can anybody else.

Senator JACINTA COLLINS—Point of order here, please, chair. Given that Senator Joyce has just made that reflection, I need to put on the record precisely what has happened.

Senator JOYCE—You are trying to get yourself out of a sticky position.

CHAIR—Senator Joyce, Senator Collins had the call and I would appreciate some courtesy to the chair.

Senator JACINTA COLLINS—It became apparent at the commencement of this session, because of the tight timeframe here—

Senator JOYCE—You are wasting it now.

Senator JACINTA COLLINS—That there was a miscommunication between the department and the secretariat over who should be here. The department has on very short notice provided us with an official. With all respect, Senator Joyce, your badgering of these witnesses is appalling.

Senator JOYCE—Very noble, Senator Collins. This is actually a Senate inquiry.

CHAIR—Senator Joyce, I will give you the call, but I do remind you that they are public servants coming before us, so some courtesy to the witnesses would be appreciated.

Senator CAMERON—Better stop bullying, Barnaby.

Senator JOYCE—I am making no assertions whatsoever, either personal or otherwise.

CHAIR—Have you got a question?

Senator JOYCE—About the issue of \$42 billion? Yes, of course I do. That is why I am here. That is why we are here today.

CHAIR—Ask a question, don't make a statement.

Senator JOYCE—If Senator Collins stops interrupting, we will get through them a bit quicker. With the current creation of jobs, as per the second reading speech on the first fiscal stimulus package, how many did we actually end up creating?

Ms Golightly—I think that is a question for Treasury. I am happy to take that on notice and get back to you.

Senator ABETZ—Who counts the employment numbers and who does the analysis of new jobs and lost jobs? Is that all Treasury?

Ms Golightly—Treasury has been doing the modelling in that area, yes, Senator.

Senator ABETZ—The modelling, yes, I know that. But the actual counting, does the ABS do that for us?

Ms Golightly—The ABS does surveys, yes, and Treasury is the area responsible.

Senator ABETZ—Thank you.

Senator JOYCE—Will you have any involvement in any way, shape or form, in the assessment of the supporting of 90,000 jobs in your role, Ms Golightly?

Ms Golightly—I think Dr Nicoll already answered that question, Senator.

Senator JOYCE—So the answer is?

Ms Golightly—Dr Nicoll talked about the data that would be collected about the projects that were being funded under the package.

Dr Nicoll—Which, Senator, is going to be much more direct data in relation to the actual inputs from any project that is funded under this program than any aggregate analysis would generate. An aggregate analysis is not going to be able to actually show a cause and effect directly, whereas this sort of analysis that goes to the

project should be able to provide some sort of data as good as we probably can get at that level about the impact on local economies.

Senator ABETZ—Will that be applied to the maintenance budget as well?

Dr Nicoll—Yes, it will, Senator. It will indeed.

Senator ABETZ—What amount of bureaucracy is going to be created?

Dr Nicoll—Very minimal, Senator.

Senator ABETZ—That depends. If there is an apprentice with half an hour on the job quickly cleaning up after a small maintenance job, the builder will have to fill out a form and tell Canberra about that one half hour. Is that right?

Dr Nicoll—Senator, we would be asking schools to record the number of people who were employed on particular projects and we would give some parameters for what they are. We have not determined the guidelines at this point, but we would be applying a commonsense approach and we would be minimising the bureaucracy to enable this package to be rolled out as quickly as possible to have the greatest impact on the economy as possible.

Senator ABETZ—Thank you. That is all nice but until you have the parameters set and the form set out we will delay the discussion as to whether it is minimal bureaucracy or not until we know what the actual bureaucracy is. Can I finish off, Ms Golightly, with one question: in analysing job numbers, when somebody talks, let's say, about 20 jobs that would suggest that the figure might be a little bit less or a little bit more. Would you agree with that?

Ms Golightly—About is about.

Senator ABETZ—Yes. Whereas if I were to say, 'This will create up to 20 jobs', it would suggest no more than 20 and possibly below 20?

Ms Golightly—Literally, yes.

Senator ABETZ—Thank you. That is all I need to know.

CHAIR—We are now going to go to Senator Milne.

Senator MILNE—Thank you. Senator Hanson-Young has the first question for the Greens.

CHAIR—Senator Hanson-Young.

Senator HANSON-YOUNG—I am interested in the enrolment date set for students receiving either youth allowance or Austudy. To be eligible for their money I understand that they need to be enrolled by 3 February. That seems quite strange to me seeing as enrolments for various university courses start anywhere from the end of January and go through to the end of March. It is not necessarily a student's fault when that university sets the week or the date for enrolment in that course. Can you just clarify that for me?

Dr Nicoll—Senator, I think we will have to take that on notice. Neither Ms Golightly nor myself have the knowledge to be able to give you that answer but we are very happy to take it on notice. We will get you an answer as soon as possible.

Senator HANSON-YOUNG—It would be great if I could have an answer by Monday.

Dr Nicoll—Yes, certainly.

Senator HANSON-YOUNG—As well it would be good to know which universities will be enrolling students after 3 February because being a previous student president I know that in my university that we took enrolments right up until the end of March and I find the data it a little concerning. If you could clarify that would be great.

Senator MILNE—First of all, I want to come back to the issue of environmental sustainability, energy efficiency and water efficiency. I seek some clarification about the process that you are undergoing here in improving the standards.

Dr Nicoll—It is a condition of the national partnership agreement between the states and territories and the Commonwealth and will be a condition of the bilateral agreements that all projects that are funded under this will be done to observe sustainable building and design principles. I have been speaking with states and territories and block grant authorities over the past few days as well, and I will continue to brief them in the next couple of days. I am pointing out that that will be a condition of their funding, that they are to take that into consideration. One of the areas of possibility for the minor infrastructure fund, the school pride program,

is insulation on that premise—that is, it is going to be more sound for the sorts of issues that you are concerned about if we try to insulate schools appropriately so that we can reduce their impact on the environment.

Senator MILNE—That brings me to my next question. It seems to me that the infrastructure package has missed the middle. I really welcome the spend on the big infrastructure, the new buildings in the primary schools. I also welcome the maintenance funding. But I am concerned that there are a number of schools, particularly in New South Wales, which, by the way, is going to be the hottest place on earth this weekend—for the information of this committee, it is going to be 47 degrees in certain places in New South Wales. I have had quite a few emails from schools saying that what they need more than a new building is shading, shade cloths, efficiency investment in making the existing buildings they have more comfortable. Now that goes beyond minor works, which is for issues like fixing toilets and that sort of thing.

Dr Nicoll—It is more than that, Senator. It can be minor—

Senator MILNE—My concern is that a lot of these primary schools need their toilets fixed as a matter of absolute priority, but they also need these other things and that the minor works funding is going to go to their absolute priorities, which are going to be really basic priorities in a lot of cases. What I am trying to secure from you is whether there is going to be a broadening of that notion of minor works to include some of these things I am talking about, particularly shade proofing and trying to improve the amenities for people in classrooms.

Dr Nicoll—Senator, the answer is that it absolutely has the scope for that. One of the items that is going to be listed as an option is in fact covered areas, shaded areas of various sorts. They can either build a small piece of infrastructure, such as a covered outdoor area, or they can do refurbishment. You should remember as well that, as I said to Senator Joyce, the states and territories have to continue their existing and anticipated investment in capital. That will continue, so this is on top of that. So there is absolutely an opportunity for schools to spend the minor infrastructure money on the sorts of things you have anticipated.

Senator MILNE—The other point I want to make is in relation to the minor works. I am concerned about the equity issues. Every school, regardless of how well endowed or how struggling it might be, is going to get an allocation for minor works. Some of those schools are very well endowed and will be able to buy extra facilities with that funding. Other poorer or older schools that have not been as well maintained by state governments as they might will need twice or three times the minor infrastructure works, whereas some other well endowed schools do not need it. I am sure there are some schools around the country that are in that latter category. So can you explain to me how need is going to be interpreted in terms of the minor maintenance works?

Dr Nicoll—There is not a need component. It was a government decision that there would not be a criterion related to need. There is a major element of need in the science and language centres element of the package, the \$1 billion that is going to—

Senator MILNE—To secondary schools?

Dr Nicoll—yes, to secondary schools—but there is not a criterion of need for the minor infrastructure fund.

Senator MILNE—And it is the same for the primary schools?

Dr Nicoll—That is correct.

Senator MILNE—What about the linkages between the new infrastructure and the training needs? For example, will we have enough trained teacher librarians to populate the new libraries that we are building across the country? Do we have some plans to coordinate additional staffing with additional training and facilities?

Dr Nicoll—That is something that we are certainly thinking about but have not done anything about at this point. We will be raising that with states and territories and non-government schools—that is, the way that they plan for their workforce. It is an issue that we are aware of and we will be raising it with them as part of the way that they think about the implementation of this. Clearly, as you have identified, there will be flow-on effects from the creation of new infrastructure and capacity and we will look at that as well.

Senator MILNE—There will be some primary schools in the country that have already taken up their entire physical footprint with the buildings that they have now. What is going to happen to them in terms of allocating a new building? Can they use the money to retrofit their existing footprint, or do they miss out because they will not get a new building as such because they do not have the physical space without taking out their play areas or something like that?

Dr Nicoll—In those cases, there is an opportunity for those schools to refurbish an existing assembly hall, an existing library or other buildings. Based on the sort of information that we have collected and that you would know from your own experience in Tasmania, every school has a capacity to refurbish some building, to improve the learning environment for students. So that is absolutely an option for schools. We do not want the schools missing out. The government does not want that to occur. There are common sense options for schools to consider.

Senator MILNE—Just on this ‘common sense options’, we heard from the Department of the Prime Minister and Cabinet that there is going to be a national coordinator in Prime Minister and Cabinet to oversee the infrastructure spend. Obviously the state governments will have their person. In terms of that negotiation, where a school says, ‘We don’t want to spend it on a new building, we want to spend it on a retrofit or this or that,’ does that negotiation go between those two coordinators? Or is the negotiation between the school and the education department or the private school representative group before it goes to those two negotiators?

Dr Nicoll—It will be initially between the school and the state or territory or the school and the block grant authority. As the national coordinator of Building the Education Revolution, I will be speaking to states and territories and BGAs to ask them to come back to us with evidence of the community engagement that they have taken. The Prime Minister, in speaking to stakeholders this morning, made it very clear that that process was important, that principals and school communities were part of the process. However, given the time frames, that has to be expedited. It needs to be fast. Everybody needs to be thinking about how to move quickly on it. But the initial discussion would occur between the school and the state or territory and the BGA.

Senator CAMERON—Just before I go to my question, for the record, I want to indicate that apprentices are not employed to clean up after tradesmen. That is an old-fashioned idea. Dr Nicoll, can you give me an idea about what the practical long-term benefits of this \$11.4 billion investment in education is? Are there economic benefits in terms of the investment? What are the education benefits? What are the benefits for local communities?

Dr Nicoll—I am not in a position to comment on the economic benefits because I am not an economist and it is not part of my responsibility. In terms of the educational benefit, the feedback that we have received over the last few days from people like the head of the Primary Principals Association, from directors-general in states and territories, from the non-government schools sector is that this is an absolutely extraordinary commitment to education to improve the learning environment for students throughout the country. There has never been as big an infrastructure package for Australia’s schools and it is a significant investment in the future of Australia’s schools—to improve learning and the learning environment for students.

Senator CAMERON—What about the community aspect?

Dr Nicoll—There is a significant community element that I have not had an opportunity to mention but would like to. Under the Primary Schools for the 21st Century, every new school, new building or refurbished building funded under this program must be accessible by the community at no or low cost and that includes in the non-government sector. This is going to open up school facilities to local communities in a way that has not occurred before as well. So it is a very significant linking.

A question came up from one state in relation to early learning centres. The concept of an extended school reaching out into the community might be able to be funded under this program and where there could be an early learning centre integrated with a primary school, that would certainly be considered and would extend the opportunities for communities to engage with local schools. There really are opportunities for considerable community involvement and engagement.

Senator FIELDING—The Department of Education, Employment and Workplace Relations—we have heard from Treasury that over the next couple of years there will be 300,000 more Australians unemployed—the \$42 billion will see 300,000 more unemployed. We understand that the package is stopping 90,000 but we will still have 300,000 going onto unemployment. What modelling have you done on that issue and which industries and sectors of the community will be hit?

Ms Golightly—It is the Department of the Treasury that does the modelling on those figures.

Senator FIELDING—Right. So the Department of Education, Employment and Workplace Relations really does not care about the unemployed?

Ms Golightly—The department runs a number of programs to assist the unemployed. I can run through all of those programs with you, if you like, but the modelling on future unemployment figures, et cetera, is done by the Department of the Treasury.

Senator FIELDING—So this department did not put into the package anything for those people who will be unemployed, anything in addition to what they currently get? I am talking about in addition. \$42 billion is being spent to stimulate the economy and to save, protect or generate up to 90,000—and we still dispute exactly what the lower limit on that is—but Treasury has confirmed that there are still another 300,000 who will be unemployed. What are you doing to help those people in addition in this \$42 billion package?

Ms Golightly—We have any number of unemployment assistance programs.

Senator FIELDING—In addition, though, in the \$42 billion package?

Ms Golightly—They are currently in place. Indeed, a reform to those programs was announced by the government last year and that reform comes into place on 1 July.

Senator FIELDING—But I have asked specifically: in this \$42 billion package, what specifically will help those unemployed?

Ms Golightly—Sorry. The \$42 billion is there to generate the sorts of things that Dr Nicoll has been talking about and will lead to jobs. In terms of assisting the unemployed more generally, if that is to grow over time, I think the Prime Minister and the Deputy Prime Minister have already indicated that they are considering options and that work is under way.

Senator FIELDING—You see I think they are forgotten. There is \$42 billion and we cannot spend any more on those people who are going to not have a job, not because they do not want a job but because there are no jobs around. They cannot find another job because the jobs are not going to be there.

Ms Golightly—Yes and that is why we have unemployment programs which this department—

Senator FIELDING—But they are existing.

Ms Golightly—They are and they are being reformed for 1 July. I think the Prime Minister and Deputy Prime Minister have made it clear that they are looking at what else they need to do.

Senator JACINTA COLLINS—It is work in progress.

Senator FIELDING—They are forgotten in the \$42 billion.

Senator JACINTA COLLINS—It is in progress, he said yesterday.

CHAIR—Do you have a final question?

Senator FIELDING—No. Thanks.

Senator XENOPHON—In terms of the fund for building new school buildings and the like, we heard earlier this morning that many small builders could be involved in that. What degree of coordination or liaison has there been with other departments, given that there will be a boost in terms of social housing and we have also seen the stimulus in a sense from the first home owners grants? Is there a concern that there might be bottlenecks with this additional package that is proposed in relation to refurbishing and new school buildings?

Dr Nicoll—There will be introduced a governance structure that I think has been outlined here where there is a coordinator-general in Prime Minister and Cabinet and national coordinators in each area. Part of their job is to identify where potential bottlenecks are occurring and to look at the challenges that will be there in terms of ensuring there is appropriate skilled labour to fulfil the very challenging time frames that we have got to roll these programs out. Yes, it is quite likely there will be bottlenecks, but everything will be done to address those, to anticipate them and to see what we can do both at the Commonwealth and at the state and the local levels. The Prime Minister met yesterday with the Australian Local Government Association. They were at the COAG meeting yesterday. They are on board as well, as I understand it, to fast-track planning proposals under this program. So they understand that this is a different sort of partnership; it is a different way of working cooperatively. We are not saying there will not be challenges, we are not saying there will not be problems, but we are going to try and anticipate them and address them.

Senator XENOPHON—I understand local governments' position on this package but, unless a mayor is a second fix carpenter, what about what they actually need? It is proposed to have a huge stimulus in social housing and there has recently been the first home owners grant stimulus, if you like. What analysis has been done about the potential bottlenecks with this additional proposal in the context of ensuring that the small builders who are busy with housing packages will be able to deliver on time what is proposed with this particular package?

Dr Nicoll—I am not in a position to offer an opinion on that. We certainly did not do any modelling in relation to that directly. Treasury may well have and I think the question is best addressed to officials of Treasury, where there would have been any modelling of the impact not only on the labour market but potentially on skilled labour.

Senator XENOPHON—To pick up from Senator Milne's questions on this, there are some very wealthy private schools whose needs criteria would be quite different from those of other private and public schools. What assessment was made about determining a needs basis, or is it just a blanket approach, that if you have X number of students to get this grant?

Dr Nicoll—It was a government decision that the two elements of the program would be available to every primary school or special school or, in K to 12, the primary school component in every school in the country under the School Pride program. There are elements about need within that. The community access point is one where the sorts of schools you might be describing that might be considered to be well endowed will have to make any new buildings or refurbished buildings in their primary schools accessible by the community. The element of need is addressed in the science and languages centres program. Up to 500 schools that will receive new buildings will be looked at on the basis of disadvantage and need.

Senator XENOPHON—Following on from that, and you may want to take this notice, are there currently criteria in place as to the extent of accessibility in terms of times or the level of charges?

Dr Nicoll—No. We are in the process right now of working on program guidelines. None of that has been specified. The parameters at this point are that those facilities must be accessible, have reasonable community access—that is, not unreasonable; we need to look at that—and it must be at no or low cost. The low cost that is envisaged would be no more than would cover the costs of running those facilities out of school hours, so for such things as the electricity, the cleaning or the security that might be involved. If we were to have left that as no cost, then government schools, disadvantaged schools, would have been in the position of having to open up their facilities without a capacity to get recompense for the real costs that might be incurred by opening them up to the community. That is why it is no or low cost.

Senator XENOPHON—And definitely finally, Madam Chair: so has an assessment been carried out on or has any modelling been carried out for those areas where they already have reasonable community facilities in existence as to whether some of these facilities will be surplus in terms of community facilities? In other words, could we have a glut in some areas of halls or community facilities?

Dr Nicoll—It will certainly be done on the basis of the priority for the school, so that a school serves a community in one sense. Its direct community—the students within it—will need the hall. Whether it is a broader sense of need in terms of the broader community has not been looked at. But I expect that every school would look at that in terms of where it is going to serve its community as well and liaise with its state or territory government.

CHAIR—Senator Abetz has two questions to place on notice.

Senator ABETZ—Ms Golightly, do we have the transcript yet? So it is near; all right. Dr Nicoll, I was wondering if you could take on notice for us the backlog of applications that was either with the federal department or with the various state departments as they were processing the applications. I think it was all under direct projects for schools under the Investing in Our Schools Program when it was abolished by the current government.

Dr Nicoll—If I could correct you on the last point, the previous government had actually ceased the funding for that program in the forward estimates. So that program—

Senator ABETZ—It was our election promise to keep it going and funded very well, and I think we all know that.

Dr Nicoll—However—

Senator Cameron interjecting—

Senator ABETZ—I know that, and people are suffering the consequences.

CHAIR—The witness is trying to respond. We do need to wrap this up, so if we could have some courtesy.

Dr Nicoll—Senator, I would be happy to provide on notice the number of projects that might be outstanding under IOSP.

Senator ABETZ—Thank you.

CHAIR—I have this to ask about that transcript, considering we have run out of time. It would be good if you could table that for us. That needs to be done sooner rather than later. I thank you for appearing before us this afternoon.

[1.23 pm]

CARTER, Mr Ross, First Assistant Secretary, Renewables and Energy Efficiency Division, Department of the Environment, Water, Heritage and the Arts

FORBES, Mr Malcolm, Acting Deputy Secretary, Department of the Environment, Water, Heritage and the Arts

WILEY-SMITH, Mrs Mary, Assistant Secretary, Community and Industry Partnerships Branch, Renewables and Energy Efficiency Division, Department of the Environment, Water, Heritage and the Arts

YOUNG, Mr Peter, Assistant Secretary, Renewable Energy Branch, Renewables and Energy Efficiency Division, Department of the Environment, Water, Heritage and the Arts

CHAIR—I welcome representatives from the Department of the Environment, Water, Heritage and the Arts. Information on parliamentary privilege and the protection of witnesses and evidence has been provided to you. As departmental officers you will not be asked to give opinions on matters of policy, though this does not preclude questions asking for explanations of policy or factual questions about when and how policies were adopted. I now invite you to make a short opening presentation and at the conclusion of your remarks I will invite members of the committee to put questions to you. Do you have an opening statement to make?

Mr Forbes—We have no opening statement.

CHAIR—We appreciate that given the time restraints. We will proceed to questions.

Senator MILNE—I would like to go to some questions on the energy efficient homes component of the package. My first question is in relation to the situation where an owner-occupier already has ceiling insulation and already has solar hot water.

Was any consideration given to making \$1,600 available for the full range? It seems that you are penalising the early adopters of these technologies. Why couldn't you have had insulation for ceilings, walls, underfloor and solar hot water, draughtproofing, awnings, double glazing or whatever—the whole range—so that everybody could access \$1,600 to improve their energy efficiency, notwithstanding that ceiling insulation is the most effective insulation.

Mr Forbes—These are government choices, so these are options which could have been considered by government, but government made the decision which they have in terms of the package.

Senator MILNE—Did your department give consideration to other forms of insulation?

Mr Forbes—The department has given consideration to a whole range of options with regard to energy efficiency. But in this particular package, the government made the choices which are before the parliament.

Senator MILNE—Was there a decision to rule out retrofitting an electric system with an evacuated tube for solar heating or was that an oversight? That is really important in a climate such as Tasmania's where an evacuated tube system is much more effective as a solar hot water option—just as with the former rebate, you would miss out under this package. Was that a technical oversight or an active decision to rule it out?

Mr Carter—We have had discussion around this issue previously in estimates. The current proposal is to increase the rebate that is available and remove the means test from the existing program, and the guidelines for that do not allow for evacuated tubes. We have indicated that we will be reviewing that program and, as I discussed with you at estimates previously, there are some technical issues around the verification of the performance of evacuated tubes because of the combination often with electric storage and the difficulty in demonstrating the renewable energy certificate generation of that. But it is an issue that we are bringing into the review of those guidelines.

Senator MILNE—The issue for me is that the review is not fast enough, because you are actively excluding Tasmanian households from accessing solar hot water by not having evacuated tubes in there as part of this mix. The UEFO states, 'capped at \$1,600, per house, for ceiling insulation'. What would the average-sized house be at \$1,600 for ceiling insulation?

Mr Carter—I might answer that slightly differently. The average cost that we estimated was \$1,200.

Senator MILNE—What size house is that?

Mr Carter—I do not have that information.

Senator MILNE—What I am trying to establish is that, in order to access the \$1,600, how many homes will have to pay an additional amount, because you cannot insulate half a roof—half a ceiling? I am trying to establish what sort of coverage we are talking about here. Finally, you said ‘combined with regulation, ensuring all new homes have appropriate insulation’. Is it a fact that the Building Code of Australia requires all new homes and renovations to have ceiling insulation?

Mr Carter—The Building Code of Australia has requirements in it for the thermal efficiency of the shell of the building that includes insulation within that.

Senator MILNE—Does that apply to all states equally?

Mr Carter—There are some differences in the application of the Building Code of Australia between jurisdictions.

Senator MILNE—So, in the case of Tasmania, is it true that insulation is not compulsory?

Mr Carter—I am not across the specifics of the Tasmanian application.

Senator MILNE—I would suggest that a statement that says ‘combined with regulations ensuring all new homes have appropriate insulation’ is a bit of a generalisation, because that is not the case?

Senator JOYCE—Thinking of the environment, what is the carbon footprint of producing \$2.7 billion worth of pink bats?

Mr Carter—We have not done calculations around the carbon footprint or emissions. The Department of Climate Change is the department responsible for looking at carbon emissions and doing abatement and other calculations around that.

Senator JOYCE—So how are you going to offset your \$2.7 billion worth of predominantly fibreglass pink bats?

Mr Carter—Sorry, Senator, I do not understand.

Senator JOYCE—This is the Department of the Environment, Water, Heritage and the Arts. We are worried about carbon emissions. I am sure that Mr Rudd’s government believes in offsetting the carbon footprint. I just want to know how he is going to offset the carbon footprint of the production of \$2.7 billion worth of pink bats.

Mr Carter—There are quite a range of different types of ceiling insulation, so it is not all fibreglass.

Senator JOYCE—What other forms of ceiling insulation are there?

Senator ABETZ—Does that include aluminium foil?

Mr Carter—There are certainly types of aluminium foil products that meet the Australian standard in their configuration.

Senator ABETZ—A huge carbon footprint.

Senator JOYCE—Aluminium is a very effective mechanism for refracting heat and is good for insulation?

Mr Carter—There are certainly insulation products that are made from reflective aluminium.

Senator JOYCE—Would we be using domestic aluminium for that or imported aluminium?

Mr Carter—I am not sure of how the insulation is manufactured and where the aluminium is sourced from.

Senator JOYCE—Over what period of time do you think this whole ceiling insulation program would occur?

Mr Forbes—It would be done in 2½ years.

Senator JOYCE—Do we have the capacity right now to produce those ceiling insulation bats?

Mr Forbes—We are of the understanding that the program can be delivered in 2½ years and that the production requirements for the insulation is available to achieve that. If there is a shortfall, the shortfall can be made up through imports.

Senator JOYCE—Through imports? So if we cannot produce them in Australia, we will import the bats? Are imported bats cheaper than Australian produced bats?

Mr Forbes—I do not know the answer to that.

Senator JOYCE—But we have a program out there to buy \$2.7 billion worth. Someone must have done the sums. How did they come up with \$2.7 billion?

Mr Carter—We certainly have numbers on the average cost of installation in Australian homes and we have discussed that with the industry associations.

Senator JOYCE—If you have the average cost, you must have the cost of insulation bats, which means that you must know whether they are cheaper or dearer than an imported product. You must have put some form of bat into that roof to come up with that cost.

Mr Carter—Yes. But we have not got the cost of imported bats.

Senator JOYCE—So you did your costing on domestic bats.

Mr Carter—We did the costing based on the information from installers on the cost of installation.

Senator JOYCE—And were installers suggesting domestically produced bats or imported bats?

Mr Carter—This is an averaging across a range of installation products that include fibreglass, rock wool, natural wool, polyester, polystyrene boards, loose fill—there is quite a range of materials.

Senator JOYCE—Was that predominantly imported or predominantly domestically produced?

Mr Carter—It is predominantly domestically produced.

Senator JOYCE—How did you ascertain that 2.2 million homes need insulation? I know people say that they know that. How do you know that?

Mr Carter—There have been some work down by the ABS in particular. I refer—

Senator JOYCE—Is that a question on our census, is it?

Mr Carter—The ABS has produced reports such as *Housing occupancy and costs, Australia, 2005-06* and *Environmental issues: energy issues and conservation*—that was in March 2008. So there are—

Senator JOYCE—Do they relate that assessment to a specific question that they have given to households as to whether they have insulation?

Mr Carter—Yes.

Senator JOYCE—When was that survey done?

Mr Carter—It was conducted in March 2008.

Senator JOYCE—They did the survey in March 2008?

Mr Carter—Yes.

Senator JOYCE—What was the sample size that they used in that survey?

Mr Forbes—We will have to take that on notice and refer it to the Australian Bureau of Statistics. We do not have that—

Senator JOYCE—I want to find out what the sample size was and where they actually did it. Next, a bit of a crossover. I am drawing on the bigger picture. This whole debate has become so esoteric that we are trying to draw some comparative analysis. You are involved with water, aren't you, as part of your department's role?

Mr Forbes—Yes.

Senator JOYCE—At this point in time, how much water is flowing into the Gulf of Carpentaria from the floods?

Mr Forbes—I do not know the answer to that. We would have to take that on notice. Are you talking about today? Are you talking about tomorrow? It would be quite variable.

Senator JOYCE—I am talking about now. We are seeing on the news a sea of water flowing into the gulf. What portion of water actually—

Mr Forbes—Over a month?

Senator JOYCE—Over a month, over a day, over the year. What portion, on average, of the water that falls on the continent of Australia flows out into the gulf? I actually know the answer to this, but I want you to put it on the record.

Mr Forbes—We could do it on an average basis, but we would have to take that on notice.

Senator JOYCE—About 24 per cent. How much water is currently flowing out the mouth of the Murray?

Mr Forbes—My understanding is zero.

Senator JOYCE—Right. In all your negotiations about things to create a stimulus package around, did anyone ever make a suggestion about joining the two dots? There is an immense amount of water flowing out into the sea at one end of the nation and none flowing out at the other. Did anyone even go through a cursory assessment of a major capital project related to that? Since we are now spending \$42 billion and we have a \$200 billion facility coming on line, did anyone look at some of these projects that actually provide a long-term return to our nation? Were these things ever even suggested?

Mr Forbes—In the context of the package, we are asked to provide issues in relationship to energy efficiency for housing. We were not directed to projects related to water.

Senator ABETZ—When were you asked about housing?

Mr Forbes—We initially received contact and had a meeting on 8 January.

Senator ABETZ—When were you told what was in the package?

Mr Forbes—I think it was 28 January.

Senator ABETZ—Thank you.

Senator JOYCE—So basically they said, ‘It’s energy efficiency for housing. Don’t cast your mind to anything anywhere else. We’re talking about energy efficiency for housing. That’s what we want you to look at.’

Mr Forbes—In this particular context, yes. There are other programs, of course, which relate to water and water infrastructure.

Senator JOYCE—There were other things they were talking about?

Mr Forbes—Not in the context of this program, but there are other programs within government that—

Senator JOYCE—Are they currently before you?

Mr Forbes—Not in this context.

Senator JOYCE—Are they proposing any programs?

Mr Forbes—I can only refer you to the Water for the Future program.

Senator JOYCE—So there is no impending surprise—no infrastructure package coming up that is going to explore these issues?

Mr Forbes—How would you expect me to answer that question?

Senator JOYCE—Regarding energy efficiency, did you go into any of the energy efficiencies surrounding rail, road or anything like that? Was there any consideration as far as the environment goes?

Mr Forbes—We were asked to provide information regarding energy efficiency in terms of housing.

Senator JOYCE—Apart from Pink Batts, what energy efficiency issues for housing did you consider?

Mr Carter—To provide some context around our work on energy efficiency, we have been working for a significant amount of time—a number of years—in the energy efficiency area. Last year we worked for COAG consideration on a whole range of energy efficiency measures across all sectors, including opportunities in the transport sector, and have provided a range of that advice. Some of that exists in programs that you would be familiar with on minimum energy performance standards for appliances and equipment, issues around lighting and those sorts of things.

Senator JOYCE—I know that they have said, ‘It’s energy efficiency for housing,’ and the purpose of my questioning is to narrow down the process of deliberation that came to the decision to go with Pink Batts. I just want to know what was the second issue on the agenda after Pink Batts. If you did not go to Pink Batts, where were you going to go next? What came second to Pink Batts?

Mr Forbes—In the context of the package, it also includes solar hot water.

Senator JOYCE—Solar hot water?

Mr Forbes—Yes; as part of the package.

Senator CAMERON—Can I ask a question on this in relation to—

Senator JOYCE—So Pink Batts first, solar hot water second—

CHAIR—Senator Joyce, there is a question in relation to that very point that you just made.

Senator JOYCE—So he wants to interrupt.

Senator CAMERON—Yes.

Senator JOYCE—As long as I can.

Senator CAMERON—There was an article in the *Land* on Wednesday and it seems to me that some in rural industry are very keen on this whole package. The report quotes the AgForce Sheep and Wool Board President, Brent Finlay.

Senator ABETZ—This is not on the point.

Senator CAMERON—It is on the point.

Senator ABETZ—No. It is a stunt.

Senator CAMERON—How would you know. I have not even asked the question.

CHAIR—Can we just let him put the question, please.

Senator CAMERON—Nostradamus, down there.

Senator ABETZ—You are so predictable; that is the problem.

Senator CAMERON—It says that wool is a natural fibre, which is in keeping with the green aspect of this scheme. He also goes on to say that if we adopted wool insulation it would create jobs and make homes more energy efficient at a cost of \$3.9 billion, and if wool insulation is used it would give the Australian wool industry a much needed boost and potentially generate additional employment in rural areas. I would be keen to help farmers, if it is possible, within this program. So it is not just Pink Batts; wool is a natural insulation. Has that been considered?

Mr Forbes—We mentioned before that in terms of bulk insulation, it includes not only glass wool, which includes Pink Batts, but rock or natural wool, polyester, polystyrene boards and loose fill.

Senator JOYCE—I want to ask a question on Senator Cameron's question. Which is the most affordable: Pink Batts or natural wool?

Mr Forbes—I do not have the answer.

Senator JOYCE—How many of your 2.2 million homes do you envisage to be insulated with natural wool?

Mr Forbes—At this stage we are not differentiating between different insulation types.

CHAIR—This is your final question, Senator Joyce.

Senator JOYCE—Do you anticipate any houses to be insulated with natural wool?

Mr Forbes—I would have thought that there is a good chance that wool would be part of the mix.

Senator JOYCE—Has the—

CHAIR—We are going to Senator Xenophon. That was your final question.

Senator JOYCE—Well, he interrupted me.

CHAIR—I have allowed you extra time.

Senator XENOPHON—I am happy to let Senator Joyce have one question. I will be very quick.

Senator JOYCE—A final question. Have you had any instructions about preference towards the installation of natural wool?

Mr Forbes—We have, had no instructions in terms of any preference to any insulation material.

Senator JOYCE—Thank you very much.

Senator ABETZ—Imported or local.

Senator XENOPHON—I want to follow the questions that were asked by Senator Milne with regard to energy efficiency. What consideration is being given to other measures in terms of water efficiency, low-flow shower heads and grey water in the context of this package? That is something that is very critical in my home state—the whole issue of water conservation. To what extent was that considered with respect to the consideration of this package—in other words, the efficacy or the efficiency of that?

Mr Forbes—We provided advice with regard to energy efficiency for housing in this particular package. Governments, in the end, have to make trade-offs about what is going to be the best for the certain objects they

are achieving. In this particular case they made the choice that insulation was the most effective for what they were attempting to achieve.

Senator XENOPHON—That was a trade-off that was made, but in reaching that decision what advice or evidence was included or considered before that decision was made, given that if you have low-flow shower heads and other water efficiency measures, that is also energy efficient? To what extent was the issue of conserving water considered in the context of this package given that the crisis that many parts of this country face involves water.

Mr Forbes—In the context, we were talking about energy efficiency, not about water. We were talking about it in the context of energy efficiency for homes in terms of energy loss and energy gain.

Senator ABETZ—But at least hot water is energy efficiency for the house.

Mr Forbes—Yes, I understand that. We included solar hot water.

Senator XENOPHON—We are talking about a stimulus package—spending the money and getting the economy going. Why wasn't water conservation, such as installing grey water and other measures that would save water, considered alongside energy conservation in the context of this package?

Mr Forbes—The government made its choice to use insulation and solar hot water. That is the choice it made. Otherwise, you would be asking me to comment on policy, and I am not in a position to do that.

Senator XENOPHON—So water missed out. In the context of the decisions made, that is a fair—

Mr Forbes—I am saying that the government made its decision with regard to the package which it chose.

Senator ABETZ—In determining energy efficiency—that was all part and parcel of the government's alleged concern with carbon footprints et cetera—was consideration given to, say, polystyrene being knocked out because it is a petrochemical type concoction? How do they make fibreglass? What sort of toxic fumes go into the atmosphere in the production of some of these products? Was that taken into account at all?

Mr Carter—In our advice, we focused on the energy efficiency aspects, not on the life cycle issues that might surround some of those insulation products.

Senator ABETZ—But surely, at the end of the day, it is the life cycle that we ought to be considering. I would have thought a very good thing might have been to provide a subsidy for wooden floors, which are carbon sinks, as opposed to concrete floors, which have an embodied carbon footprint which is absolutely massive. I would have thought that an innovative government might have looked at some of these things—looked at the totality of the life cycle rather than just the one-off. But wooden floors were not considered as part of the package?

Mr Carter—Not that I am aware of, no.

Senator XENOPHON—The aged-care sector has approached my office, and they have a concern in relation to the insulation package. Can you comment on your understanding of what they put to me: because it works as a rebate for landlords, there is nothing in it for all those aged-care residential facilities, those homes that are funded on a not-for-profit basis, in the sense that they will not be entitled to any rebate for insulation. Was that considered in the context of this policy?

Mrs Wiley-Smith—No. In the Low Emission Plan for Renters, we are considering as part of that making sure that those types of sectors are eligible. That is something that will be determined when we go through some of the consultation processes we have planned with industry in the next few weeks.

Senator ABETZ—Wait a minute. You are still considering it, so it has not been nailed down, which once again indicates how very quickly all of this has been slapped together.

Mr Forbes—Like most programs, once a determination of the envelope and its broad parameters has been created, government is required to produce guidelines. Those guidelines allow you to make the boundaries between what is eligible and what is not.

Senator ABETZ—Did the costs include all the aged-care facilities or not? I would have thought that might have a huge impact on the actual amount that is in the documentation before me. Is it in the dollar figures or isn't it? If it is being considered, what will be the extra cost to it? Will the bank card limit be lifted above \$200 billion?

Mr Forbes—It is a guideline question which we are attempting to work through at present in order for me to be able to give a clear indication of what is in it and what is not.

Senator ABETZ—Yes, but was it costed in? Was it factored into the actual figure before us? Take it on notice if need be. It is a technical question.

CHAIR—Would you like to take that on notice?

Senator ABETZ—Time is short.

Mr Carter—Yes.

CHAIR—I thank the witnesses and departmental officers who have come before us this afternoon. Thank you very much.

[1.51 pm]

PATERSON, Mr Mark, AO, Secretary, Department of Innovation, Industry, Science and Research

McNALLY, Ms Carolyn, Executive Director, Infrastructure Investment Division, Department of Infrastructure, Transport, Regional Development and Local Government

O'CONNELL, Ms Lyn, Deputy Secretary, Department of Infrastructure, Transport, Regional Development and Local Government

TONGUE, Mr Andrew, Deputy Secretary, Department of Infrastructure, Transport, Regional Development and Local Government

CHAIR—Welcome. Information on parliamentary privilege and the protection of witnesses in evidence has been provided to you. As departmental officers, you will not be asked to give opinions on matters of policy, although this does not preclude questions asking for explanations of policy or factual questions about when and how policies were adopted. I will invite you to make a brief opening statement. At the conclusion of your remarks I will invite members of the committee to put forward questions. Does anyone have an opening statement to make?

Ms O'Connell—My colleagues and I appear today to answer questions around the component of the package related to the \$890 million to support improvements to road safety and community infrastructure.

CHAIR—Thank you all for appearing before us.

Senator MILNE—I just want to ask a few questions in relation to the community infrastructure part of the package. I note that you will only be eligible under this opportunity if you had already put in an application by 23 December last year. I asked Treasury yesterday whether they considered in the infrastructure package funding some of the cycle ways around the country, like the cycle link for the Sydney Harbour Bridge, for example—a \$25 million to \$30 million type project. There are several others. There is a green corridor project for Adelaide and several cycle ways. These are both infrastructure and consumer spending driven initiatives. If you put in that infrastructure, you will have a lot of associated consumer spending as people gear up for it. Firstly, do the guidelines underpinning this allow for the funding of cycle ways? Secondly, given that the underpinning of this program is different from the stimulus package, ought we not have allowed for a slight variation in the guidelines?

Mr Tongue—I can handle that question. I note that cycleways can also be funded under other programs we run where they are associated with major roadworks. Cycleways are not precluded in the guidelines for the now \$550 million program where they are associated with other works such as main street beautification and cycleways. I also note, although it is not associated with the stimulus package, that councils can also apply for another amount of \$250 million. Similarly, cycleways projects can come up in there.

Senator MILNE—Is that under the stimulus package? What is this \$250 million?

Mr Tongue—That was announced with the original program late last year.

Senator MILNE—The Regional and Local Community Infrastructure Program?

Mr Tongue—That is right. They were part of a \$300 million package.

Senator MILNE—So something like the Sydney Harbour cycleway project—a \$25 million to \$30 million project—would have been eligible under those guidelines?

Mr Tongue—If the relevant council or councils have applied under the program and it is associated with other works then yes, the programs are aimed at local councils. The state government could not apply.

Senator MILNE—Why does it have to be associated with other works? Some of these cycleways clearly would not be associated with other works. They are a work on their own.

Mr Tongue—That was a policy decision of the government, given that there were other roads programs under which cycleways can be funded.

Senator MILNE—What are the guidelines that underpin this program? Do they include reducing greenhouse gas emissions, reducing dependence on foreign oil or restructuring the transport sector? Are there any guidelines in relation to the Regional and Local Community Infrastructure Program that go to reducing emissions and transforming to a low-carbon economy?

Mr Tongue—The areas of focus for the program are social and cultural infrastructure; recreational facilities; tourism infrastructure; children, youth and seniors facilities; access facilities—boat ramps, footbridges and so on; and environmental initiatives—drain and sewerage upgrades, recycling plants and so forth. In that last component and, I would argue, in other components where councils have been creative yes, projects I would call broadly environmental type projects are contemplated.

Senator MILNE—I do not suppose you can tell me whether any cycleways were part of the bids that closed by 23 December.

Mr Tongue—I would have to take that on notice.

Senator MILNE—Thank you. If you could let me know that would be good.

Mr Tongue—Shall do.

Senator ABETZ—Can I ask both departments when they were first asked to make a contribution to this package? As a follow-up question, when were they told what was going to be in the final package?

Mr Paterson—It is difficult to respond precisely to that question because some of the measures that are incorporated within the package that we have a policy interest in have been matters considered in discussion between the department and the government and with other agencies over time.

Senator ABETZ—I restrict my question to the context of this particular package. When did you first become aware that this package was going to be developed and when were you asked to do some work on it? I do not want or need to know what that work was.

Mr Paterson—The work that we undertook from our portfolio perspective was not explicitly done as part of this package; it was something that had been developed over a period of time.

Senator ABETZ—All right. When were you told what was actually in the final version?

Mr Paterson—I became aware of the final version of the detail when it was made public.

Senator ABETZ—When it was made public?

Mr Paterson—Yes.

Senator ABETZ—On the Tuesday when the Prime Minister announced it?

Mr Paterson—Correct.

Senator ABETZ—All right. What about your department, Ms O’Connell?

Ms O’Connell—Many programs in our department were already underway—for example—

Senator ABETZ—I am sorry. I have to cut you off there. Time is very short. Very specifically, in relation to this plan, when were you first told: ‘We want to announce a plan. What have you got for it?’ Were you ever asked that question? It would not have been in that form, of course, but you know what I mean.

Ms O’Connell—Not in that form, but most of ours were ongoing programs. The programs were already in existence and this was about—

Senator ABETZ—So we had this wonderful boom gate program already underway, did we?

Ms O’Connell—We already monitor work with boom gates. We did not have a program in place for funding of boom gates or the other components.

Senator ABETZ—When were you first asked? Normally boom gates, as I understand it, are not something that the federal government pays for. When did that first come to light as an option?

Ms McNally—We have been providing information and advice to the government over the course of the last 12 months on a range of matters relating to road transport and a number of options.

Senator ABETZ—With great respect, we know that.

Ms McNally—These sorts of options have been included in some of that advice.

Senator ABETZ—Boom gates?

Ms McNally—Yes, Senator.

Senator ABETZ—So you had already supplied the actual amount of money for boom gates to Treasury?

Ms McNally—We have been providing ongoing advice about the sorts of things that need to be done, and the decision around the amount of money was a decision made by the government.

Senator ABETZ—All right. When were you told what was in the final package?

Ms McNally—Again, Senator, I was told on the finalisation of the announcement—the finalisation of the package.

Senator ABETZ—Sorry—when the Prime Minister announced it publicly?

Ms McNally—Yes.

Senator ABETZ—Most other departments have admitted that, where they have a financial interest in the package and have to administer something, they were told a number of days before the booklet went to the printer. Just check up on that and see if there is a variation in the answer. We will take that on notice. Can I ask—

Senator MOORE—Just a point of order: can I ask that the record state that the department ‘stated’ rather than ‘admitted’? They gave their responses in evidence, so it would be that they stated that they found out.

Senator ABETZ—Please, that is a waste of—

Senator MOORE—Thank you.

Senator ABETZ—Senator Macdonald has reminded me. Ms O’Connell, can I ask you as to when the department—you as deputy secretary or the actual secretary of the department—found out about the content of the package? I understand that Ms McNally may not have been actually told. It was in the context of the department.

Ms O’Connell—In terms of the overall package, the complete package, then—

Senator ABETZ—No, your components in the package.

Ms O’Connell—Our components of the package had been provided in various forms and iterations to the Department of Finance and Deregulation over a period of weeks.

Senator ABETZ—We have already been told that. When were you told what was in the final package? Before you were told, you would not have known what was in it, I would have thought.

Ms O’Connell—No, that is right.

Senator ABETZ—Right. So when were you told?

Ms O’Connell—We were providing ongoing advice on various options that could or could not be a component of the package.

Senator ABETZ—We know that, with respect.

Senator Ian Macdonald interjecting—

Ms O’Connell—I would have to—

CHAIR—Senator Macdonald, we have a question before the chair.

Senator IAN MACDONALD—When were you told what was in the package?

CHAIR—We have a question before the panel. Can we please observe some manners, as we have for the entire day thus far, to allow the witness to answer before we jump in with another question. There is a question there, Ms O’Connell, if you would like to respond.

Senator ABETZ—Time is very short, and that is why we are trying to push through.

Ms O’Connell—I will ask the secretary of our department—

Senator ABETZ—Thank you. Take it on notice.

Ms O’Connell—what time he was aware of the components of our package and I will come back to you and give you that time.

Senator ABETZ—Thank you. Ms O’Connell has told us that the department had been in discussion with Treasury, Prime Minister and Cabinet or whoever about a wish list. I was wondering, Mr Paterson, without necessarily going to detail, whether you put any submissions to the government as to, in the likelihood of there being a stimulus package, what might be important for your portfolio area interests?

Mr Tongue—Senator, could I just dive in there? Ms O’Connell did not use the term ‘wish list’. We have been providing policy advice over a period of time.

Ms O’Connell—On a range of ongoing programs.

Senator ABETZ—Sorry if I summarised it as a wish list. Did you wish for those things to be funded and occur or did you just throw them up as ideas that you would not want implemented, please? This is a waste of time in a very, very constrained period of questioning. Mr Paterson, could I ask—

CHAIR—I think, Senator Abetz, that we always have to be mindful of the terminology. We are not casting aspersions on anyone.

Senator ABETZ—But there is no aspersion about a wish list.

CHAIR—There was clarification there in terms of the wish list.

Senator ABETZ—What is the aspersion about a wish list? The oversensitivity is astounding.

Senator CAMERON—Accuracy, we are looking for—accuracy.

Mr Paterson—Senator, we do not put forward wish lists to the government. As I have already indicated we had provided advice to the government over a period of time on a number of the matters that are within the package. We do not have policy responsibility for the implementation of any of the measures in the package and there is no appropriation to my department as a result of the package, so we provided advice to government on measures and some of those measures were included within the package.

Senator ABETZ—One of the departments, the Defence Housing Authority in fact, indicated to us that when they got whiff that there might be another stimulus package they proactively wrote and said that they would not mind, I think it was, 802 houses. They were proactive in that. I was wondering whether becoming aware that there might be another stimulus package, did the department or departments proactively say to those producing it that it might be an idea to include this or that from our portfolio? I do not need to know what this or that might be.

Mr Paterson—I am sure my department and no doubt all of the departments that have appeared before you today and yesterday have been proactive in providing policy advice to government on measures that the government may wish to consider.

Senator ABETZ—Some were not, but look that is fine. Every other stimulus package in the world be it Taiwan, China, Germany, Israel, the United Kingdom, all have a fairly important component for innovation. Can you confirm to me that in this stimulus package there is not something that I have accidentally missed which would in effect assist innovation?

Mr Paterson—I cannot make a judgement about whether you have missed an element of it. This is not a package that is focused on that area of activity. You would be aware that the government has before it two significant reports. One is often referred to as the Cutler report which was a review of the whole of the national innovation system and the Bradley report which was a review of the higher education system. I would expect measures associated with innovation and related issues to be dealt with when the government responds to those two major reports.

Senator ABETZ—But because there is no more money left, if they were to respond that would ultimately mean even greater debt above and beyond the \$200 billion which is already being blown as we have been told.

Senator JOYCE—You are infrastructure, transport and regional development and local government. You are there for the purpose of assessing different types of policies and looking at them. Was there ever any consideration for such projects as inland rail?

Ms McNally—There was a significant amount of rail funding in the nation building 1 package provided to ARTC.

Senator JOYCE—Inland rail was part of it or even considered?

Ms McNally—Yes.

Ms O'Connell—If I can refer you to the nation building package before Christmas, there is a significant rail component in there. That is different to this package.

Senator JOYCE—Including the rail link from Brisbane down to Melbourne, is that part of that package?

Ms O'Connell—This is publicly available on the net. I will ask Carolyn to let us know whether that is specifically in there.

Ms McNally—There is a project in there, the Sydney to Brisbane line—new, extended and upgraded loops project.

Senator JOYCE—That is Sydney to Brisbane what about Brisbane to Melbourne which is the inland rail.

Ms McNally—Melbourne to Junee.

Ms O'Connell—There are a range of rail projects in here.

Senator JOYCE—Is the one that links Melbourne to Brisbane?

Ms O'Connell—No, Senator, there is not one single whole link from Melbourne to Brisbane. There are a range of things. There is the nation building package before Christmas, there is also consideration of the Infrastructure Australia proposals that are with that group at this time.

CHAIR—Senator Joyce, we are going to move on to Senator Cameron and then to Senator Xenophon because otherwise we are going to run out of time.

Senator CAMERON—I am interested in the boom gates and Black Spots Program. I am interested in rural and regional Australia, especially in New South Wales, and I am wondering where the bulk of this boom gate spending will be. Will it be in rural and regional Australia?

Ms McNally—Yes, it will to be in rural and regional Australia.

Senator CAMERON—Has there been any economic analysis done in terms of the Black Spot Program, the boom gates and the repairing of regional roads and what that would do to improve safety and how that would come back into the economy with less cost to the health system due to road accidents and the like? Is there any analysis like that?

Ms McNally—Yes, Senator. For example, under the Black Spot Program there has been some work done that shows that every dollar spent on the Black Spot Program saves around \$14 in reduced road trauma costs. That is a piece of work that was done by the Bureau of Infrastructure, Transport and Regional Economics.

Senator CAMERON—That has got a huge multiplier effect back into the economy.

Ms McNally—Yes, Senator.

Senator CAMERON—On the Black Spot Program, what, again, is a ratio between metropolitan and regional and rural black spots? Is there any analysis on where the money would be spent on black spots?

Ms McNally—The money for black spots is based on advice provided by advisory panels that are set up in states and territories. They look at a range of mechanisms and undertake a road safety audit of the various roads. The projects are then identified by their state and territory advisory panels using a combination of things like crash history and expert advice on the appropriate treatment, and there is community consultation undertaken as part of that. Then the nominations by those advisory panels are ranked according to a benefit cost ratio or according to the road safety audit with the cut-off being the amount of funding that is available. The more funding that is available the more of those projects we can fund.

Senator CAMERON—This would have a significant benefit both in health terms and economic terms for regional and rural Australia.

Ms McNally—Yes, Senator.

Senator XENOPHON—How much is actually being spent on the rural communities in this package?

Ms McNally—I would have to take that on notice.

Senator XENOPHON—Directly to the fund?

Ms McNally—We would have to take that on notice. The reason for that is, for example, under the Black Spot Program we do take that advice from the state advisory panels based on crash history and so on. It would really depend on which roads had the worst crash history—

Senator JOYCE—Directly to the fund?

Ms McNally—We would have to take that on notice.

Senator JOYCE—I will help you out—it is \$20 million.

Ms McNally—Senator, in relation to spending on regional and local communities we have included the regional and local community infrastructure projects.

Senator XENOPHON—Given the dire state of the Murray-Darling Basin, to what extent were urgent infrastructure programs considered in the context of this package? I am referring to the complaints from the communities throughout the basin about issues of water conservation, issues of improving efficiencies in those communities and also exceptional circumstances and other packages. Is that being supplemented in any way?

Ms O'Connell—They were not components of this department's considerations. I think that they would be under the department of environment and water's considerations.

Senator XENOPHON—But in terms of support for regional communities, it is constrained to direct payments—

Mr Tongue—The regional and local community element of the package is targeted at local government.

Senator XENOPHON—But that would include water conservation and other issues—

Mr Tongue—That list of areas I have mentioned before—social, culture, infrastructure, recreation, tourism, environmental initiatives and so on—contemplate a wide range of projects that councils may nominate.

CHAIR—In response to Senator Cameron's question, could you table any supporting documents on the Black Spot Program?

Ms O'Connell—Certainly, and we can provide the bureau report that my colleague was referring to on the economic benefits.

Senator ABETZ—Is it going to be—

Ms McNally—Not in the form. It has been in different sorts of forms, Senator.

Senator ABETZ—Different manifestations. We were told that in relation to, for example, social housing that there were very strict mechanisms in place to ensure that there would be no cost shifting by state governments. Similar mechanisms in place in relation to the Black Spot Program and in particular the boom gates program—given that state governments and especially Queensland, I understand, which has basically spent absolutely nothing, has no forward budget on boom gates and is 100 per cent responsible for boom gates—mean that there may well be no cost shifting but as a result we are rewarding very bad behaviour by the Queensland government. What mechanisms are there?

Ms O'Connell—We have mechanisms in place to ensure that there is not that cost shifting you refer to. Carolyn will outline what those mechanisms are and also the mechanisms currently in place in terms of managing current spending for most of these programs.

Senator ABETZ—Could I invite Ms McNally to put that on notice to us.

Senator IAN MACDONALD—The Queensland Premier—

CHAIR—Senator Macdonald, you have not been here all day. We have a time frame, and I am speaking as chair. Thank you very much for coming along and giving your evidence today. I appreciate you taking the time out. Travel safely. I thank Hansard and the secretariat and the members of the committee for their indulgence in enabling change to our timetables. We are now adjourned until nine am on Monday.

Committee adjourned at 2.16 pm

CHAIR—Senator Abetz, your final question.

Senator ABETZ—Thank you, Chair. We were told that in relation to, for example, social housing, there were very strict mechanisms in place to ensure that there would be no cost-shifting by state governments. Are similar mechanisms in place in relation to the Black Spot Program and, in particular, the boom gates program, given that the Queensland state government, I understand, basically has spent absolutely nothing, has no forward budget for boom gates and is 100 per cent responsible for boom gates—

Senator CAMERON—This is hardly a question.

Senator ABETZ—and, as a result, there may well be no cost-shifting and as a result we are rewarding very bad behaviour by the Queensland government? But what mechanisms are there?

Senator Ian Macdonald interjecting—

CHAIR—Senator Macdonald, we have a final question before the chair and we are waiting for a response.

Ms O'Connell—We have mechanisms in place to ensure that there is not that cost-shifting that you referred to. Carolyn will outline what those mechanisms are and also the mechanisms currently in place in terms of managing current spending for most of these programs.

Senator ABETZ—Could I invite Ms McNally to give that to us on notice.

Ms McNally—Yes.

CHAIR—Can I just thank—

Senator IAN MACDONALD—But keep in mind that the Queensland Premier—

CHAIR—Senator Macdonald—

Senator IAN MACDONALD—has promised to do this—

CHAIR—Senator Macdonald—

Senator IAN MACDONALD—following a number of—

CHAIR—you have not been here all day. We have a time frame—

Senator IAN MACDONALD—bad accidents in the north—

CHAIR—and I am speaking as the chair.

Senator IAN MACDONALD—So I would be interested to know what you are doing a relation to—

CHAIR—Thank you very much for coming along and giving your evidence today. I appreciate you taking time out. Travel safely.

Senator CAMERON—We apologise for the rudeness of Senator Macdonald.

CHAIR—I thank Hansard and I also thank the secretariat and the members of the committee for their indulgence in the changes to our timetable. We are now adjourned until 9 am on Monday morning.

Committee adjourned at 2.16 pm