



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FINANCE AND PUBLIC ADMINISTRATION
LEGISLATION COMMITTEE

Estimates

TUESDAY, 18 OCTOBER 2016

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SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE

Tuesday, 18 October 2016

Members in attendance: Senators Abetz, Farrell, Gallacher, Gallagher, Lines, McAllister, McKenzie, Paterson, Rhiannon, Rice, Siewert, Smith, Sterle, Whish-Wilson, Xenophon.

FINANCE PORTFOLIO

In Attendance

Senator Cormann, Minister for Finance

Senator Ryan, Minister Assisting the Cabinet Secretary, Special Minister of State

Department of Finance

Executive

Ms Rosemary Huxtable PSM, Acting Secretary

Outcome 1 - Support sustainable Australian Government finances through providing high quality policy advice and operational support to government and Commonwealth entities to maintain effective and efficient use of public resources.

Ms Teena Blewitt, Acting Deputy Secretary, Budget and Financial Reporting

Ms Amanda Lee, Acting First Assistant Secretary, Budget and Financial Reporting

Dr Arthur Camilleri, Assistant Secretary, Budget and Financial Reporting

Mr Mark Reid, Assistant Secretary, Budget and Financial Reporting

Ms Vivianne Johnson, Assistant Secretary, Budget and Financial Reporting

Mr Geoff Painton, Assistant Secretary, Budget and Financial Reporting

Mr Gareth Sebar, Assistant Secretary, Budget and Financial Reporting

Mr Paul Hupalo, Assistant Secretary, Budget and Financial Reporting

Ms Cath Patterson, First Assistant Secretary, Budget and Financial Reporting

Mr Nicholas Hunt, First Assistant Secretary, Budget and Financial Reporting

Mr Rod Schreiber, Assistant Secretary, Budget and Financial Reporting

Ms Anne Martin, Acting Assistant Secretary, Budget and Financial Reporting

Mr Adam Cullen, Acting Assistant Secretary, Budget and Financial Reporting

Ms Donna Degan, Acting Assistant Secretary, Budget and Financial Reporting

Mr Libor Pelecky, Acting First Assistant Secretary, Budget and Financial Reporting

Ms Chris Schweizer, Assistant Secretary, Budget and Financial Reporting

Mr Clayton Hitch, Acting Assistant Secretary, Budget and Financial Reporting

Mr Scott Austin, Assistant Secretary, Budget and Financial Reporting

Dr Stein Helgeby, Deputy Secretary, Governance and APS Transformation

Mr Alan Greenslade, First Assistant Secretary, Governance and APS Transformation

Ms Linda Powell, First Assistant Secretary, Governance and APS Transformation

Mr Neil Robertson, Assistant Secretary, Governance and APS Transformation

Ms Kerry Markoulli, Assistant Secretary, Governance and APS Transformation

Dr Richard Bartlett, First Assistant Secretary, Governance and APS Transformation

Mr John Edge, Deputy Secretary, Commercial and Government Services

Mr John Sheridan, First Assistant Secretary, Commercial and Government Services

Ms Stacie Hall, First Assistant Secretary, Commercial and Government Services

Mr Stephen Oxford, Assistant Secretary, Commercial and Government Services
Mr Andrew Jagers, First Assistant Secretary, Commercial and Government Services
Mr Andrew Staines, Assistant Secretary, Commercial and Government Services
Ms Suzanne Pitson, Assistant Secretary, Commercial and Government Services
Mr Robert Antich, Assistant Secretary, Commercial and Government Services
Ms Carly Makin, Assistant Secretary, Commercial and Government Services
Mr Philip Smith, Assistant Secretary, Commercial and Government Services
Ms Sharon Ong, Assistant Secretary, Commercial and Government Services
Mr Neil Richardson, Assistant Secretary, Commercial and Government Services

Outcome 2 – Support an efficient and high-performing public sector through providing leadership to Commonwealth entities in ongoing improvements to public sector governance, including through systems, frameworks, policy, advice, and service delivery.

Dr Stein Helgeby, Deputy Secretary, Governance and APS Transformation
Ms Linda Powell, First Assistant Secretary, Governance and APS Transformation
Ms Laurie Van Veen, Assistant Secretary, Governance and APS Transformation
Mr Lembit Suur, First Assistant Secretary, Governance and APS Transformation
Dr Richard Bartlett, First Assistant Secretary, Governance and APS Transformation

Outcome 3 – Support for Parliamentarians and others as required by the Australian Government through the delivery of, and advice on, entitlements and targeted assistance

Mr David Fredericks, Deputy Secretary, Business Enabling Services
Ms Leonie McGregor, First Assistant Secretary, Business Enabling Services
Mr Michael Frost, Assistant Secretary, Client Services Branch
Mr Jason Ford, Assistant Secretary, Parliamentary Advice and Support

General

Mr Robin Renwick, First Assistant Secretary, Business Enabling Services
Mr Michael Hirschfeld, First Assistant Secretary, Business Enabling Services
Ms Annie Ryan, Acting Chief Financial Officer, Business Enabling Services

Australian Electoral Commission

Mr Tom Rogers, Electoral Commissioner
Mr Pablo Carpay, First Assistant Commissioner
Mr Paul Pirani, Chief Legal Officer

Future Fund Management Agency

Mr David Neal, Managing Director
Dr Raphael Arndt, Chief Investment Officer
Dr Stein Helgeby, Deputy Secretary, Governance and APS Transformation
Ms Linda Powell, First Assistant Secretary, Governance and APS Transformation

Commonwealth Superannuation Corporation

Mr Peter Carrigy-Ryan, Chief Executive Officer

Ms Bronwyn McNaughton, General Counsel

Dr Stein Helgeby, Deputy Secretary, Governance and APS Transformation

Ms Linda Powell, First Assistant Secretary, Governance and APS Transformation

ASC Pty Ltd

Mr Stuart Whiley, Interim Chief Executive Officer

Mr Mark Lamarre, Chief Executive Officer, ASC Shipbuilding

Mr Ashley Menadue, Chief Financial Officer

Ms Wendy Hoad, General Counsel and Company Secretary

Mr Martin Edwards, Future Projects

Committee met at 09:00

CHAIR (Senator Paterson): I declare open this meeting of the Senate Finance and Public Administration Legislation Committee. Today the committee will examine the supplementary budget estimates for 2016-17 for the department and agencies of the Finance portfolio, beginning with the Australian Submarine Corporation and proceeding through the agencies and departmental outcomes listed on the program. The committee may also examine the annual reports of the departments and agencies appearing before it. The committee has before it a program listing agencies and outcomes relating to matters on which senators have given notice. The committee has fixed 2 December 2016 as the date for the return of answers to questions taken on notice.

Under standing order 26 the committee must take all evidence in public session. This includes answers to questions on notice. I remind all witnesses that, in giving evidence to the committee, they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee.

The Senate, by resolution in 1999, endorsed the following test of relevance of questions at estimates hearings: any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates hearings. I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise.

The Senate has resolved also that an officer of a department of the Commonwealth shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised.

The extract read as follows—

Public interest immunity claims

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion,

and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

(13 May 2009 J.1941)

(Extract, Senate Standing Orders)

Witnesses are specifically reminded that a statement that information or a document is confidential or consists of advice to government is not a statement that meets the requirements of the 2009 order. Instead witnesses are required to provide some specific indication of the harm to the public interest that could result from the disclosure of the information or the document.

ASC Pty Ltd

[09:03]

CHAIR: I welcome the Minister for Finance, Senator the Hon. Mathias Cormann, Ms Rosemary Huxtable, Acting Secretary of the Department of Finance, Mr Stuart Whiley, Interim Chief Executive Officer of ASC Pty Ltd, Mr Mark Lamarre, Chief Executive Officer of ASC Shipbuilding, and officers. Minister, do you wish to make an opening statement?

Senator Cormann: No, thank you, Chair.

CHAIR: Ms Huxtable, do you wish to make an opening statement?

Ms Huxtable: No, thank you, Chair.

CHAIR: Mr Whiley, do you wish to make an opening statement?

Mr Whiley: No, thank you, Chair.

CHAIR: Mr Lamarre, do you wish to make an opening statement?

Mr Lamarre: No, thank you.

CHAIR: We will go to questions from Senator Gallacher.

Senator GALLACHER: I will go to the workforce at ASC. At Senate estimates in May, it was confirmed that there were 987 job losses at ASC for the period November 2014 to May 2016; and, as at 5 May 2016, since September 2013, due to the planned and progressive ramp-down of the AWD project, 59 permanent positions have been made redundant and 287 contract positions have left the program. Mr Lamarre, can I clarify that the 346 positions referred to in question on notice F21 are in addition to the 987 positions confirmed at the May estimates?

Mr Lamarre: There are additions, deletions and reductions in labour based on the current demand for the program. Since we last met we have actually added labour on the shipbuilding side. So we currently stand at a total of 1,772 for shipbuilding for employees, contractors and subcontractors, which is a net add of 25, since we last met. That is largely in relation to the lead-up to ship 1 sea trials and leading up to ship 2 launch, which is coming at the end of this year.

Senator GALLACHER: So your evidence is that you have actually increased your workforce?

Mr Lamarre: That is correct, since last time. Just to give you a complete answer, we will be seeing a further reduction by the end of the month of 121—largely contractors.

Senator GALLACHER: With the 987 positions and the 346 positions that I have alluded to, that is the rotation of positions within contracts and you have filled other positions. Is that what you are saying?

Mr Lamarre: There is a variety of things that has happened. I will say first of all that our strategy for quite some time has been to have a good portion of our workforce as subcontractors, which are by nature brought on for short-term—sometimes long-term—assignments. They will leave periodically and then we will bring them on again. Again, in the last few months, in preparation for getting the first ship to trials, we have brought on additional labour.

Senator Cormann: To put that into context, shipbuilding is really the same as any other project. If you build a house, at various times you will need different contractors to do different jobs. Towards the tail end of getting the house ready, you get the electricians in; once the job is done, they leave. You get the painters in; once the job is done, they leave. That is essentially what happens at ASC in relation to shipbuilding. There are different jobs that are done at various times in the process by different people. As various jobs are completed, obviously you get different people in to deal with the next phase. Not everyone has the necessary skills for all aspects of what needs doing. You will not get a painter in to do your electrical work; you will not get a plumber in to do your brick work. It is precisely the same situation here.

Senator GALLACHER: I am not sure that the analogy about house building and shipbuilding go together, given the Australian National Audit Office indication that work had been done sometimes three times, basically, because the plans were difficult to read and—

Senator Cormann: You are quite right; that is the situation we inherited from your government. Since then, of course, under the leadership of the senior management at ASC, and in particular Mr Lamarre when it comes to the shipbuilding side of the business, we have been able to turn the situation we inherited around, and productivity has been significantly improved under the present leadership.

Senator GALLACHER: Perhaps I will ask the question in a different way. How many permanent positions are there in that 1,772 and how many contract positions are there in that 1,772?

Mr Lamarre: Today we have 1,310 permanent employees and 462 contractors or subcontractors.

Senator GALLACHER: Over the last 12 months how has that mix varied? Has the number for contractors increased and the number for the permanent workforce decreased?

Mr Lamarre: So far this year we have had a reduction of 60 permanent employees, 50 contractors and 28 subcontractors.

Senator GALLACHER: Can you give us a baseline to work from? Twelve months ago, what was the mix of permanent workforce and contractors, so that we can get a picture of what is happening? I think what you are saying is that you are moving the workforce to contract.

Mr Lamarre: No, actually not. I will not be able to answer that question in terms of what the mix was 12 months ago, but our—

Senator GALLACHER: Is that because you were not there or you do not know?

Senator Cormann: We can take that on notice.

Mr Lamarre: We can take that on notice, if you would like.

Senator GALLACHER: I am asking the question: is that because you were not there or you do not know?

Mr Lamarre: I just do not happen to have that data in front of me, in terms of what the mix was a year ago.

Senator Cormann: We have taken it on notice, Senator.

Mr Lamarre: We would be happy to give you that information on notice.

Senator GALLACHER: No-one in the room knows that information?

Senator Cormann: We have taken it on notice, Senator Gallacher.

Mr Lamarre: Just to be specific on your question, I think your question was: are we shifting full-time labour to subcontractors? That is not what is happening. We had a strategy initially of around fifty-fifty in terms of percentages of our trades workforce—

Senator GALLACHER: The fundamental issue is that I wanted to know whether or not the workforce was reducing. You said that there is a move to contractors. I did not say that; you said that.

Mr Lamarre: What I said, I believe, was that there was a net increase since we last met, and that we have another reduction of 121 coming at the end of the month, which is largely subcontractors.

Senator GALLACHER: Rather than go around in circles, how many jobs have been lost at the ASC since May 2016?

Mr Lamarre: Since May 2016 we have added 25 jobs to the workforce.

Senator GALLACHER: Were they in contract or permanent positions?

Mr Lamarre: It was a mix. It was largely contracting, as a result of the additional paint work that needed to be done to prepare the ship to go to sea trials. There is a constant change among all of these categories over time, with the exception of contractors. We started out with a very large number of contractors, which we have been progressively reducing, and retaining our full-time employees. Every time we announce a reduction, a number of redeployments due to attrition happen. That largely means subcontractors in some cases who have done a good job working for us will become full-time employees. People move to other programs. We have voluntary redundancies. So there is a variety. It is a moving feast.

Senator GALLACHER: The AWD schedule is reasonably well publicised, but can you please update the committee and let us know when the AWD project is likely to wind up?

Senator Cormann: Which project?

Senator GALLACHER: The AWD project. What is the status there? Is it likely to wind up? Do you have a timetable for that?

Mr Lamarre: With respect to the current status, first of all, we have put a new baseline in place as of last year, and we have met all of our contractual and our interim milestones. Since that time ship 1 has been to sea trials—a very successful sea trial, by any measuring stick—and that ship is due to be delivered for provisional acceptance by the government on 16 June 2017. So the end is in sight for that ship. We have a much reduced manning plan between now and delivery and we have a good schedule on cost outcome there. Ship 2 will go into the water on 15 December this year. That ship will be 85 per cent complete when it goes into the water, which is a very good outcome for the second ship in a program and is a benchmark among Aegis shipbuilders. That ship will have reached provisional acceptance on 13 June 2018. Ship 3's next major milestone is hull integration, which will be in August 2017. That is our benchmark ship; that is the ship on which we are measuring ourselves against other Aegis shipbuilders—very favourably, I might add. That ship will be delivered on 13 June 2018.

Senator GALLACHER: Is that the end date of the AWD?

Senator Cormann: No. There is one more.

Mr Lamarre: No, that is it. There are just the three ships.

Senator Cormann: You have gone through the three?

Mr Lamarre: Yes.

Senator Cormann: Okay.

Mr Lamarre: There may be additional work beyond provisional acceptance. We are under contract to do a couple of months of remediation work, perhaps, or some other small amount of work for the government. There is always the chance that there may be some change that the government wants to introduce before these ships leave.

Senator Cormann: In the meantime, of course, the government, as you know, is pursuing a historic and record-breaking naval shipbuilding plan, with about \$89 billion in procurements coming down the line, much of which will centre on the shipyard in Osborne, South Australia. That means lots more jobs for South Australia. You do not seem to be fussed about that.

Senator GALLACHER: Jobs in South Australia are at the top of my mind every day that I get up, Senator Cormann. I do not have to show any elation. We are dealing with a loss of jobs at the moment; more good jobs on the way is great. What I am trying to get to the bottom of here is this: at the May estimates, Mr Lamarre, you confirmed that between May 2016 and the end of 2017 ASC would see a reduction in staff of 640. Is that still a projected estimate of job losses?

Mr Lamarre: We are not sure. It is directionally correct. We will definitely continue to reduce between now and that time. But there are a number of things in the mix. We are redoing our workforce planning for 2017 and 2018 but we have to be mindful of our business requirements. We have structural separation of the company that has recently been announced, and we need to see what that really means. We have two procurements that we are pursuing, the OPVs and the future frigates. There is also a facility development that will be going on, we think, during the 2018 time frame, so—

Senator Cormann: And, of course, the work on the Collins class submarine maintenance keeps cranking along too.

Senator GALLACHER: I think you said that the 640 estimated job losses were directionally correct.

Mr Lamarre: I guess the point that I am trying to make is that we will continue to see job losses into 2017. I just do not know if the number that I provided in May is still going to be valid given the new reality.

Senator GALLACHER: So you say that it could be a reality?

Mr Lamarre: I would have to make a guess at this point.

Senator GALLACHER: Is it 50? Is 50 per cent likely to be wrong or is 50 per cent likely to be right?

Senator Cormann: I think he has given you his best answer.

Senator GALLACHER: I do not know. You keep butting in. I do not get to hear his answer.

Senator Cormann: He was very clear. You just keep badgering him, trying to get him to—

Senator GALLACHER: No. 'Directionally correct' is not a term that I am familiar with.

Senator Cormann: He has made it very clear that he cannot be precise at this point because he does not have the information to give you a more precise answer. The officer has given you the best possible answer at this point, given the information that he has in front of him.

Senator GALLACHER: And my question was: would a 50 per cent probability be correct or would a 90 per cent probability be correct?

Senator Cormann: You are asking the officer to speculate and provide an opinion and that is actually against the standing orders.

Senator GALLACHER: I am actually just asking him to do his job. Is he not—

Senator Cormann: No. You are asking him to speculate and provide an opinion.

Senator GALLACHER: When do you expect the next round of job losses to occur?

Senator Cormann: He has already indicated that to you. We have gone through this several times. Since we last met, the number of jobs has actually gone up. But in the ordinary course of events, mostly subcontractors are expected to complete their work and, as such, leave the project by the end of the month. We have gone through that several times now.

Senator GALLACHER: So when do you expect the next round of job losses to occur, January, February, March—

Senator Cormann: We have gone through this several times. Towards the end of the month, a number of subcontractors are expected to have completed their work and, as such, are expected to leave the project.

Senator GALLACHER: Do you have any—

Senator XENOPHON: Chair, we are going to and fro in terms of job losses and their likely scheduling. Is there a document or a table that can be provided by ASC so that we do not have to revisit this? That might be useful in the context of this—

Senator Cormann: We will take that on notice just to see how we can assist. The terminology of job losses is highly misleading. Again, to go back to the analogy of building a house, if you bring in contractors to paint your house, if you bring in contractors to install your electrical arrangements, if you bring in contractors to essentially fit out all the plumbing, just because they have completed the work and leave your project and go on to do other jobs for other contractors as subcontractors does not mean that they have lost their job; it just means that they have completed the work at hand in relation to the project for which they were contracted for specific tasks. So obviously, if you build three ships, you are not going to keep contractors on standby once they have completed their work. Once you have delivered the service that you were contracted to deliver, you leave the project and you go and work on another project in relation to other contractors that might subcontract your services.

So the proposition that this somehow equates to job losses per se just because they do not keep working on the AWD project on which they have completed their work is an inaccurate description. And, of course, the important point in South Australia is that, given the government's defence industry plan, given the government's decisions in particular in relation to naval shipbuilding-related procurement in the years ahead, the number of jobs—full-time employees and contractors—in this industry will massively increase in the years ahead. We are going through a transition at the moment. The reason we are going through this transition is that the previous Labor government failed to make any procurement decisions when it came to naval shipbuilding. Our government has made these decisions and we are implementing them. But yes, we are going through a transitional period where there will be fewer contractors and fewer employees employed on shipbuilding activities than would have been the case if some of these decisions that we are now making had been made earlier.

Senator GALLACHER: Regarding the permanent ASC workforce, when do you expect the next round of job losses to occur?

Mr Lamarre: For the permanent workforce—

Senator GALLACHER: The minister just gave us chapter and verse about how contractors would come and go.

Mr Lamarre: As I testified earlier, the only job loss that I know of at the moment will be in two weeks time for 121 contractors.

Senator GALLACHER: For 121 contractors?

Mr Lamarre: That is correct.

Senator GALLACHER: Not the permanent workforce.

Mr Lamarre: Yes.

Senator GALLACHER: Do you have any projections of job losses for the 2018 year, given your work program and what you have—

Mr Lamarre: 2017 and 2018 are both under review. 2018 will be largely dictated or affected by the timing of the OPV program and ultimately when that starts fabrication. It will also be affected in some regard by the designer that is selected by CASG. Depending on the designer, the shipbuilder would have a varying degree of involvement in the design process.

Senator Cormann: Just to give you some information here though and to demonstrate the bright future when it comes to shipbuilding jobs in Australia generally and South Australia

specifically, in relation to the offshore patrol vessels, an estimated acquisition cost of more than \$3 billion will directly create over 400 jobs.

Senator GALLACHER: You are very precise—

Senator Cormann: In relation to the future—

CHAIR: Senator Gallacher, please allow the minister to finish.

Senator Cormann: In relation to future frigates, an estimated acquisition cost of more than \$35 billion will directly create over 2,000 jobs. In relation to Pacific patrol boats, an estimated cost of more than \$500 million will directly create over 530 jobs—

Senator GALLACHER: I do not think he is answering this question; that is my point, Chair.

Senator Cormann: And—

Senator GALLACHER: Point of order!

Senator Cormann: I am directly answering your question.

Senator GALLACHER: I do not really see why we should take answers to questions that have not been asked.

CHAIR: It does not sound like a point of order to me.

Senator GALLACHER: It did not answer the question.

Senator Cormann: I am answering. You do not want to know about new jobs in the shipbuilding industry.

Senator GALLACHER: I have asked you a question. Why don't you answer that? Or will you make it up?

Senator Cormann: You are clearly not interested in new jobs in the shipbuilding industry, particularly in South Australia.

Senator GALLACHER: More interested than you are, Minister.

Senator Cormann: Just to finish: in relation to future submarines, an estimated acquisition cost of more than \$50 billion will directly sustain around 1,100 jobs and a further 1,700 jobs through the supply chain. So this is undeniably good news. And you would have seen last week that the government has made an announcement around the future structure of ASC, restructuring ASC into a shipbuilding, submarine sustainment and infrastructure business which will ensure that ASC has the best possible structure to pursue future shipbuilding opportunities and to support the government's naval shipbuilding objectives. Given the amount of work that is coming down the pipeline, the future for South Australians in particular with expertise that can contribute to shipbuilding is indeed very bright.

Senator GALLACHER: I do have a point of order, Chair, on relevance. It is exceedingly hard to be relevant when the question has not been asked.

CHAIR: I thought the minister was answering the question but, if you would like to ask another one, now is your opportunity.

Senator GALLACHER: On capacity: on 18 April 2016, the government outlined their plans to build the offshore patrol vessels and the future frigates. They announced plans to

build the first two OPVs in Adelaide in 2018 and then move the build to Perth when the build for the future frigates begins in 2020. Has the government signed a contract to that effect?

Senator Cormann: Again, I have to take this because we have gone through this—

Senator GALLACHER: He is not—

Senator Cormann: No. This is a procurement—

Senator GALLACHER: Can I complete the question?

CHAIR: Senator Gallacher.

Senator GALLACHER: I have the right to complete the question before he answers it.

CHAIR: Okay. Finish your question.

Senator GALLACHER: To date, the government has not yet signed a contract for the design of the OPV? That is my question. Is that correct?

Senator Cormann: Again, this is actually not a question for ASC. ASC is a supplier of product and services. These procurement decisions—we have gone around and around in circles in relation to this at many previous estimates—are decisions that are made by the Defence portfolio. So, in relation to whether it is procurement in relation to submarines, OPVs, future frigates or any other shipbuilding program, these are naval shipbuilding programs and these are a matter for the Defence portfolio. But in an abundance of helpfulness, I can confirm that the government has not yet finalised its decisions on future shipbuilding and submarine contracting and construction models. What we have done—we made the relevant announcement last week—is give ASC the best possible structure to pursue opportunities in support of the government's naval shipbuilding objectives. As I have outlined—you were not all that interested—given the level of investment—

Senator GALLACHER: My interest is—

Senator Cormann: Given the level of investment by the government—

Senator GALLACHER: I take a point of order again, Chair. The minister cannot assume to know what my interest is and I would ask him to withdraw that.

Senator Cormann: The investment in jobs—

Senator GALLACHER: The rules of the Senate apply equally in this committee.

CHAIR: Senator Gallacher, please ask your next question.

Senator Cormann: Sorry, I have not finished actually.

CHAIR: Sorry. Minister.

Senator Cormann: There is an \$89 billion investment into naval shipbuilding that is being pursued by the government which will create many thousands of jobs, most of them centred around South Australia. Indeed, the future for workers pursuing opportunities in the shipbuilding industry in South Australia and in Australia more generally is indeed very bright.

Senator GALLACHER: Has ASC been advised, either formally or informally, about the timing of a decision for a design partner for the offshore patrol vessels?

Senator Cormann: Again, these are matters for the government; these are matters for the Defence portfolio. But again, in an abundance of helpfulness, the next phase of the competitive evaluation process, when it comes to offshore patrol vessels, is underway—

Senator GALLACHER: Are you able to answer—

Senator Cormann: I am answering for the government because this is a question for the government. We are currently investigating and evaluating three possible design options and the government decision on the preferred design is expected in the third quarter of 2017. So I am giving you a direct answer to the question you have asked.

Senator GALLACHER: If the build will not start in Adelaide until 2018, does ASC have the capacity to sustain its shipbuilding workforce until then?

Mr Lamarre: It will be able to sustain the workforce that we have today.

Senator Cormann: Which has previously actually been put on the record. We have gone around this several times before and, again, if the previous Labor government—

Senator GALLACHER: That is very helpful, Minister, but not very relevant.

Senator Cormann: If the previous Labor government had made decisions earlier to procure offshore patrol vessels, future frigates or, indeed, submarines, we would not have had to deal with the so-called value of debt; we would not have had to deal with the transition that we are working our way through. There is no doubt that there is a transition and it does mean that the workforce at Osborne is lower than what it would have been if some of these procurement decisions had been initiated earlier.

Senator GALLACHER: When will ASC require a decision on the design in order to cut steel in 2018?

Mr Lamarre: That is really a matter for government and whom they select. I mentioned before that the various designers are bringing different solutions to the table. There are a number of variables in the mix as it relates to OPVs that will affect when the OPVs start.

Senator GALLACHER: So you do not have a view on when a decision would need to be made in order for you to cut steel in 2018?

Mr Lamarre: Again, it depends on the platform that is selected. There are platforms that are being considered that are current and complete design and have been built recently and have an ease of transfer of data that may facilitate an earlier start. But, again, that is a matter for procurement for CASG. We are here to execute whatever decision is made by CASG in relation to this matter.

Senator GALLACHER: But just from the point of view of ASC, do they need six months notice or three months notice? I accept that designs may have different requirements, but is there a minimum period of notice that you would need to be able to cut some steel in 2018?

Senator Cormann: The implication in your question is that we should somehow cut corners to meet a particular deadline. That was the mistake, dare I say, that was made from 2007 onwards in relation to the air warfare destroyer project which led us into a situation where we had to fix some serious problems when we came into government in 2013. We have to make sure that the design work and risk mitigation, and risk reduction activities around the design work, are managed properly. We are running to an appropriate timetable; I have given you the timetable. In an abundance of helpfulness, I have confirmed for you that the government is expected to make a decision on the preferred design in the third quarter of 2017. That is what, in our judgement, we believe is necessary to ensure that, when the project

gets underway, it does so in the right way and that we do not end up having to deal with the same problems that we had to deal with in the early phases of the air warfare destroyer project.

Again, with offshore patrol vessels, the offshore patrol vessel contract will generate 400 direct jobs. It is unquestionably good news for Australian shipbuilding workers. Of course, there is a whole range of other projects that will be coming down the pipeline. We are going to make sure that we go through this process properly, professionally and competently, and that the appropriate risk mitigation and risk reduction measures are taken so that this project is a real success, both in terms of the capability it delivers and in terms of the value for money that the taxpayers receive from the procurement.

Senator GALLACHER: My question is really to ASC and it is really about a timing issue. It is not subject to—

Senator Cormann: You are asking a supplier to make judgements on what—

Senator GALLACHER: Can I finish my question? Chair, can I finish my question?

CHAIR: You can finish the question, Senator Gallacher.

Senator GALLACHER: Thank you, Chair; thank you for that protection. My question is to the ASC, in a very straightforward way: forgetting all of the other requirements of the decision, what lead-in do you need to cut steel?

Senator Cormann: They cannot make that judgement because they do not have that information. That is my point, Senator Gallacher. The very important distinction here is that ASC is a supplier of product and services. It is the government that makes the decisions on its requirements. It is the government that makes the decisions on what design it ultimately chooses, based on relevant expert advice. It is the government that has to make a whole range of decisions that are directly relevant to ASC being able to make those judgements. In the absence of having the necessary information at this point, they are not actually in a position, as a supplier rather than as the purchaser, to accurately provide the information that you are seeking. It is not a question for them.

Senator GALLACHER: So you are refusing to let them answer it?

Senator Cormann: What I am saying to you is that they are not in a position to answer it.

Senator GALLACHER: If the government—

CHAIR: Senator Gallacher, do you have any more questions in this area? I know there are other senators who are anxious—

Senator GALLACHER: I have two more questions in this direct area and then I have questions on structural separation.

CHAIR: Okay. Then we might move on to another senator.

Senator GALLACHER: In 2017, Minister, you said that you will make a decision. Does that give ASC enough time to cut steel?

Senator Cormann: Again, you are making all sorts of assumptions.

Senator GALLACHER: No, I am just—

Senator Cormann: You are.

Senator GALLACHER: You said that, not me.

CHAIR: Please allow the minister to give you an answer, Senator Gallacher.

Senator Cormann: Again, I have been extremely helpful. My only connection to this is as a shareholder minister of ASC. The decisions around procurement, the decisions around the construction models, the contracting models, the design that is ultimately chosen—these are all matters that are appropriately managed by the Defence portfolio. If you have questions in relation to these matters and timetables beyond what I have been able to share with you here today, you really have to address those to the Defence portfolio and to Senator Payne.

Senator GALLACHER: Thank you for that advice. Given that steel cutting will not take place until 2018, how will the ASC maintain its capacity to build the OPVs in 2018?

Mr Lamarre: Depending on timing, we will reduce our workforce to a level where we distil down to those folks who have the best talent in terms of the highest level of skills. For example, with electricians, the process that we went through in recruiting electricians was to get licensed electricians and then bring them through a process of learning progressively more difficult work, ultimately getting to a place where they are test and activation specialists. Ultimately, we would be distilling down to specialists who can do whatever kind of work is required and grow into and retain our skills that way. Again, we are unsure about the numbers at the moment, depending on a number of variables, but that would be one strategy that we would utilise to retain them.

Senator GALLACHER: Have you picked up any other work—for example, non-defence shipbuilding—to maintain some capacity?

Mr Lamarre: No, we have not.

Senator GALLACHER: There is nothing in the pipeline? You have a good ship-lifting facility there. You have not picked up any non-defence work?

Mr Lamarre: No. The ship lift is actually operated by the South Australian government and it is not an asset that we have; we just rent.

Senator GALLACHER: Basically it will be 'distilling down', which are your words, to whatever you can get to and wait for the next contract?

Mr Lamarre: That is the only contract on the horizon for us that—

Senator GALLACHER: Thank you.

Senator Cormann: Just to put that into perspective again, our government has committed itself to the procurement of 54 vessels, including 12 submarines, 12 offshore patrol vessels, nine future frigates and 21 Pacific patrol boats. In the six years of the previous Labor government, the previous Labor government committed themselves to zero—zero—vessels from Australian yards in six years. So we have committed ourselves to 54 vessels from Australian yards; the previous Labor government committed to zero vessels from Australian yards.

Senator XENOPHON: I will follow on from the line of questioning from Senator Gallacher. Minister, in relation to the split, with ASC going into three separate but still government owned companies, what was the rationale for the split? What was the motivation for that?

Senator Cormann: The motivation is to give ASC the best possible opportunity to be successful in the future. We want ASC to have the best structure to pursue opportunities as

part of the government's naval shipbuilding plan. Obviously—this is a matter of public record; and that has been the way it has been historically as well—ASC inevitably are partners with other organisations when it comes to many of these shipbuilding opportunities. So we have the submarine maintenance business, and that is performing extremely well, to the satisfaction of Navy. Since relevant reforms have been implemented in recent years, it is exceeding all of its targets. There is the shipbuilding business; at present there is the responsibility to complete the work on the air warfare destroyer project. There is also a significant body of infrastructure.

When you have multiple builds being managed in parallel, and likely with multiple partners involved in the shipbuilding activities in particular out of Osborne, it is sensible for the government to have a single vehicle that brings together all of the relevant infrastructure. There is a need to facilitate significant additional investment in the infrastructure to ensure that the facilities at Osborne are in the right position in particular to deal with the submarine build and to deal with the build of any of the other shipbuilding related procurements. The structure, in short, is designed to give ASC the best possible structure to pursue opportunities in this massive procurement context and to be as successful as it possibly can be.

Senator XENOPHON: There is not a division for Future Submarine building. Why is that?

Senator Cormann: There is a division for future shipbuilding.

Senator XENOPHON: Not submarine building.

Senator Cormann: Defence has not made relevant decisions around the contracting arrangements. Obviously, you know that DCNS has been selected and we have a maintenance, building and infrastructure business. We do not need four separate businesses. Let us just say what the ultimate—

Senator XENOPHON: We do not need a Future Submarine division?

Senator Cormann: We have a shipbuilding division—

Senator XENOPHON: That is not the same as a Future Submarine division. You know that they are quite distinct.

Senator Cormann: As I have indicated to you, this is the right structure for ASC to pursue future opportunities. When it comes to—

Senator XENOPHON: That future opportunity does not include Future Submarines.

Senator Cormann: When it comes to submarine building, you know that those submarines will be built in South Australia, you know that they will be built in Osborne and you know that they will be built on ASC infrastructure. Any contracting arrangements between ASC and DCNS are a matter for the Defence portfolio to essentially pursue, to the extent that they are seen to be appropriate; and it is a matter for ASC, of course, to put their hand up.

Senator XENOPHON: Minister, you do not find it curious that Future Submarine building has been omitted from the new structure which you have just said is about positioning the ASC for the future?

Senator Cormann: I think we have given ASC the best possible structure to position itself for the future. There is \$89 billion worth of procurement and 54 vessels that we have committed ourselves to be building in Australia.

Senator XENOPHON: You are not answering the question. There is no—

Senator Cormann: No. You are—

CHAIR: Senator Xenophon, please allow the minister to finish his answer.

Senator Cormann: Senator, you are asking me to answer questions in relation to matters for which I am not responsible. The responsibility for procurement decisions that you are asking me about is a responsibility for the Defence portfolio.

Senator XENOPHON: I am not talking about procurement.

Senator Cormann: Yes, you are.

Senator XENOPHON: No, we are not talking about procurement.

Senator Cormann: Yes, you are.

Senator XENOPHON: You are not even allowing a structure for Future Submarine building in the split-up of the ASC. There is shipbuilding, there is infrastructure, there is sustainment; there is nothing about Future Submarine building.

Senator Cormann: At the moment that is all ASC is doing, and that is all that ASC has been doing for a very long time. Obviously, ASC as a group is free to pursue whatever opportunities come down the line. If there is a need to adjust the structure down the track, we will obviously assess that. At the moment, given what we know, given what is coming down the line, given the many opportunities coming down the line, the structure that we released last week is the best structure for ASC to pursue opportunities.

Senator XENOPHON: Let us go to an analysis done by Andrew Davies, senior analyst for defence capability and director of research, and Mark Thomson, senior analyst for defence economics at ASPI. I am not sure whether you are familiar with their analysis of 12 October this year. Are you familiar with that, Minister?

Senator Cormann: No.

Senator XENOPHON: That is okay; I did not expect you to be. They talk about the costs; there will be additional transactional costs. They talk about the positives and the negatives. Their analysis is that, by owning the infrastructure, the government can then sell the other businesses, leasing out the facilities to users as required. They say that is smart in as much as it allows the government to retain the option of competition for future projects rather than granting monopoly control of core naval maintenance and construction assets to a single commercial entity in perpetuity. Does this announcement essentially mean that there is a possibility that the shipbuilding divisions can be sold off whilst infrastructure is held on to by the government, which is something that ASPI has said would be a smart move? Would you agree with that analysis?

Senator Cormann: We have been extremely explicit on this point. The government has absolutely no intention of selling any of the three separated business entities.

Senator XENOPHON: Has an analysis been done of that option?

Senator Cormann: No, an analysis has not been done of that option.

Senator XENOPHON: Has that been considered?

Senator Cormann: We have not considered privatisation of ASC. The separation here into three government-owned businesses is to ensure that we have the best possible structure to help ASC take advantage of opportunities in the naval shipbuilding plan. It also ensures that there is the appropriate focus on the specific requirements of submarine maintenance, which is performing extremely well, and specific requirements of successfully completing the shipbuilding projects, like the AWD shipbuilding program, and, indeed, bringing the infrastructure into a separate business entity. We have been very transparent around it because it does give us the necessary flexibility to deal with multiple partners in the context of multiple build programs running in parallel over an extended period. Obviously, it is self-evident that, if you have different partners using the same infrastructure over an extended period of time, the structure that we have put forward is the appropriate way to deal with this; that is what we have said very candidly.

Senator XENOPHON: Minister, you do not find it strange, curious or a disconnect with reality that, when it comes to the biggest procurement project in the history of the Commonwealth—namely, Future Submarines—there is not even the scope for a division to be involved in Future Submarine building by ASC?

Senator Cormann: I do not find that curious at all. No final decisions have been made in terms of the relevant contracting arrangements. You are not going to set up a business to just sit there with nobody in it, pending various and relevant decisions being made. The structure of ASC that we announced last week reflects the current operation of ASC. The current operation of ASC centres around submarine maintenance, which is performing very well; it centres around the air warfare destroyer program, which is performing very well compared to where we started; and it centres around our infrastructure assets. Self-evidently and as a matter of public record, different partners will be involved in different aspects of our \$89 billion naval shipbuilding plan, DCNS in relation to submarines. Incidentally, the build being conducted out of Adelaide is in the end the most important part of all of this. Future frigates, offshore patrol vessels—all of these programs will of course boost workforce requirements in Australia when it comes to naval shipbuilding. What the ultimate procurement decisions are and how they are reflected in any future structure for ASC is a matter for the Defence portfolio to advise the government about, and relevant decisions will be made at the right time when all of the information is in front of us.

Senator XENOPHON: Can we just go to the impact of this split of the company? What impact will it have on jobs, if I could ask Mr Lamarre? Will it have any impact on jobs?

Mr Lamarre: It is a bit early to say. The government has just completed what appears to me to be a very comprehensive review. Given the amount of input that we provided to it, it went into a lot of detail.

Senator Cormann: Let us be very clear. The restructure announcement is separate from the other matters that Mr Lamarre has discussed before in relation to the ebbs and flows in the air warfare destroyer program. The restructure announcement in itself will not have any impact on job numbers; the restructure announcement in itself will not have any impact on employee terms and conditions; it is essentially completely employment terms and conditions neutral.

Senator XENOPHON: I will just go to the issue of business development. ASC does business development to secure work; is that right, Mr Lamarre?

Mr Lamarre: Yes.

Senator XENOPHON: It is pretty axiomatic for a company that does what you do. What is ASC, as Australia's submarine experts both in building and sustaining submarines, doing to secure that business, or is the hope that Defence will go to you because of your expertise in this?

Mr Lamarre: We are actively working with CASG and the designers in this for both programs. For example, there are shipbuilding forums that are held by CASG that we have been attending along with other members of industry, which is where we all get an opportunity to talk about how to best prosecute this work going forward and give the government ideas on how to go about doing that. ASC is working very closely with the future frigate designers, BAE, Fincantieri and Navantia as well as the designers for the OPV program; we have been to their facilities and they have been to ours just to get an understanding of what each other's capabilities are.

Senator XENOPHON: But a few months ago, when the submarine announcement was made, there was very little involvement at that time between the government and ASC. You are saying that there now is a greater degree of involvement?

Mr Lamarre: Yes, there is.

Senator XENOPHON: That is good.

Senator Cormann: We are a bit further down the path too. Just going back to your question before in relation to the impact on jobs as a result of the ASC restructure, I refer you to the joint press release that I put out with the Minister for Defence Industry and the Minister for Defence on 11 October. What you will find there is, as I have already indicated, 'This change will have no impact on the ASC employees' current terms and conditions'—and then, and I am quoting—'and will provide the right structure for the growth of the workforce as a result of major infrastructure investment in the construction of offshore patrol vessels, future frigates and future submarines.' Let me just stress: the necessary investment in infrastructure in Osborne is quite significant and, in itself, will generate a lot of jobs.

Senator XENOPHON: Can I just ask you, Minister, what is the interrelationship between you as the shareholder minister and ASC in terms of the autonomy of ASC to do their work and to make decisions for the day-to-day running of what they do?

Senator Cormann: It is the usual—

Senator XENOPHON: Presuming that they know more about shipbuilding than you and I do.

Senator Cormann: Sure. It is the usual arrangement in place for any government business enterprise.

Senator XENOPHON: Tell me what the usual arrangement is.

Senator Cormann: I was about to tell you. I am the shareholder minister, as you say, so I represent the interests of the government and taxpayers in what is a wholly owned government business enterprise. Obviously the government has appointed the board. The current chairman is Bruce Carter, who incidentally was appointed by my predecessor as

Minister for Finance, Senator Wong. He is doing a very good job. I have regular meetings with him, as you would expect, and we talk about matters impacting on and relevant to ASC. The board is responsible for leading the ASC business together with the management team at ASC. Yes, the answer is that they do operate at arm's length from the government but not obviously separate from the government, because they are a wholly owned government business.

Senator XENOPHON: Is it arm's length with handcuffs? What does it mean in the context of media releases, for instance? Do you or your department vet any media releases before they go out?

Senator Cormann: We certainly are advised of any public statements that are proposed to be put out.

Senator XENOPHON: You vet them?

Senator Cormann: We are advised—

Senator XENOPHON: Wow!

Senator Cormann: We are advised as a courtesy.

Senator XENOPHON: And what, they just put them out? I would be very careful about your answer in relation to this.

Senator Cormann: I take on notice the specific process. But let me just say to you that, as far as I am personally concerned, in relation to the announcement last week, for example, that ASC was proposing to put out a release, I was made aware of that release before it went out. I personally did not have any impact one way or the other on what was or was not in the press release. Whether there is any interaction between the department and ASC I am not aware. Why don't we ask—

Senator XENOPHON: Minister, I am happy to. But can I just say that there is this wonderful thing called FOI. Through the FOI process—

Senator Cormann: Yes, sure.

Senator XENOPHON: I have asked for details of communications between your department and ASC on the issue of media releases. There is a lot of black in this; it is a very dark document.

Senator Cormann: I do not make these decisions. I do not make FOI-related decisions. I am just making—

Senator XENOPHON: No, I know that you do not. But the ones—

CHAIR: Senator Xenophon, would you like to table that document if you are going to be quoting from it?

Senator XENOPHON: I will, but can I hang on to it for a while?

CHAIR: Sure.

Senator XENOPHON: The black came out beautifully with the photocopier.

Senator Cormann: Just to be very clear though, again FOI decisions of the nature that you have described are also made independently by relevant officers in the department; they are not decisions that I make in any way, shape or form.

Senator XENOPHON: This material is for one year. You say that ASC has a fair degree of autonomy. But let me just read to you from Wendy Hoad, the company secretary, back on 16 July 2004. It is a draft media release and it is to someone in your department.

Senator SMITH: Draft media release.

Senator XENOPHON: A draft media release. Thank you, Senator Smith; that is very useful.

Senator SMITH: We do not have a copy of the document, so I just have to ask you to repeat what you say.

Senator XENOPHON: I will repeat it slowly and deliberately. I do not think I need to name the public servant; I do not think that is fair. It says, 'Dear'—person—'Attached is ASC's proposed draft media release and set out below is the'—blank—'from the chairman. We would like to send these out this afternoon. Can you please review and advise whether you are happy with the proposed wording?' It seems to me that is not arm's length; it is shackled.

Senator Cormann: I do not agree with your characterisation of shackled. As I have indicated to you—

Senator XENOPHON: They have to get approval. They cannot—

Senator Cormann: Why don't we let Mr Edge, who is responsible for this part of the department, deal with that? As I have indicated to you, obviously at the officer level, I am not surprised that there is a level of courtesy and communication in relation to these matters. But if your proposition, which is where you started, is that I personally set out to give ASC instructions as a minister—

Senator XENOPHON: No.

Senator Cormann: of what they should or should not put into their press releases—

Senator XENOPHON: No.

Senator Cormann: then I reject that utterly. But if you are suggesting that there was a level of—

Senator XENOPHON: You are verballing me.

Senator Cormann: No. That is where the—

Senator XENOPHON: You are verballing me.

Senator Cormann: You told me to be very careful in relation to my answer when I was suggesting that I had certainly not made adjustments to any ASC press releases but as far as I can recollect—

Senator XENOPHON: Minister, you are verballing me.

Senator Cormann: I do not believe so.

CHAIR: Senator Xenophon, please ask the question.

Senator Cormann: Why don't we let Mr Edge explain what the usual protocols are between a government business enterprise and the issuing of media releases, bearing in mind that they are a wholly owned government business?

Mr Edge: It is not unusual for a GBE to provide us or the other portfolio agency with a copy of the draft media release. It is a fairly normal course of business in that it is a courtesy that the department is aware of what is going to be provided. However, I should clarify something in relation to ASC. Over the past period through 2014 and 2015, there was a process which Finance was actively involved in with Defence which was centred on AWD reform and the reform of that program and, because of the commercial sensitivities around that, there were certainly some protocols put in place around public communication on anything that may have been sensitive to that reform process.

Senator XENOPHON: Can you provide us with what the protocols are for the ASC to communicate to the outside world via media releases and what role the department has in vetting, amending or giving feedback in relation to those draft media releases and statements?

Mr Edge: Just to be clear, the protocols that were put in place were for the purposes of the AWD reform program and are no longer in place. They were specific to that reform program because obviously there were commercial sensitivities and commercial negotiations underway there. In the normal course of business for a GBE, it is simply a heads-up courtesy-type arrangement in relation to releases—

Senator Cormann: Which is what happened last week.

Senator XENOPHON: But respectfully, I suggest that may be inconsistent with, say, a communication between ASC and the department of Wednesday 26 August 2015, saying, 'As per ASC's communications protocols, please find attached'—redacted—'media release relating to ASC's 30th anniversary milestone which is on 29 August. My plan is to send the media release to select media outlets tomorrow and place on our website'—redacted—'Please let me know if you have any concerns.' That does not relate to the AWD. There is nothing commercially sensitive. It is just the 30th birthday of ASC and that goes off to the department for vetting apparently.

Mr Edge: I think that would have just been done as a courtesy.

Senator XENOPHON: 'Please let me know if you have any concerns.' If you have concerns, it will be changed; is that not the case?

Mr Edge: As I said, I think it was done as a courtesy.

Senator XENOPHON: If the department—

Senator Cormann: But, hang on, if I might intervene here, you started off by saying that—

Senator GALLACHER: I have a point of order.

CHAIR: Senator Gallacher, please do not interject. It is not your question, Senator Gallacher.

Senator GALLACHER: I have a point of order.

CHAIR: Senator Gallacher, what is your point of order?

Senator GALLACHER: My point of order, Chair, is that these hearings are conducted in accordance with the standing rules of the Senate and you, as chair, are diminishing those standing rules by continually allowing the minister to go off on his own verbal rant instead of answering questions.

CHAIR: The minister was being directly relevant.

Senator Cormann: And I am entitled to answer the questions—

Senator GALLACHER: Your job is not to protect the minister; it is to protect the Senate.

CHAIR: The minister is being directly relevant to the issue raised.

Senator Cormann: You are trying to bully Senator Paterson. You know that in every—

Senator GALLACHER: I am not talking to you, Minister; I am talking to the Chair.

Senator Cormann: I am entitled to answer questions, and you know that.

Senator GALLACHER: But it is not in regard to the question.

CHAIR: Please allow the minister to have his say.

Senator GALLACHER: I want an answer from the Chair.

CHAIR: You have not allowed the minister to even begin answering the question. He was halfway through a sentence; please allow him to finish. If you think it is not relevant then you can make another point of order.

Senator Cormann: The observation I would make in response to Senator Xenophon's line of questioning is that it started off by suggesting that the government was putting handcuffs on ASC, but what you are describing is ASC actually asking questions of the government. That is a very different proposition, I would put to you. The space that we are working in, in particular in the context of the AWD reforms and in particular in relation to some of the other naval shipbuilding matters—there are a range of defence and national security-related sensitivities and there are a range of commercial sensitivities, so I do not have any complaint about ASC approaching officers in the department, in an entirely non-political way but in an operational capacity, to ask for relevant feedback, if that is what they choose to do. On some matters, obviously the government does have specific public interests to protect and to preserve. But just to be extremely clear again, as a matter of course I receive advance notice of ASC releases that they propose to put out from time to time, but I do not personally make any adjustments to ASC press releases.

CHAIR: Just to clarify, do you have many more questions on this matter, because I want to go to Senator Smith?

Senator XENOPHON: I have many questions to ask of ASC. This is an important issue, not just for my home state of South Australia but nationally as well, given that it is the biggest procurement program in terms of the subs. There is also the question of ASC's management and role. The short answer is that I do have a few more questions on this but I have more questions to ask. I ask that these witnesses not be released until those questions have been dealt with. Can I pursue this issue—

CHAIR: If you want to finish this matter, we will then move to Senator Smith.

Senator XENOPHON: I will finish this line of questioning very quickly, if I may. Mr Edge—

Senator McALLISTER: Chair, if I might assist, Senator Xenophon obviously has many questions. I know that Senator Gallacher also has additional questions, and it sounds like Senator Smith does. Could we ask the minister to try and keep his responses fairly brief, in the interests of keeping to the timetable? This has been a conversation we have had in the

committee previously, about keeping the answers as concise as we can, to avoid us having to be here for—

Senator Cormann: I will be as informative as necessary and as concise as possible.

CHAIR: Thank you, Minister. Senator Xenophon.

Senator XENOPHON: So brevity is your talisman.

Senator GALLACHER: It was concise, not contrite!

Senator McALLISTER: Yes, I think it was concise, not contrite!

Senator XENOPHON: Mr Edge, are you in a position to advise the committee whether any draft media releases sent to the department from the ASC, in the course of time, have been in any way altered as a result of suggestions or requests from the department to the ASC?

Mr Edge: Over what period, Senator?

Senator XENOPHON: Let us say since the calendar year 2014.

Mr Edge: I would have to take that question on notice. Obviously that is an extended period of time. I could not answer that question.

Senator XENOPHON: Are you aware of any media statements, media releases, in draft form sent by the ASC to the department that have been altered in any way by the department?

Senator Cormann: He has taken that on notice and we will provide an appropriate response on notice.

Senator XENOPHON: If, Minister, those media releases were in any way amended as a result of the department's requests, does that in any way cause you to resile from your statement that the ASC operates at arm's length from the department?

Senator Cormann: No, it does not. The ASC does work at arm's length from the department. Of course, they are a wholly-owned government business and there are appropriate protocols. The interactions between ASC and Finance are handled in the appropriate way. I am satisfied that the interactions between ASC and Finance are managed in the appropriate way.

Senator XENOPHON: I am mindful of the chair's quite helpful request. I just want to finish up on this line of questioning. Before I do that—it is relevant to this line of questioning—can I go to *Resource Management Guide No 126* of the Department of Finance, *Commonwealth Government Business Enterprise Governance and Oversight Guidelines*. Clause 1.7 says:

The key principles underpinning the GBE Guidelines are:

- a. Shareholder Ministers exercise strategic control consistent with their accountability to the Parliament and the public
- b. Shareholder Ministers set clear objectives for GBEs
- c. The directors of a GBE develop the business strategies and handle the day-to-day management policies

My question to you, Minister, is: can you set out the objectives that you have set for the ASC? I am happy for you to take that on notice, or find out in the course of this hearing. Did that include ASC developing a plan to be the builder of the future submarines?

Senator Cormann: Again, the future submarine component of this is obviously a live procurement process managed by the Defence portfolio. In relation to the other parts of the question, I will take them on notice to ensure I provide the most expansive answer possible, while being mindful of the fact that you do not want me to talk for too long.

Senator XENOPHON: I did not say that. I like hearing you talk, Minister.

Senator Cormann: That is interesting. What I would say, of course, is that ASC, like any other government business enterprise, has the appropriate corporate plan in place and relevant information is made public.

Senator XENOPHON: Minister, this is very important. You are required under the guidelines to set clear objectives for a government business enterprise; is that the case?

Senator Cormann: That is exactly right. We comply and we follow through on all of the relevant requirements. I have already indicated to you that I will give you as comprehensive and detailed an answer as I possibly can, on notice.

Senator XENOPHON: Respectfully, surely you would know, given the biggest procurement in this nation's history for the future submarines; have you set as an objective for the ASC that they should develop a business strategy to build the future submarines?

Senator Cormann: The objective for ASC when it comes to future naval shipbuilding opportunities is obviously to pursue those opportunities. That is something that ASC, of course—

Senator XENOPHON: Well—

Senator Cormann: I have already indicated to you that I will give you the detail on notice in relation to submarine procurement—

Senator XENOPHON: Maybe Mr Lamarre can tell us.

Senator Cormann: This is a question very specifically for the minister and for the government.

Senator XENOPHON: No.

Senator Cormann: This is not a question for the business.

Senator XENOPHON: ASC can tell us whether one of the objectives set by you as a shareholder minister is for the ASC to build the future submarines. Mr Lamarre, can you tell us whether that is the case?

Senator Cormann: With all due respect, these sorts of communications that you are talking about happen between the minister and the board. I will provide the answer to your question, as you initially indicated I could, on notice.

Senator XENOPHON: Mr Whiley might be able to tell us.

Senator Cormann: I have already taken the question on notice.

Senator XENOPHON: You cannot tell us whether you have requested that the ASC is going to be involved in the building of the future submarines?

CHAIR: Senator Xenophon, if we are going to move on to new topics—

Senator XENOPHON: This is a very important issue, Chair.

CHAIR: Granted. We will return to you—

Senator XENOPHON: So you are shutting me down on what is the key question?

CHAIR: No. Senator Xenophon, you have been questioning for 30 minutes. Senator Gallacher had questions for 30 minutes. We have 25 minutes remaining. There have been no questions from government senators.

Senator XENOPHON: That is subject to the witnesses—

Senator Cormann: Let me tell you again what I said at the beginning.

Senator GALLACHER: If you stop the minister wasting time—

CHAIR: Senator Gallacher, that is not helping.

Senator Cormann: What I said at the beginning is that all of these decisions in relation to procurement, in relation to submarines—

Senator GALLACHER: Why don't we have a private meeting, Chair, and sort this out?

Senator Cormann: or other shipbuilding programs are a matter for the Defence portfolio. The government has not yet finalised its decisions on future shipbuilding and submarine contracting and construction models. Obviously, these are matters to be pursued through the Defence portfolio.

Senator XENOPHON: Chair, can I foreshadow that I do have further questions on this. I understand that you want to move on to—

CHAIR: We will come back to you, Senator Xenophon; I assure you.

Senator XENOPHON: Thank you very much, Chair.

CHAIR: We will go to Senator Smith.

Senator SMITH: Before I go to some questions around the expected negotiations with the South Australian government, I want to hear from the minister and from officials in regard to the scale of investment that might be required in the existing facilities in order to meet the future submarine program, the offshore patrol vessels and future frigate programs.

Senator Cormann: I might ask Mr Edge to take that question initially and then we will take it from there.

Mr Edge: There is obviously quite a lot of work under way in terms of identifying what level of investment would be required. I do not have a number. I think that is still subject to review by Defence in consultation—

Senator SMITH: A number—

Mr Edge: A number, as in the scale of investment.

Senator SMITH: A number can be expected?

Mr Edge: Yes, but it is very significant.

Senator Cormann: I might be able to assist you, Senator Smith. We are talking here about an estimated acquisition cost for the offshore patrol vessels of more than \$3 billion, an estimated acquisition cost of more than \$35 billion for the future frigates, an estimated acquisition cost for Pacific patrol boats of more than \$500 million, and expected acquisition costs for future submarines of more than \$50 billion, which will create well in excess of 3½ thousand direct jobs. Of course, there will also be a significant investment in the infrastructure at the Osborne shipyards. The precise costing of that is currently subject to internal work, but

a material investment will be required to upgrade the facilities so that they can handle a multi-build program with multiple partners that will be building from those facilities.

Senator SMITH: When you talk about the upgrade of those facilities, the employment opportunities that might be attached to that upgrade of facilities is in addition to the 3½ thousand jobs that are being created by the almost \$100 billion in terms of the shipbuilding and submarine programs?

Senator Cormann: That is correct.

Senator SMITH: We are not yet able to quantify what the magnitude of that additional investment is or what those additional jobs are?

Senator Cormann: That work is currently being undertaken and it is obviously linked into the various competitive evaluation processes and procurement activities, but it is substantial.

Senator SMITH: Perhaps by February, at the next estimates, we will be able to quantify that?

Mr Edge: I would expect so, certainly.

Senator SMITH: Turning to the issue of negotiations with the South Australian government, is anyone able to give me a sense of when they are expected to commence and what the time line might be around those discussions?

Mr Edge: The intention is that the conversations with South Australia will start probably late this week or early next week.

Senator SMITH: How long are they expected to go for?

Mr Edge: That is a little bit hard to say at the moment. Obviously, we would like to resolve the outstanding issues as quickly as possible. Ideally, that would be before the end of the year.

Senator SMITH: Are the outstanding issues insurmountable?

Mr Edge: Not from our perspective. Obviously, we need to engage with South Australia and work through the issues from their side.

Senator SMITH: Do you expect the South Australian government to be cooperative, moderately cooperative—

Mr Edge: Certainly. Our initial contact—

Senator SMITH: It is a significant level of investment.

Mr Edge: It is; absolutely. Our early contact with South Australia has been positive and we are planning to meet with them, as I said, very soon.

Senator Cormann: This is obviously a facility that is of national significance and a very significant facility for South Australia as well. We are very confident that we will be able to achieve a satisfactory resolution in the national interests and in the interests of South Australia. Certainly, the early interactions with the South Australian government in relation to this have been very positive. We are quietly confident that we will be able to reach a sensible landing point in relation to this.

CHAIR: Senator Gallacher.

Senator GALLACHER: I want to briefly re-examine some of the points Senator Xenophon touched on, particularly the ASC separation. We know shipbuilding, submarine sustainment and infrastructure are the three new companies. What is ASC's understanding of the role and responsibilities of these three new companies?

Mr Whiley: The three companies are focused, firstly, on shipbuilding and, secondly, on submarine sustainment. I would add that, inside that sustainment arm, at the moment we are doing negotiations on future submarine elements. That is contained within that element. Obviously, the infrastructure company will be effectively a landlord for the infrastructure where either shipbuilding or maintenance will be carried out.

Senator GALLACHER: What effect will that have on your workforce? Will it become less homogenous? Will people go into the different entities?

Mr Whiley: Between the two entities? We have to work that out. There are opportunities via service-level agreements to move people around between the two workforces. We have already had some discussions internally about how we will deal with those issues. There are mechanisms to maintain that flexibility.

Senator GALLACHER: Will it mean more people or less people, or is that undecided?

Mr Whiley: I think it is undecided at this point in time.

Senator GALLACHER: Normally when you bring things together there is efficiency. If you disaggregate them is it more efficient or less efficient?

Senator Cormann: This is the wrong way to look at this particular restructure. The purpose of this restructure is to facilitate a significant ramp-up in the naval shipbuilding workforce required in the context of \$89 billion worth of naval shipbuilding procurement. By separating the shipbuilding and the submarine maintenance businesses and the infrastructure business we are providing a better focus on those specific responsibilities. Obviously, the infrastructure business will need to manage a significant investment in additional infrastructure so that we can facilitate multiple build programs at that same location over the decades hence. The submarine maintenance program, which is performing extremely well, as I have already indicated, is expected to continue to perform moving forward. In relation to shipbuilding there is a program that is currently being managed which will come to a conclusion at some point in the future. In the meantime ASC is best positioned to take advantage of future shipbuilding opportunities in partnership with others.

Senator GALLACHER: Was ASC involved in this strategic review that was conducted by the Department of Finance?

Mr Whiley: We provided input into the strategic review, yes.

Senator GALLACHER: So what did that look like? Were you asked to give a view on—

Mr Whiley: We sat in workshops and provided documentation. There are a number of forums that took place to provide guidance, input and information.

Senator GALLACHER: Have you seen the final report, the strategic review?

Mr Whiley: No.

Senator GALLACHER: Is that unusual?

Senator Cormann: No, that is not unusual. Obviously this strategic review was conducted to inform the deliberations of the National Security Committee and the cabinet and, consistent with the practice under any previous government, documents that inform cabinet deliberations are confidential to the cabinet. That was the case under your government, it was the case under the Howard government, it was the case under the Hawke and Keating governments. That is one of the fundamental tenants of cabinet government.

Senator GALLACHER: So the key principles underlying GBE guidelines are that shareholder ministers exercise strategic control consistent with their accountability to the parliament and the public? So this strategic review is clearly in your purview, so to speak. But what you are saying is that it is commercial-in-confidence or security-in-confidence so that it cannot be—

Senator Cormann: I did not say it was commercial-in-confidence at all. I said it was—

Senator GALLACHER: Well, what are you saying? Why cannot the parliament—

Senator Cormann: I will say it again. I note that Senator McAllister wanted me to keep my answers short, but clearly short answers do not get the information across quite in the way that is necessary.

Senator GALLACHER: You can give it a go, my word.

CHAIR: Senator Gallacher, please allow the minister to answer the question.

Senator Cormann: What I said explicitly in answer to precisely the same question before was that the ASC strategic review was conducted to inform the deliberative processes of the National Security Committee of cabinet and the cabinet and, consistent with the practice under all governments of both political persuasions, documents and reviews informing the deliberative processes of cabinet are cabinet-in-confidence. That is, of course, a rule that we comply with in the same way as governments before us have applied that same rule.

Senator GALLACHER: We should get a short answer to this one. So the strategic review will not be made public?

Senator Cormann: No, it will not.

Senator GALLACHER: Bingo. With respect to the contract with DCNS, the Minister for Defence Industry, the Hon. Christopher Pyne, and the Minister For Defence Industries, the Hon. Marise Payne, today announced the next significant step in Australia's future submarines with the signing of a contract between the government and DCNS to commence the design of the program. Does ASC have any visibility over the key deliverables in this project?

Mr Whiley: No.

Senator Cormann: The procurement process is a procurement process that is conducted by the Defence portfolio.

Senator GALLACHER: So there is no visibility over the key deliverables?

Senator Cormann: By the way, ASC does not conduct procurement processes for the government, that is right.

Senator GALLACHER: So no-one at ASC would have had a meeting with DCNS since the contract has been signed?

Mr Whiley: Yes, we have had meetings with DCNS since the contract has been signed to provide services to support them in their endeavour for future submarine build.

Senator GALLACHER: What sorts of services?

Senator Cormann: This is a matter of public record again.

Mr Whiley: I think that is subject to commercial negotiations at this point in time so I do not really want to go into the details of what they are.

Senator GALLACHER: You do not want to or you are not able to?

Mr Whiley: I do not think—

Senator Cormann: We claim commercial-in-confidence exemption because it is not in South Australia's interest, it is not in the national interest, for us to conduct these sorts of commercial negotiations through a Senate estimates committee. I think you well understand that.

Senator GALLACHER: I take estimates as the taxpayers' opportunity to see what is happening with their tax dollars. I do not think any question is ruled in or ruled out. You may well have decisions that you make that rule questions in or out. But we can obviously sit here and ask the questions.

Senator Cormann: You can ask whatever question you want and we answer them in the way we think is appropriate in the public interest.

Senator GALLACHER: Exactly. I will continue to ask questions in the taxpayers' interest that I see fit without too much guidance from you. So the curious thing in all of this is that it is the job of the directors of a government business enterprise, which is ASC, to develop business strategies and handle the day-to-day management policies. Is that how ASC is currently fulfilling its role?

Senator Cormann: Questions in relation to the board I think should be directed to Mr Edge.

Senator GALLACHER: I just want to know if ASC—

Senator Cormann: You cannot have management answer questions about what the responsibilities of the board are.

Senator GALLACHER: I cannot hear your answer, sorry. You keep turning your head.

Senator Cormann: Management is not in a position to provide you with answers about the responsibilities of the board. That is a matter that is more appropriately addressed to Mr Edge.

Senator GALLACHER: I think it is a more generic question. It is a government business enterprise and the key principles underpinning government business enterprise guidelines are that the directors of a GBE may develop the business strategies and handle the day-to-day management policies. My question to ASC, or to whoever wants to answer it, is: is that what is happening here?

Mr Edge: Senator, yes, that is exactly what is happening.

Senator GALLACHER: Yet they run their press releases back through you and they are not allowed to have visibility up to contract line on deliverables in a government contract?

Senator Cormann: It might surprise you but it is actually a team effort. As Mr Edge indicated before, there is nothing unusual about a government business enterprise, in relation to a matter of public interest, as a courtesy to share what it intends to do in relation to public communications, say, with the relevant officials in the department.

Senator GALLACHER: I just want to finish on the distillation of the workforce in 2018. Can you give me any further and better particulars about the exact numbers that that may look like?

Mr Lamarre: No. Senator, as I said before, we do not know the exact numbers right now. It depends on a number of variables in the procurement process.

Senator GALLACHER: If you could put on the record again, what are those variables?

Mr Lamarre: Maturity of the design, the design that is selected, the effort that needs to go into productionising the design, the level of facility investment and timing of the infrastructure that has been put in place. There are a whole number of variables that will play into it.

Senator GALLACHER: Thanks very much, Chair.

CHAIR: Thank you, Senator Gallacher. Senator Xenophon.

Senator XENOPHON: Can I just go to the issue that we were dealing with previously, in terms of as a shareholder minister. Minister Cormann, you are to set clear objectives for GBEs. Have those objectives been set for the ASC?

Senator Cormann: I comply with all of the necessary requirements, including setting objectives. That is right.

Senator XENOPHON: Do those objectives include that the ASC develop the business strategies to be able to build the future submarines?

Senator Cormann: The objectives set by government are much more high level than that. Obviously in relation to submarines, as we have gone through before, the relevant decisions around contracting arrangements in the context of that procurement are managed by the Defence portfolio and questions should be addressed to Senator Payne.

Senator XENOPHON: Respectfully, I understand what you are saying about procurement, but the guidelines are clear in relation to GBEs. It states in 1.7(c):

The directors of a GBE develop the business strategies and handle the day-to-day management policies.

My question to Mr Whiley is this: have any objectives been provided to you by the shareholder minister in respect of the future submarine project?

Senator Cormann: Let me—

Senator XENOPHON: Sorry, Minister, and through you, Chair, that was a question to Mr Whiley.

Senator Cormann: And I am—

Senator XENOPHON: You are not Mr Whiley. The last time I checked you are not Mr Whiley.

Senator Cormann: I can take every single question.

Senator XENOPHON: I do not know—

CHAIR: As you well know from your previous experience, the minister can take the question.

Senator Cormann: The objectives of ASC, as reflected in the ASC's constitution as well, which guides the company's activities, are to enhance and maintain the Australian Defence Force's maritime defence capabilities and to support Australian government policies in relation to the Australian naval service shipbuilding and repair industry and the submarine construction and repair industry. So, as you can see, the submarine construction and repair industry activities, related activities, are very firmly and in black and white captured by the ASC's objectives as enshrined in their constitution.

Senator XENOPHON: So that includes future submarine building?

Senator Cormann: I will read it to you again. The ASC's objectives, which guide the company's activities, are to enhance and maintain the Australian Defence Force's maritime defence capabilities and to support Australian government policies in relation to the Australian naval service shipbuilding and repair industry and the submarine construction and repair industry. Now specific decisions in relation to—

Senator XENOPHON: I am sorry. I apologise. So that there is not any misunderstanding, is that what is contained in the charter or some other phrase you may conflate for the ASC? Is that the same as the requirement under 1.7(b) of the resource management guide number 126 of the Department of Finance?

CHAIR: Senator Xenophon, while the minister coordinates his answer there, can I just clarify how many more questions you have? We are due to go to a break at 10.30. If you are able to get through all your questions before then we might extend it by a minute or two.

Senator Cormann: No. What I have just read out to you is enshrined in the ASC's constitution—as set out in the constitution of a government business enterprise. But of course the corporate plan approved by the government, with my involvement as a shareholder minister, makes specific reference to those objectives. And the objectives are self-evident. In relation to the bit that you are interested in, support Australian—

Senator XENOPHON: Aren't you conflating what is in the charter of the ASC as distinct from the requirement of 1.7(b) to set clear objectives for the ASC?

Senator Cormann: I am not conflating at all. If you look at the corporate plan, which is endorsed by the government, and the statement of corporate intent you will find that these objectives are very explicit. The objective here is to support Australian government policies. In relation to the bit that you were interested in, in relation to the submarine construction and repair industry, it obviously gives ASC scope to do what Mr Whiley indicated that ASC was doing, and will continue to do, in the context of the ASC submarine maintenance business.

Senator XENOPHON: Chair, in relation to your very reasonable question, I do have more questions. I will not be able to complete them by the morning tea break, sadly.

CHAIR: Okay.

Senator XENOPHON: But I will do my best to try and complete them within a few minutes following the morning tea break, so we can deal with them. I understand the need to expeditiously deal with them but these are important issues for taxpayers.

CHAIR: Thank you. In that case we will go to Senator Gallagher who I understand has one quick question.

Senator GALLAGHER: Just in relation to the board of the ASC, are all the positions filled on the ASC board?

Senator Cormann: No. There are currently three vacancies, which the government is in the process of filling as we speak.

Senator GALLAGHER: How long have they been vacant?

Senator Cormann: They have been vacant for a period. To put context around this, the government decided to fill those positions after the ASC strategic review had been completed and the relevant restructure announcement had been made in order to ensure that we can make appropriate appointments with the appropriate expertise in the content of the restructured company as announced last week.

Senator GALLAGHER: Are there any particular candidates in mind—South Australian candidates presumably?

Senator Cormann: Subject to consideration of government.

Senator GALLAGHER: I note the incoming minister's brief actually says that the appointment of at least three non-executive directors to the ASC board will be a priority.

Senator Cormann: That is right.

Senator GALLAGHER: Several months after an election we still have not dealt with the priority?

Senator Cormann: It is a priority but the timing, and sensibly, if I may say so, was to coincide with the final decisions in relation to the future structure of ASC, with the ASC business having been separated into a shipbuilding, a submarine maintenance and an infrastructure business. Obviously relevant appointments to the board will reflect that future direction post the strategic review. Now that the announcement of the structure has been made the government will make the necessary appointments very soon.

Senator GALLAGHER: Okay.

CHAIR: Thank you. It being 10.30 we will break for 15 minutes and return at 10.45.

Proceedings suspended from 10:30 to 10:45

CHAIR: We will return to questions to the Australian Submarine Corporation. Senator Xenophon.

Senator XENOPHON: Thank you very much, Chair. I will try to be as expeditious as possible.

CHAIR: Please do.

Senator XENOPHON: Prior to the tea break I indicated that I would like to table a bundle of documents relating to FOIs I obtained from the department in relation to interchanges between the Department of Finance and the ASC, with the redactions. I think my photocopier has run out of black ink. But it is not simply about a media release, it is also in relation to the communications between the department and the ASC.

CHAIR: Senator Xenophon, is that already a public document?

Senator Cormann: It has been released under FOI but the department—

Senator XENOPHON: It has been released under FOI.

Senator Cormann: Therefore it would be publicly available on the Finance website.

Senator XENOPHON: It is publicly available on the website. I seek to table that.

CHAIR: Yes.

Senator XENOPHON: During the break, the minister—and I hope the minister does not mind me mentioning this—provided me with the Statement of Corporate Intent 2016-2021 ASC Pty Ltd. Minister, thank you for providing that. I genuinely am grateful for that. Are you saying that is the same as setting out objectives under the GBE guidelines?

Senator Cormann: This is signed off by the government. This is, obviously, the government endorsement of the strategic objectives of ASC, which, as I have indicated before, includes:

Support Australian government policies in relation to the Australian naval service shipbuilding and repair industry and the submarine construction and repair industry.

The short answer to your question is yes.

Senator XENOPHON: Thank you, although there may be an issue about whether that is the appropriate conduit. But I do not want to enter into it that; there are other issues that I want to raise. I want to go to the issue of the supply ships. Mr Lamarre, these are questions that I asked back in March 2016. There was a question on notice of Defence, through the committee process, about unsolicited offers to Defence or Defence Materiel from ASC basically saying, 'We can build three for the price of two,' including a significant Australian build but with the first being built in South Korea. Senator Payne said that was an unsolicited proposal. The answer from Defence was that the unsolicited proposal from ASC was never formally submitted to Defence.

Can you tell me, Mr Lamarre, given that there was an unsolicited proposal from ASC in respect to the supply ships, what actually happened to that? This is not a criticism of ASC. Presumably it said, 'We can build three for the price of two with a fairly significant Australian component with a second and third vessel'. Where does the proposal actually physically go? Who determines whether it goes to Defence or not?

Mr Lamarre: I would have to take that question on notice. I was not here at the time that that procurement was considered.

Senator XENOPHON: Minister, this unsolicited proposal relates to the supply ships. The answer we got back from the Department of Defence was that the 'unsolicited proposal from ASC was never formally submitted to Defence'. So there was an unsolicited proposal to build three supply ships effectively for the price of two with a significant Australian component compared to what we have now, with a very negligible Australian component. So my question is: what is the protocol? Mr Lamarre has taken it on notice, but what is the protocol? Did the department have any role in preventing, thwarting or in any way vetting that unsolicited proposal going to Defence? What is clear is that there was an unsolicited proposal from ASC but the answer—question reference No. 167—was that it was never formally submitted to Defence.

Senator Cormann: Firstly, the answer to your specific question as to whether Finance had any role in preventing or stopping or whatever the proposal going forward is no—an emphatic no. We had absolutely no involvement in relation to this. Questions in relation to procurement decisions made by Defence are matters that are best addressed by Defence.

Senator XENOPHON: I do not want to get into a row with you now; I am just trying to get through this because I know that the committee wants to move on to another issue.

Senator Cormann: And I have given you a very specific, a very concise and a very direct answer.

Senator XENOPHON: Mr Lamarre, can you take on notice why it is that that unsolicited proposal, which on the face of it looked like a pretty good proposal, was never formally submitted to Defence? Could you please take that on notice? Again, it is not a criticism; I am just trying to find out.

Mr Lamarre: Yes.

Senator XENOPHON: Minister, wouldn't a shareholder normally inquire as to why a proposal related to core business of the ASC, namely shipbuilding, was not submitted to Defence? Isn't that something within your purview as the shareholder minister of ASC?

Senator Cormann: Sure. I clearly do take an interest in ASC's success. The challenge, as I am advised, in relation to this particular contract relates to years of inaction by the former Labor government in not making decisions on shipbuilding activities.

Senator XENOPHON: Well—

Senator Cormann: You have asked a question and I would like to answer it. Because of that inaction over six years, not making any decision on any procurement in relation to shipbuilding, the Australian-build options at the time were assessed as not able to achieve the required schedule to avoid a critical capability gap, and a significant cost premium was assessed. But, as I indicated, these are not decisions that were made in any way, shape or form in the Finance portfolio. These are matters that relate exclusively to the Defence portfolio.

Senator XENOPHON: Respectfully—and perhaps you could take this on notice—were you advised, as shareholder minister, of the unsolicited proposal from ASC to build three supply ships effectively for the price of two? Could you please take that on notice and also whether you are aware of any discussions in respect of the Icebreaker, which is about half a billion dollars, which will be built in Romania, as I understand it, with very little or no Australian input in terms of Australian value-adding here?

Could I just go to the issue of the OPVs. I will put this to you, Mr Lamarre. I think you were recruited to ASC because of your considerable and distinguished experience in shipbuilding.

Senator Cormann: That is right. We headhunted him out of the US because of his excellent senior experience in shipbuilding.

Senator XENOPHON: I am glad we can agree on something this morning.

Senator Cormann: And, may I say, he has done an outstanding job.

Senator XENOPHON: You brought us together, Mr Lamarre, on something.

Senator Cormann: He has done an outstanding job in leading the team at ASC in lifting productivity and performance, and we are very grateful.

Senator XENOPHON: Minister, it warms my heart that we have managed to agree on something this morning. So that is a good thing.

Mr Lamarre: I am certainly happy.

Senator XENOPHON: I made a request for documents under FOI in relation to the SEA1180 project—that is, the OPVs. That is what the SEA1180 project is—the OPVs.

Mr Lamarre: Correct.

Senator XENOPHON: I made a number of requests in relation to an analysis of the cost of the project and the risk of splitting the SEA1180 build between South Australia and Western Australia. Is that something you had any input on? The proposal is to build some OPVs here and then the shift to go to WA?

Mr Lamarre: I did not have input into the decision. I certainly was not a decision-maker. But I would say we certainly provided our views about the impact to future frigates should the shipyard go without work in South Australia.

Senator XENOPHON: Chair, through you, if I may, I would put to Mr Lamarre a copy of a document that I seek to table. It is FOI 027/1617 in relation to the Freedom of Information Act request?

CHAIR: You may.

Senator XENOPHON: And I will provide you a copy as well, Chair.

CHAIR: That would be very helpful. Thank you.

Senator XENOPHON: This is a significant project costing in the order of \$3 billion to \$4 billion, Mr Lamarre. What is your understanding of the OPV project?

Mr Lamarre: I think it is in the order of \$3 billion.

Senator XENOPHON: In the order of \$3 billion?

Mr Lamarre: That is my understanding.

Senator XENOPHON: I have asked for details of any analysis done in terms of splitting the build between the two states. Under paragraph 5 'Reasons for decision' it states:

I have been advised that no analysis of the cost project risk of splitting the SEA1180 build between South Australia and Western Australia exists within Defence nor has any such analysis been undertaken.

I have also been advised that no documents are held that go to the political considerations of splitting SEA1180 between South Australia and Western Australia.

Can you advise—

Senator Cormann: Sorry, for completeness, because it is highly relevant in the context of what is coming, it also says 'a comprehensive competitive evaluation'—

Senator XENOPHON: How do you know what is coming?

Senator Cormann: 'process has commenced with phase 1 being completed ship design alternatives and an analysis of project costs and risk will be undertaken during phases 2 and 3, yet to be commenced.'

Senator XENOPHON: And, by the time we get to phases 2 and 3 it will be too late. Normally you would do an analysis of splitting a build earlier on, would you not?

Senator Cormann: Again, this is an FOI decision that has been released by the Department of Defence. They have provided a statement of reasons and the relevant information. Questions about the timetable of the competitive evaluation process in relation to this project, as in relation to any other Defence project, should be addressed to Defence. ASC is not possibly in a position to provide comment in relation to procurement-related decisions made by the Defence department.

Senator XENOPHON: Minister, respectfully, the fatal flaw in what you have just said is that a decision has already been made as a *fait accompli* by Defence, which in turn impacts on the ASC.

Senator Cormann: Sorry, but the rationale and the explanation of why relevant decisions were made and when any future decisions will be made is entirely a matter for the Defence portfolio.

Senator XENOPHON: I want to ask Mr Lamarre this question: as a GBE, in terms of the business plans and the business cases you prepare as part of the work of the ASC, was there an analysis undertaken by the ASC to determine what the cost of the split would be?

Mr Lamarre: We did not do an analysis. It is very, very early on in the program to understand. You can only talk about it in broad terms because of all the variables that I mentioned earlier in terms of design and all the other things that I mentioned as variables. We were not tasked with doing a study for government to determine what was more or less cost beneficial to the OPV program. I would say from my own personal experience, my personal opinion, that it was a very good decision to bring work to South Australia during this period of time. That will have a significant role in de-risking the future frigate program, which is a much bigger program and would have suffered had we allowed the shipyard to go dormant.

Senator XENOPHON: I understand that but, given your expertise in shipbuilding—and I say this completely sharing the sentiments of the minister—and given your distinguished record in shipbuilding, have you ever seen this sort of approach where you split a build of a project of this size?

Mr Lamarre: Absolutely. It happens all the time.

Senator XENOPHON: Where?

Mr Lamarre: It happens in the United States. Many programs, including submarines and destroyers, are built in multiple yards.

Senator XENOPHON: You build a couple initially and then you build the rest somewhere else?

Mr Lamarre: Some of these things have been going on for many decades, yes. It is reasonably common, at least in the US.

Senator XENOPHON: Normally there would be analysis done, would there not?

Mr Lamarre: I cannot comment on that.

Senator Cormann: You are asking him a question he cannot answer.

Senator XENOPHON: To your knowledge, given your experience, would you normally undertake a cost-benefit analysis of splitting a build?

Mr Lamarre: I would simply say that the OPV decision that was made by government has probably taken into account a wide range of factors, including the national shipbuilding strategy and derisking the Future Frigate program. That is really the level of detail I can get to.

Senator XENOPHON: I have a couple more questions; I am conscious of the time. Has ASC been examining the idea of shifting Collins sustainment work to WA?

Mr Whiley: The location for sustainment is a matter for the government. At this stage there are no firm plans that I know of to move it to WA.

Senator XENOPHON: Has there been any request by government to consider shifting sustainment to WA?

Mr Whiley: There is no work currently ongoing to consider moving to WA.

Senator XENOPHON: Has there been any work previously undertaken in relation to moving, in part or in whole, sustainment work for the Collins class submarines?

Senator Cormann: Let me give you—

Senator XENOPHON: I was asking Mr Whiley a question.

Senator Cormann: No, let me give you some advice, just to make sure we all know what we are talking about. Currently, the six-monthly intermediate dockings and one-year mid-cycle dockings, when it comes to the Collins class submarine maintenance program, are undertaken in Western Australia. The full-cycle dockings are undertaken in South Australia. There has been absolutely no decision whatsoever to make any change to that arrangement.

Senator XENOPHON: Has any work been carried out, Minister, to consider contingencies in respect of that?

Senator Cormann: Obviously, a lot of work has been done—Mr Whiley might want to talk through that—in the wake of the Coles review to ensure that the Collins class submarine maintenance program meets the Navy's expectations, which, as I have already indicated, as a result of the great work done by ASC submarine maintenance under the leadership of Mr Whiley, is now exceeding relevant targets consistently. They have done a great job in turning the performance of that part of the ASC business around in recent times. In that context a whole range of options, I would imagine, would have been assessed. The current arrangements are as I have indicated, and these are the arrangements that remain.

Senator XENOPHON: I understand that the issue of sustainment is a decision for government. I am asking whether ASC is undertaking any analysis about where the sustainment takes place.

Senator Cormann: I have just indicated that to you. I am happy for Mr Whiley to add to this. A lot of analysis has clearly been done on how best to configure the relevant sustainment activities between South Australia and Western Australia, as is done at present, to ensure that the relevant targets set by Navy are met or exceeded.

Mr Whiley: Obviously, the plans on the 10-plus-two are formulated on two-year FCD in Osborne—

Senator Cormann: That is, full-cycle docking.

Mr Whiley: and the other maintenance activities being done in WA. Currently, as I said, there are no firm plans to move full-cycle dockings to Western Australia. However, ASC has done various scenario considerations of moving to both east and west coasts. There is nothing—

Senator XENOPHON: There are no firm plans but you have looked at contingencies?

Mr Whiley: We have looked at opportunities for docking on the east coast as well.

Senator XENOPHON: I will put some questions on notice about specific contracts, but this will be music to the chair's ears, I hope.

CHAIR: Thank you.

Senator XENOPHON: I want to finish off on a particular issue that relates to a media release of the ASC of 26 September 2014. I do not expect you to know what was in that media release, but it is headed: 'ASC signs significant new international agreements'. It states:

ASC has signed two international stakeholder agreements that will support its mission to safely build and maintain Australia's frontline naval ships and submarines to world class performance and quality standards.

The company has signed a Partnering Agreement with the International Centre for Complex Project Management (ICCPM) and a Membership Agreement with Human Systems International (HSI).

I am not sure if you are aware, Minister, that the ICCPM has been the subject of a fairly scathing analysis by the ANAO in relation to the Airservices Australia contract for the \$1.5 billion OneSKY program. My questions are as follows, and if they must be taken on notice, I understand that. What relationship existed between ASC and ICCPM prior to that point in terms of any contractual arrangements, consultancies and the like? Has the ASC ever had anyone on the board of ICCPM or vice versa? Could you advise about the interrelationship between the two? Is ICCPM undertaking this work?

Senator Cormann: We may take that on notice, just to make sure we give you an accurate answer.

Senator XENOPHON: Yes. I would invite you to see some of the comments on this. There is still an ongoing investigation by the ANAO in relation to Airservices Australia. I understand that it is a completely different entity. It is a significant issue—concerns about probity and the like. Also, on notice, could you provide details of how much is being paid to ICCPM in terms of consulting fees or contracts since that date, both in the 12 months prior to that announcement of 26 September 2014 and subsequent to that time?

Mr Lamarre: Okay, no problem.

Senator XENOPHON: I am done, for now.

CHAIR: Thank you, Senator Xenophon. If there are no further questions, I thank the Australian Submarine Corporation for their attendance today. We will move to the Future Fund.

Future Fund Management Agency

[11:07]

CHAIR: I welcome Mr David Neal, Managing Director of the Future Fund Management Agency, and Dr Raphael Arndt, Chief Investment Officer. I also welcome officers from the Department of Finance covering program 2.7, Australian government investment funds. Mr Neal, do you wish to make an opening statement?

Mr Neal: I do.

CHAIR: Please go ahead.

Mr Neal: In September we released an end-of-year update on the performance and positioning of the five funds for which the board is responsible. I would like to provide a short summary of the key points.

As at 30 June 2016 the Future Fund had grown to \$122.8 billion. Originally funded with contributions of \$60.5 billion, investment returns have added over \$62 billion to the value of the fund. The board considers returns over 10-year rolling periods as a suitable performance measure for the Future Fund given its long-term investment mandate. As we were set up in 2006, this was the first time we were able to report a 10-year return. I am pleased to confirm that the 10-year return was 7.7 per cent per annum, exceeding the benchmark target return of 6.9 per cent per annum.

The Future Fund has generated returns of 11.4 per cent, 10.2 per cent and 10.7 per cent per annum over three, five and seven year periods respectively. Returns over the one year to 30 June were more subdued, at 4.8 per cent. We have been highlighting for some time that asset prices have been driven up by record low interest rates and that prospective returns will likely be lower than in recent years. We have also been conscious of the risks across markets as central banks adjust their policy settings and as policymakers attempt to generate sustainable growth. This outlook also means potentially greater volatility.

We have been positioning the portfolio for this environment consistent with our investment strategy and maintaining a generally lower level of risk in the portfolio. That noted, in September we were pleased to secure an investment in the Port of Melbourne as part of a broader consortium. Once that transaction closes, the Future Fund will have a 20 per cent stake in the Port of Melbourne to add to our significant existing Australian infrastructure investments in Perth Airport and Melbourne and Launceston airports. Australian infrastructure investments will then make up around half of our global infrastructure portfolio.

At the end of June the DisabilityCare Australia Fund, Building Australia Fund and Education Investment Fund stood at \$6.1 billion, \$3.7 billion and \$3.7 billion respectively. We have continued to invest these funds in accordance with their lower risk mandates. We received contributions into the Medical Research Future Fund in the last quarter of 2015 and have begun investing the fund in line with its mandate. The Medical Research Future Fund stood at \$3.2 billion at 30 June 2016.

In summary, performance has been strong and the Future Fund board and management team are focused on prudently managing the \$140 billion in our care. I look forward to your questions.

CHAIR: Thank you very much.

Senator GALLAGHER: I have a series of questions. You touched on some elements of them in your opening statement, Mr Neal, relating to the portfolio update. Can you expand a little bit on what led to the lower returns of last year? I think you touched on it in your

opening statement but could you provide a little bit more detail as to why last year was the only year when you have been unable to meet the target return?

Mr Neal: Quite simply, broad market returns were lower through that period. As a long-term fund our task is to try and add value over the longer periods. In doing so we expose ourselves to a range of investment markets, both in Australia and globally—the equity markets, credit markets, property infrastructure and the like. A fair proportion of that exposure is in equity markets. I do not have the numbers in front of me, but the equity markets were close to flat as you looked across the globe in the last year. When you do not get much return out of the equity markets in a particular year, it is very difficult to generate strong returns. In that context we were pretty delighted with a 4.8 per cent return. We think that was quite a good outcome.

Senator GALLAGHER: From my reading of your portfolio update, is that mainly driven by the final quarter?

Mr Neal: We did have a stronger quarter. Markets were stronger in the final quarter. A number of our private market investments also got revalued in the final quarter. Yes, we did have quite strong returns in that final quarter.

Senator GALLAGHER: There was a negative quarter in the March quarter; is that right?

Mr Neal: I believe that is correct, yes.

Senator GALLAGHER: Over the year it was a 4.8 per cent return?

Mr Neal: That is right.

Senator GALLAGHER: For the final quarter you had a target return of 1.5 per cent but you actually achieved 4.6?

Mr Neal: That is correct.

Senator GALLAGHER: So that final three months was driving a lot of your year's results?

Mr Neal: It is where much of the return was; that is right.

Senator GALLAGHER: In terms of some comments that the Future Fund chair has made, in this portfolio update the following quote is attributed to the Hon. Peter Costello:

Looking forward the investment environment is challenging with returns likely to be lower and risk higher. While global growth remains weak, Monetary Authorities globally continue to have limited flexibility to stimulate activity. With this outlook it is prudent to hold the level of risk in the portfolio at a lower level than would normally be the case.

Can I take from that that the Future Fund is reducing its exposure to risk?

Mr Neal: We have been. Probably over the last 18 months or so we have been steadily taking a little risk out of the portfolio. To put that into context, we had, for us, a relatively high level of risk in the portfolio perhaps 18 months to two years ago. We had been bringing that down. I would describe us as now being moderately cautious with our portfolio positioning. It has probably been fairly stable over the last quarter, I would say. The portfolio has not changed very much over the last three months.

Senator GALLAGHER: In terms of reducing your risk over the last couple of years, are you expecting that to lead to a decrease in the short or medium term in the returns that you would have been expecting had you maintained it?

Mr Neal: It is a complicated question so I will try and explain it. The task that we have is to manage both risk and return. We are asked to generate strong long-term returns. The mandate also talks about taking acceptable but not excessive levels of risk. We see our task as being to expose the portfolio to risk when we think the reward for that risk looks attractive, and obviously to avoid risk when we think the reward for that risk is less attractive. The reason why we have been taking risk out of the portfolio is that we think that on a prospective basis, looking ahead, the reward that the markets are offering us, the expected return, is declining. That is for a few reasons. It is a function of low base rates. All around the world cash yields and bond yields are very, very low, stretching right out into the long term. The Australian government just did a 30-year bond at 3.2 per cent through to 2.27 per cent, I think it was. They were very, very low returns for very long periods of time as base rates.

On top of that, markets have been very strong for a number of years. You see that through our returns and through many other people's returns. I am not sure that you describe markets necessarily as expensive, but they are reasonably fully valued. So that means, again, the prospective returns are relatively subdued. That is why we have been taking risk out. Yes, we expect prospective returns to be lower. That is not really because we have been taking risk out of the portfolio, it is because the expected return on markets we think is lower. And that is why we have taken the risk out.

Senator GALLAGHER: I think the Chair has made some comments around lowering the CPI plus 4½ per cent to 5½ per cent investment target that was set when the fund was established. I guess that is probably a question for the minister really. Is that something that the government is considering or has taken advice from the Future Fund on?

Senator Cormann: What's this?

Senator GALLAGHER: Sorry, you weren't listening to my scintillating line of questioning? It is reported that the Chair has asked the federal government to consider lowering the CPI plus 4½ per cent to 5½ per cent investment target that was set when Mr Costello established the fund. Is that something that the government is considering or has taken advice from the Future Fund on?

Senator Cormann: The government has received the request. The government is considering the request. The government has not made any decision one way or the other. Yes, the government is taking advice from the department. Obviously the Future Fund has made its view and its position clear but ultimately it will be a decision for the government based on advice from the Treasurer and me. We are currently giving the request put to us by the Future Fund due consideration.

Senator GALLAGHER: Is there a kind of a hard line, a time line, where that decision would need to be made to feed into the planning of the Future Fund? Is it something that you would announce as part of the budget for example or can it be done at any time?

Senator Cormann: We can make the decision at any time. But obviously whatever the timing is on when we make the decision, we make the decision when we are satisfied that we have all of the information and all of the advice to ensure that we make the right decision. But obviously it would be reflected in budgets and budget updates as appropriate once such a decision has been made.

Senator GALLAGHER: Can you tell me when the request came from the Future Fund to consider that?

Senator Cormann: I might ask Dr Helgeby. But we might have to take that on notice. We might be able to give you that.

Dr Helgeby: My recollection is that it would have come in about two months ago, something along those lines.

Senator GALLAGHER: How long would it take to make a decision on this?

Dr Helgeby: As the minister has said, there are no real hard timelines or deadlines on something like this.

Senator Cormann: The investment mandate continues as it is until such time as we change it. At this stage we have not made a decision to change it. As I have indicated, we are considering the request. We are taking advice. And should at some point in the future the government be of the view to make a change, that of course will be reflected as appropriate in a revised investment mandate and will be made public in the appropriate way.

Senator GALLAGHER: But are you treating it as a priority?

Senator Cormann: We are treating all requests that come to us from our various agencies, including the Future Fund, in the context of all of the priorities we are dealing with.

Senator GALLAGHER: So we are not going to get much further on that. Again in terms of the future, it is reported that the Future Fund is engaging in ongoing dialogue with the government over the long-term picture for the Future Fund, particularly as the expectation is that the government is able to draw down from the fund in 2020 and that date—

Senator Cormann: That is not an expectation; that is the law. That is a legal provision in the Future Fund Act, yes.

Senator GALLAGHER: So as that date is drawing near how are those discussions going? Where are they up to? And when will a decision be made around that?

Senator Cormann: There are two contingencies that are reflected in the Future Fund Act on what would trigger the possible drawdowns on the Future Fund by government: one, if the unfunded superannuation liability is adequately covered as certified by the appointed actuary, and we are still some way away from that being the case, and the other is 1 July 2020.

Obviously that is just outside the current 2016-17 forward estimates period. The next budget will be the first budget which covers the 2020-21 financial year, the period from 1 July 2020 onwards. Yes, the government is considering how to approach the provisions in relation to drawdowns as reflected in the Future Fund Act. No, the government has not made any decisions. If and when a decision is made that would, of course, again be reflected in the budget, and the first budget in which this becomes a live question will be the 2017-18 budget.

Senator GALLAGHER: So you accept that a decision would need to be made by the budget next year?

Senator Cormann: Absolutely. We will have to make a decision one way or the other. The Future Fund Act at present says funds can be drawn down either from 1 July 2020 or from when the unfunded public sector superannuation liability's future is fully covered on the terms I have indicated to you. One condition will definitely not be fulfilled, we do not think, in that same time frame. The other will be fulfilled with the passage of time. So between now

and next year's budget the government will have to form a view as to what our attitude is to the operation of the Future Fund from 1 July onwards, that is right.

Senator GALLAGHER: The imperative from the Future Fund's point of view is that it will affect their investment strategy, presumably.

Senator Cormann: It is a highly relevant question for the government to resolve to facilitate the work that the Future Fund is doing, absolutely.

Senator GALLAGHER: So the best I am going to get from you today is that a decision will be made by next year's budget?

Senator Cormann: Some time between now and next year's budget a relevant decision will be made and that is indeed the best you will get today.

CHAIR: Before we move on I have an unrelated question. Minister, you are familiar with Mr Costello's public contribution on this matter?

Senator Cormann: Yes, and his private contribution too.

CHAIR: I know in February he was telling *The Weekend Australian*:

If you draw it all down you will exhaust it. If you start taking out \$8b to \$9b a year it will run down to zero by 2040.

Is that a view that you share?

Senator Cormann: Already he is spelling out the maths. I would just indicate, consistent with what Senator Gallagher said earlier, obviously the provisions in the Future Fund Act were determined at the time by one of the greatest treasurers that the Commonwealth has ever seen, one honourable Peter Costello. The government today, from 2016 onwards, with an outstanding chair of the Future Fund, have got to work our way through how we deal with the legal provisions that are enshrined in the Future Fund Act. The government has not made a decision either way but the government will have to make a decision because next year's budget will, for the first time, cover the period post 1 July 2020. Self-evidently this is something that we will have to conclusively resolve in terms of our medium to long-term approach to this between now and then. We are very aware of Mr Costello's publicly stated and private views.

CHAIR: Given that public sector pension liabilities are increasing rather than decreasing, would it be fair to say that government would be concerned at the fact that the Future Fund could be depleted as early as 2040 and those liabilities may not be able to be met by it?

Senator Cormann: I think you are getting a bit ahead of yourself in terms of the conclusions you draw because you assume certain decisions have significances, as I have indicated, which have not been made yet. In terms of the public sector superannuation liability, there has been a level of reporting around a supposedly escalating liabilities which is not entirely accurate. I might ask Dr Helgeby to spell these out.

CHAIR: That would be helpful, thank you.

Senator Cormann: Essentially there is a difference in the accounting treatment of the outstanding superannuation liability in documents like monthly financial statements or final budget outcomes which deal with actual outcomes and budget estimates and final budget outcomes. Monthly financial statements use a discount rate which is essentially the long-term bond rate which at the relevant time I think for the most recent update was 2.7 per cent,

whereas the estimate at budget or MYEFO time is based on a discount rate of six per cent which is actuarially set and reflects the longer term experience. If you use different discount rates, given that the liability extends over a very long period, you get very different dollar amounts in terms of the overall liability. I might get Dr Helgeby to take you through it.

CHAIR: Thank you.

Dr Helgeby: As the Minister said, there are a number of different discount rates that are applied. They reflect the fact that a statement prepared for particular purposes is there to reveal something about the purpose of that document. So for budget purposes we use an actuarially determined rate. That is reflecting the fact that these liabilities are held or they extend a long way into the future. They only have to be met on a progressive basis over that time frame, over decades. The practice ever since we introduced the full accrual set of statements has been to draw on that long-term picture in producing that discount rate. You apply that discount rate taking that long-term view, which is a realistic view, about how in fact the liability will crystallise over time and you get a particular number which we publish in the budget papers every year.

When we come to actuals reporting we are governed by something else; we are governed by accounting standards. And accounting standards require us to use the long-term bond rate because they make quite a different assumption. They assume that the liability, in effect, has to be crystallised as at a point in time, as at 30 June in a particular year. In effect, that government would have to borrow the full amount in order to do that.

You then get a valuation which is driven by the movements in the bond rate. The bond rates moved quite significantly in recent years. If you go back to about the mid-2000s, the bond rate and the actuarial rate were almost identical. If you push it out a couple of years and into the current time frames, then the bond rate has diverged quite significantly from it. So you get quite significant variations in terms of a reported figure. For example, as at the 2016-17 budget the published figure for the value of the liability was \$169 billion.

Senator Cormann: That is with the now discount rate?

Dr Helgeby: That is right. That is with the actuarial discount rate, and that is military as well as civilians, and it includes all schemes, including some of the small schemes—judges schemes, governors-general et cetera. If you then look at the FBO—the final budget outcome—for the same period, using the alternative discount rate, the long-term bond rate, you get a figure of \$314 billion. So you get what looks like a very big movement in the liability but it is driven entirely by those discount rates and driven entirely by the fact that the two documents and the two ways of producing these valuations are there for different purposes. One is there to show what you are likely to have to meet over the long term, which is the nature of that liability, and the other is there to say: what if you had to deal with it all on one day by borrowing?

Senator Cormann: Which, of course, we do not have to deal with on one day.

Dr Helgeby: Which we do not have to do.

Senator Cormann: There has been a level of erroneous reporting around all of this, so I thought it was important to spell that out. This has happened under both persuasions over some time now. The public sector defined benefit arrangements have been progressively closed. The number of Australian public servants in defined benefit arrangements, if anything,

is expected to continue to shrink, and it is certainly much less than what it has been in the past.

Senator WHISH-WILSON: I was just suggesting that we ask what percentage the defined benefits were—

Dr Helgeby: I can give you some numbers.

Senator WHISH-WILSON: What general rate would they be? I know they are different, depending on the different schemes. But what would be—

Senator Cormann: Let us start off with the high level and—

Senator WHISH-WILSON: Okay.

Dr Helgeby: In the Commonwealth we have the PSS, the Public Sector Superannuation Scheme, which closed in 2005, so the last entrant to that scheme was in 30 June 2005; the CSS, which closed in the early 1990s; the MSBS, which is a military scheme, and which closed on 30 June this year; and the DFRDB, which is an older military scheme.

Senator Cormann: I think the question was about numbers.

Dr Helgeby: Yes. In terms of actual contributing members to these schemes, there are 83,000 contributory members to the PSS, 7,000 to the CSS, 58½ thousand to the MSBS and 2 200 to the DFRDB, the other military scheme. The value of the liability on the military side, taking the long-term perspective, is \$61½ billion as at the 2016-17 budget, and the value of the civilian schemes in total as at the same time is \$107 billion.

The ASL in the general government sector is at around 167,000, or a bit less than that. If you look at the civilian side, there are about 90,000 contributors out of that 167,000. So the rest are made up of accumulation scheme members. In fact, if you then adjust on a head count basis, there are about 89,000 contributors to the accumulation scheme that the Commonwealth runs. I cannot give you all of the comparable figures on the military side.

Senator Cormann: We might take that on notice.

Dr Helgeby: We will take that on notice.

Senator WHISH-WILSON: I will ask my last question. You have given us the values and the number of employees, but what were the various rates, the defined benefits, under those schemes, in percentage terms? I want to compare it to the bond yield you were talking about.

Dr Helgeby: Senator, if I understand your question correctly, it is: what is the value of what, in a defined benefit scheme, we would call the notional employer contribution?

Senator WHISH-WILSON: Yes. I can get it from you later, if you like.

Dr Helgeby: We will be ready for that.

Senator GALLAGHER: On the target asset level, that has been set for 2016-17 at \$161.1 billion?

Dr Helgeby: Yes.

Senator GALLAGHER: Do you have any information available about how you are tracking against that target asset level?

Senator Cormann: We are tracking against it; \$122.8 billion is the relevant—

Senator GALLAGHER: Yes, beyond that.

Senator Cormann: Beyond that, obviously—

Senator GALLAGHER: For the first quarter: you would not—

Senator Cormann: These updates are provided at regular intervals. The most recently available public update is 30 June 2016. The next update will be provided in due course.

Senator GALLAGHER: I can still ask whether you have that figure ready.

Senator Cormann: In any budget, and indeed in any Future Fund investment portfolio, there are always a number of moving parts. I think it is prudent to provide updates at regular intervals.

Senator GALLAGHER: When is the update due, just for my information?

Dr Helgeby: I think it is calculated annually, for the TAL.

Senator Cormann: No, we are talking about two different things.

Senator GALLAGHER: Yes.

Senator Cormann: When is the next update on the Future Fund investment portfolio?

Mr Neal: It will probably be in about a week to 10 days.

Senator GALLAGHER: For the first quarter?

Mr Neal: As at the end of September.

Senator GALLAGHER: Thank you. In terms of the operations of the Future Fund, who is authorised to speak to the media on behalf of the Future Fund?

Mr Neal: The chairman, obviously, myself and then, depending on the particular topics, various other senior members of the agency.

Senator GALLAGHER: Is there a media policy that the Future Fund has that outlines who has authority to speak?

Mr Neal: There is, yes.

Senator GALLAGHER: Is that available for the committee or is it online? I have not checked.

Mr Neal: I do not believe it is online. I cannot see any reason why we would not share that with you.

Senator GALLAGHER: Thank you. There have been a number of articles over the last—

Mr Neal: Senator, can I confirm something? We will provide that policy on notice?

Senator GALLAGHER: Yes, if you could. There have been a number of articles in which Mr Costello has been providing commentary on a range of different matters. He is identified in those articles as Chairman of the Future Fund. Under your policy, when the chair is making comment is he required to make it clear from what position he is providing commentary?

Mr Neal: I cannot tell you whether that is explicitly addressed in the policy or not, simply because I cannot remember. That would certainly be his approach. I know that that is very much his approach. He is very clear about whether he is talking in his position as the Future Fund chair or in some other capacity.

Senator Cormann: This issue has been pursued by one of your predecessors, specifically Senator Ludwig, at various times in the past. The government is very comfortable about and has full confidence in the way Mr Costello is fulfilling his responsibilities as chair of the Future Fund.

Senator GALLAGHER: Does Mr Costello have to seek approval from the Future Fund before he makes comment on Future Fund matters?

Mr Neal: No. As the chair of the board he obviously has that authority.

Senator GALLAGHER: There is no requirement for him to inform the Future Fund that he is making comments on various matters? You just read about it in the paper?

Mr Neal: It is a slightly peculiar question because of course he is the Future Fund. He is the chair of the Future Fund. Obviously, there is engagement between him and me, and our head of public affairs and others. We inform each other, in the same way that any other enterprise would operate.

Senator GALLAGHER: Minister, are you aware of whether Mr Costello is still a member of the Liberal Party?

Senator Cormann: I am not specifically aware. I would be surprised if he was not, let me say. I assume he is.

CHAIR: I hope so.

Senator Cormann: I do not have visibility of the membership list of the Victorian division of the Liberal Party, but I would assume that he is.

Senator GALLAGHER: In terms of the chair of the Future Fund board providing political commentary on a whole range of different matters—internal Liberal Party matters, criticising Labor Party policy, criticising WA National Party policy—the government is comfortable with that approach?

Senator Cormann: Absolutely. Peter Costello is a giant of Australian politics. He did an outstanding job as Australian Treasurer over nearly 12 years. He has a contribution to make in his own capacity. Of course, he also has a very important job as chair of the Future Fund. We are entirely comfortable with the way he fulfils his responsibilities to the Future Fund. Of course, his capacity to make statements, as somebody who has the capacity to contribute to public policy debate in Australia in the way he does, is well understood by all.

Senator GALLAGHER: We are talking about a very senior chair position here, managing essentially over \$120 billion worth of Australian taxpayers' money—

Senator Cormann: And he does that job extremely well.

Senator GALLAGHER: Providing political commentary criticising Labor Party policy and things like that?

Senator Cormann: And criticising Liberal Party policy—

Senator GALLAGHER: You do not think there is a need to—

Senator Cormann: The thing is that I do not think he is partisan in this. We copped our fair share, and I am relaxed about that. As you say, the Nationals in WA have copped a bit; you have copped a bit. He is calling it as he sees it, as somebody with very significant, very senior and distinguished experience as a public policy leader in Australia. I think that most

Australians would think it is entirely reasonable that when he has something to say, he says it. In the end the government makes the decisions that we make and we are open to be scrutinised. Equally, the Labor Party should be comfortable that whatever decisions or pronouncements Labor makes are subject to public scrutiny and debate. I have no problem with Peter Costello participating in the public debate in Australia on matters of public interest.

CHAIR: Thank you, Senator Gallagher. I have one quick final question. Mr Neal, did the Future Fund pay any bonuses to employees in the last financial year?

Mr Neal: Yes, it did.

CHAIR: How did that compare to previous financial years? Was it broadly consistent, or more or less?

Mr Neal: I do not have the numbers with me but my guess is that they would have been slightly less than in prior years, the reason being that a large portion of our performance-related pay is linked to the performance of the fund. As we have discussed, the performance of the fund was much lower this year than in the prior year, so that would have brought the bonus levels down.

CHAIR: I was going to come to that. I do not mean to diminish the performance you achieved in a difficult investment climate. I think most investors would have been very happy with 4.8 per cent in the last financial year; nonetheless, as you point out, you did not meet your mandate. You failed to achieve your mandate. Is it appropriate to be paying bonuses when you are not achieving your objective for the organisation?

Mr Neal: There are a few parts to that. One part is that our mandate is to deliver the returns over the longer term. As we have said a number of times before, the board tends to think about 10-year periods. That is how it defines that. You cannot really remunerate people on a 10-year time frame. That is beyond most people's thinking in terms of careers. However, we do try and reflect that longer term thing in the measurement of returns for contribution into bonuses. So we use a three-year period. The bonus system works on a rolling three-year basis, so that it does get some element of horizon in there. That is the first thing. Over a three-year period we have achieved the mandate.

The other thing is that, with the way the bonus system works, if it is paying you more when performance is strong and it is paying you less when performance is weaker then that is the incentive; that is the risk share that I think is sensible to do. If we had prolonged periods of weak performance, those bonuses would decline right down. As to the exact mechanics of how those bonuses are constructed, there are a few different components to that performance pay system, but basically a large chunk is linked to the performance of the fund. As it declines, the bonuses decline.

CHAIR: I appreciate that an amount of it would probably be contractual as well; so you are kind of locked in, in advance, to the contracts that you have with your employees. Is that right? Or is it at your discretion?

Mr Neal: It is contractual that there is a certain element of their fixed salary that is variable. The precise structure of that would be at the discretion of the board to change. Of course, there are issues with having an agreement with someone and then changing it.

CHAIR: Yes, exactly.

Mr Neal: You would need to be careful about how you do that. But certainly the arrangements can and do change through time.

CHAIR: Just casting our minds forward then, let us say that the fund did not achieve the mandate over a three-year period. So for the next two financial years in a row, we would expect to see next to no bonuses being paid in that final financial year, looking back over the previous three?

Mr Neal: You would certainly expect them to be lower but it is not the only component that contributes; there is an annual component which is based on the individual and their personal contribution to the organisation and the achievement of their personal KPIs over the year. There are components of the bonus which are not linked to the performance. But the bulk, certainly for senior people—70 per cent of mine, for example—are linked to the performance of the fund.

Senator WHISH-WILSON: Can I ask what that other 30 per cent is? We have obviously had this discussion with the banks in recent weeks about what are called soft targets. What are your soft targets?

Mr Neal: Essentially the way that the 30 per cent works is—it is called the annual plan—that you agree particular KPIs for each individual for the year ahead, particular goals that you would like them to achieve, things that are meant to be stretch targets. You put that to the manager and then—

Senator WHISH-WILSON: What sorts of KPIs? Can you give us some examples? Would it be corporate responsibility or customer satisfaction?

Mr Neal: I am sorry?

Senator WHISH-WILSON: Customer satisfaction, corporate responsibility? What are we talking about here?

Mr Neal: They are specific on the individual and their particular circumstance. We have a number of projects underway through the organisation at the moment. So it would be the successful delivery of that project and the outcomes of that project adding value to the organisation and meeting those sorts of milestones. That would be an obvious one for people who are involved in or leading those kinds of projects. So it is really about the extension of the capability of the organisation; that is what these things are aimed at. Just doing your job, the normal doing your job, is not part of that. This is about the stretch into performing in a way that adds value to the organisation. But of course, each individual has a different set of goals in the way that they are seeking to or being asked to contribute to the organisation in that way. So it is fairly conventional; it is a fairly conventional approach to an assessment of that individual's performance over the year and it is made by their manager. Those ratings then go up to our management committee. We moderate that process across the whole agency to make sure that it is fair and then they are put to the remuneration and nominations committee of the board who question and approve that.

Senator WHISH-WILSON: In terms of the corporate structure of the Future Fund, how many people are remunerated to some extent by using bonuses or incentives? Is it the majority of individuals there?

Mr Neal: Barring some temporary contractors, the entire organisation has some component of variable pay. Right from the very start, when it was first set up, the philosophy

was that we wanted staff to be sharing in the success or failure of the organisation. We wanted staff to feel fully aligned with the generation of value, and that was not just the manager and director and the chief investment officer and the senior investment people; we wanted the person on reception to feel like they had a stake in the success of the organisation. They have a much smaller stake; their variable is much less. I have much more at risk than they do. But we thought that was an important sort of philosophy and that has been consistent throughout.

Senator WHISH-WILSON: You say that you have much more at risk and you are correct in that it is conventional wisdom. I am not just picking on you, but this is a broader discussion that the community is having—

Mr Neal: Yes.

Senator WHISH-WILSON: If you do not make above your required rate of return or you make a loss, you do not give money back, do you? You get incentivised, you get a bonus regardless, but you do not end up giving any money back in the years that you do not meet your benchmarks?

Mr Neal: I very much agree with that position and we have all those thoughts when we are looking at the managers that we hire—for example, the investment managers that we hire—and how they get paid and the fees that we pay them. The one thing I would note is that that is one reason for having the rolling three-year number. It does mean that you are kind of smoothing those things out. If we have a bad year, it lives with me for three years; it is in my numbers for three years. It is not just, 'Right, well that's gone; now we can get on with things.' I get that. If we have a very bad negative return, then you are right. It is just kind of capped at zero, if you like, and then you get the big bounce the next year and get the full benefit of that. That is not the case. I live with that negative return throughout. So that is one of the reasons why we have built that into the system.

Senator WHISH-WILSON: Are your salaries, your total remuneration, presumably a matter of public record; they are disclosed?

Mr Neal: We comply with the government's reporting requirements.

Senator WHISH-WILSON: Could you tell us what your salary was in the last financial year?

Mr Neal: We do not disclose individuals' salaries.

Senator WHISH-WILSON: You are the CEO though. That should be a matter of public interest.

Senator Cormann: The disclosure arrangements that apply have been consistent for some time and we comply with those disclosure arrangements. They have applied under governments of both persuasions and I do not propose to depart from that established practice.

Senator WHISH-WILSON: Just to be clear, you do not disclose salaries for individual executives?

Senator Cormann: We do not. We provide the disclosure in the appropriate way.

Senator WHISH-WILSON: 'In the appropriate way' is subject to some interpretation. To me, the biggest issue—could you tell me if you agree with me—is that I understand that 70 per cent of your pay, your remuneration, is based on the performance of the fund, the returns. I am interested in social return. There was a good article this morning about you guys

investing in public housing, off-balance sheet approaches to helping out in public housing. I understand also that you made some big investments in renewable energy, which I commend you for. I know that you are balancing your risk return in investing in those kinds of projects but I would like to see this taxpayer fund used for a lot more of those kinds of projects. I am concerned that there is a conflict of interest if you are primarily remunerated just on the net return of the fund. There are also other motivations here for nation building and using these funds. It is not just—

Senator Cormann: No, sorry. The Future Fund has a mandate to achieve a particular return for a particular risk profile.

Senator WHISH-WILSON: I understand that.

Senator Cormann: Our focus is that we want to see the Future Fund invest in things that make money, quite frankly. We do not want the Future Fund to pursue other public policy objectives, as meritorious as they might be, that are a matter for government and a Future Fund's decisions are focused on whether something is a good investment or a bad investment, given the particular risk profile.

Senator WHISH-WILSON: That is actually exactly what I am saying. In terms of your global infrastructure fund, I have asked in previous estimates how much of that is spent in the country versus offshore. Has the mix changed in the last 12 months, as a matter of interest?

Mr Neal: Once we close the Port of Melbourne transaction, which we have just done, around half of our infrastructure portfolio will be Australian.

Senator WHISH-WILSON: I believe that there is a need for more public funding of infrastructure and I believe that the Future Fund could play an important role in that, but I will probably take that up with the minister in terms of what your legislated rates of return are. Lastly, are those legislated rates of return set each year?

Mr Neal: What, sorry?

Senator WHISH-WILSON: Senator Cormann, did you say 'mandated'?

Senator Cormann: There is an investment mandate.

Senator WHISH-WILSON: An investment mandate?

Senator Cormann: It is not set every year.

Senator WHISH-WILSON: It is not set every year?

Senator Cormann: It is set until such time as it is changed. So the investment mandate remains in place until such time—

Senator WHISH-WILSON: So that is a risk-weighted expected return. Could you tell us what that is at the moment and how that is set?

Mr Neal: The mandate—and this has been the same mandate since the very start in 2006—is to generate CPI plus 4½ to 5½ over the long term.

Senator Cormann: As for the main fund, the rate of returns varies depending on the fund.

Senator WHISH-WILSON: A 4½ per cent return, as the Chair pointed out, is a good return, even though it may not have been quite what your required rate was. There has been a bigger discussion in this country, including by the previous Reserve Bank Governor, that expectations have been set too high for rates of return, given the bond rate now is so low—

essentially a risk-free rate. It is very low. I have just explored this in a select inquiry on infrastructure. Expectations are still very high for businesses to achieve these high rates of return. At what point do you take that 4½ or five per cent plus CPI and adjust it for more realistic rates of returns in the current environment?

Mr Neal: I think we had this discussion earlier.

Senator WHISH-WILSON: I am sorry; I missed that.

Senator Cormann: It is ultimately the decision of the government.

Senator GALLAGHER: You will not get much further than I did. It is currently with the minister and we will find out about it.

Senator WHISH-WILSON: So it is with the minister and it may be changed in the next five months?

Senator Cormann: Just to give you the very concise answer—

Senator GALLAGHER: No!

Senator WHISH-WILSON: No; spare us.

CHAIR: Let us allow the minister to make a brief statement.

Senator Cormann: That is okay. I am happy to refer it to *Hansard*. If the committee is happy, I am happy to refer it to *Hansard*.

CHAIR: Thank you, Senator Whish-Wilson. Senator McAllister.

Senator McALLISTER: I do have a lot of small questions, and I might come back to them with the Department of Finance, about some of the broader issues that Dr Helgeby was speaking about earlier. Can I ask about the target asset level declaration? I am hoping that you can clear this up for me. I am looking at the letter, page 5.

Dr Helgeby: I am sorry; are you referring to the declaration itself?

Senator McALLISTER: I am referring to the declaration itself, which was provided by Mr Richard Boyfield to the minister on 14 September.

Dr Helgeby: I am sorry; we are just trying to find it.

Senator McALLISTER: I understand.

Dr Helgeby: I am sorry, page 5?

Senator McALLISTER: Page 5. It appears to me to be a discrepancy, but it may be something that you can help me with. On page 5, under economic assumptions, it indicates that previously the economic assumption that had been used was a discount rate for all schemes of six per cent per annum. I think the next one indicates that those assumptions have been retained. Then, on the following page, it indicates that he maintains the valuation discount rate of 6½ per cent per annum, in the middle of the page. Can you just clarify whether it is a six per cent per annum discount rate or a 6½ per cent per annum discount rate?

Dr Helgeby: I am sorry; I am just looking at the document.

Senator Cormann: On economic assumptions, I am looking here at some discount rates. The rate for all schemes is six per cent per annum.

Dr Helgeby: Can we take it on notice? We just need to check with the actuary. There may be a difference between the valuation of the discount rate that has been referred to here and the discount rate for all schemes that appears on the previous page. We just need to—

Senator McALLISTER: Terrific. In fact, if we could come back to it at program 2.6, that would be fine. On a similar question of detail, on page 10 of the final budget outcome, there is a table indicating general government sector expenses by function that indicates an increase of \$916 million for government superannuation benefits.

Dr Helgeby: I am sorry; page 10, table 5?

Senator McALLISTER: Yes. The sixth line in table 5 indicates a change in the expenses associated with government superannuation benefits. Does that change arise exclusively from the issue you were discussing earlier about the different approach to valuation?

Dr Helgeby: I might ask Mr Greenslade to go to that question.

Mr Greenslade: Table 5 on page 10 is referring to superannuation expenses, whereas previously the discussion was about the balance sheet.

Senator McALLISTER: Liabilities; indeed.

Mr Greenslade: The liability, which comes through on the balance sheet. The major driver, though, in that change in superannuation benefits expense was some update in the defence estimates. The actuary has updated their estimates. Superannuation expenses, as Dr Helgeby said earlier, comprise the public sector schemes and the military schemes. With one of those components, the military schemes, the actuary has updated their estimates of superannuation expense in time for the final budget outcome.

Senator McALLISTER: Those expenses are accrued in this financial year?

Mr Greenslade: In the last financial year.

Senator McALLISTER: In the last financial year?

Mr Greenslade: Yes.

Senator McALLISTER: Do they show up in the payments as well?

Mr Greenslade: In cash payments?

Senator McALLISTER: Yes.

Mr Greenslade: No. With superannuation accounting, there is quite a difference between accrual and cash.

Senator McALLISTER: If the answer is no, that is okay. I was just checking.

Senator Cormann: The liability has accrued in fiscal terms, but in cash terms it is not paid out yet.

Senator McALLISTER: That is all. We might come back to these questions later in the program.

Senator GALLAGHER: I have a further one that goes to the Future Fund. On 9 September this year, the chair of the Future Fund gave a speech to business leaders.

Senator Cormann: I am sure that it would have been a great speech.

Senator GALLAGHER: I have no doubt that you would think that. It was at the Menzies Research Centre. Was this in his role as chair of the Future Fund and did the Future Fund pay

any expenses for that speaking event? You can take it on notice, if you like. It was on 9 September this year. Will you take that on notice?

Mr Neal: Yes, we will take that on notice.

CHAIR: If there are no further questions, I thank the Future Fund Management Agency. We will now move to the Department of Finance.

Department of Finance

[12:03]

CHAIR: We will now begin the examination of outcome 1 of the Department of Finance. I welcome officers of the department. Given that we have a number of outcomes and a number of programs to get through, it would be good if we could deal with each one fully and then move on to the next one rather than coming back and revisiting outcomes that we have already dealt with. At the conclusion of each series of questioning for a program or an outcome, I will ask senators if they have any further questions and, if not, we will move on to the next outcome. It would be my preference that we do not go back to previous outcomes. We will go to Senator McAllister for questions.

Senator McALLISTER: I was hoping to ask some questions about the pre-election fiscal outlook. Can you confirm that this is a Finance and Treasury document, so that we can ask questions about that here?

Ms Huxtable: Yes, that is correct.

Senator McALLISTER: It would help if you could explain some of the movements in the economic indicators between the budget and PEFO where we have seen particular shifts. I am referring in particular to the secretary's statement on page 7, where you highlight that as a feature very early on in your statement. You talk about commodity prices, market interest rates and foreign exchange rates.

Ms Huxtable: Yes. As you would be aware, the PEFO was published quite soon after the 2016-17 budget, so there were very few movements between the budget and the PEFO. Ms Blewitt can go through some of the details but there were a number of decisions crystallised at PEFO that were not reported in the budget—quite a small number; I think there were about four in that regard. Otherwise the secretary's statement really was drawing attention to where some of the risks to the fiscal outlook rested. In particular, you will note on page 7 that the statement refers to the assumption of annual productivity growth equal to the average of recent decades and that continued economic reform would be required to achieve this growth. That statement stands in terms of where some of the risks are—in particular, the need for continued effort to reduce spending growth in order to achieve the objective of returning to underlying cash surpluses in the order of one per cent of GDP. We can go to the detail of the actual measures that were changed at PEFO.

The other point that I would make is that the PEFO drew attention to the number of unlegislated policy decisions that were in the underlying cash balance as reported at PEFO and that it would be necessary for these to be passed to enable commencement at the date at which they were estimated to commence. If not, there would need to be some adjustments to the fiscal position to reflect the fact that some of these measures would slip in terms of their start date.

Senator McALLISTER: That is a good summary and, in fact, canvasses some of the things I had hoped to ask you about. You mentioned that, despite the fact that there are movements in commodity prices, interest rates and foreign exchange rates because they are volatile, the judgement of the department is that they do not reflect a material change and hence do not need to be reflected in the PEFO.

Ms Huxtable: That is correct. I think one of the important things to recognise is that, as I said, the budget and the PEFO were quite close together. Clearly, government and departments continue to monitor the impact of changes in underlying conditions and, at each economic update, make more assessments at that time, the next update being at the MYEFO. But, for PEFO, the view of the secretaries of the Treasury and Finance was that there was nothing to report at that time that had varied in a material way since budget.

Senator McALLISTER: You are not ruling out ever making variations to forecasts on the basis of those three indicators that have been listed here; it is something that you would consider unique to this circumstance where the budget and the PEFO came so close together?

Senator Cormann: That is actually a matter for government because, by saying 'forever', you are obviously going well beyond what was assessed by the secretaries of Finance and Treasury at PEFO time. PEFO is an update at a particular point in time moving forward, as Ms Huxtable clearly spelled out. There are regular updates. The next update is the mid-year economic and fiscal outlook in December this year and there will be a subsequent update in the budget. So assessments change as the reality in the economy changes and as better information becomes available on certain things. I am just saying that the question you asked there is not a reasonable question to put to Ms Huxtable in relation to the pre-election economic and fiscal outlook.

Senator McALLISTER: Thanks, Minister. You may be able to help me directly. I am really seeking to clarify that, whilst on this occasion changes in commodity prices, market interest rates and foreign exchange rates are judged not to be material, that is a judgement which is specific to this document and not one that is—

Senator Cormann: It is self-evident—

Senator McALLISTER: It would be assessed in every case.

Senator Cormann: Self-evidently; and, as Ms Huxtable also said, this pre-election economic and fiscal outlook was released on 20 May, from memory, just a few short weeks after the budget. The assumptions in the budget, of course, are based on advice by Treasury and Finance. The pre-election economic and fiscal outlook is a document put together independently by the secretaries of Finance and Treasury. In their independent judgement, they confirmed the integrity of the underlying assumptions and economic forecasts that were enshrined in the 2016-17 budget.

Senator McALLISTER: On page 14 of that document there is a discussion about inflation and wages—the potential impact of weak inflation and wages on tax receipts. But it is qualified by saying that it is somewhat offset by a reduction in payments. Could you explain the relationship between those two things, Ms Huxtable?

Ms Huxtable: Which page are you on?

Senator McALLISTER: Page 14, paragraph 5.

Ms Huxtable: Page 14?

Senator McALLISTER: Yes; paragraph 5.

Ms Huxtable: I cannot find the bit that you are reading from.

Senator McALLISTER: It is right towards the end of that paragraph.

Ms Huxtable: I see; I understand. This goes to the way in which indexation operates. The impact of changes to CPI, for example, or wage growth will then flow through to parameter changes in other programs—demand driven programs, for example—that are indexed generally by a combination of a wage cost index. On the one hand you might see flatter economic growth; on the other hand that will flow through to reduced outlays from an indexation expectation. But that is sometimes offset by a greater demand for those payments. So it is quite a complex story when you actually flow some of these changes through and it will very much depend on the circumstances at the time. In every economic update—Dr Camilleri can go through the detail—we do indexation and parameter changes that then flow through across all payments that the Commonwealth makes. Dr Camilleri can explain that, if you wish.

Senator McALLISTER: Your explanation is adequate for my purposes; thank you, Ms Huxtable. I should have said at the beginning, Minister, that we have talked before about tabling staff documents in relation to outcome 3. I want to alert you to the fact that we will be asking for those documents around government staffing again when we get to outcome 3. I thought I would give you early notice.

Senator Cormann: I am sure that the relevant people have heard this. As you know, I am no longer responsible for the Special Minister of State portfolio. My friend and colleague Senator Ryan will assist you, I am sure, in the appropriate way.

Senator McALLISTER: Ms Huxtable, I am letting you know that, when we get to outcome 3, I am hoping for a series of documents that are usually tabled in relation to staffing.

Ms Huxtable: Yes.

Senator McALLISTER: On page 8, in paragraph 3, as you indicated in your remarks earlier, there is a discussion about unlegislated policy decisions. Can you please provide a breakdown to the committee of what decisions are included in that \$18 billion figure?

Ms Huxtable: I think we would have to take that on notice; that is quite a complex task.

Senator Cormann: We will provide that on notice. We obviously do monitor this and the good news is that, since the pre-election economic and fiscal outlook, with the constructive support of Her Majesty's most loyal opposition, \$6.3 billion in additional budget improvements have, of course, been legislated on the expenditure side and there has, of course, also been the successful passage of the tobacco excise measure. So, all up, about \$11 billion in additional budget improvements have been legislated since this time.

Senator GALLAGHER: So you are not in a position to outline those?

Senator McALLISTER: Either the \$18 billion or the \$11 billion?

Senator Cormann: It changes all the time. So what I would prefer to do is give you a proper, up-to-date list. The shadow Assistant Treasurer was releasing to the media a very old list on Sunday. We will make sure that we provide you with an accurate, current list. Of

course, every day that the parliament sits, more progress is made in giving effect to the government's budget.

Senator GALLAGHER: I just find it a bit hard to believe that, in preparation for today's appearance, that kind of basic information would not have been prepared or would not be easily available to provide to the committee, because it does go to some of the questions that my colleague and I would pursue.

Senator Cormann: It is a whole-of-government exercise and we will be able to provide you with the information; we will provide it to you on notice.

Senator GALLAGHER: The \$11 billion rolled off your tongue pretty quickly. Surely you know what—

Senator Cormann: Obviously I took the responsibility for managing the passage through the Senate of the \$6.3 billion budget improvement from the omnibus savings bill and the \$5 billion or thereabouts improvement from the tobacco excise bill and that obviously happened relatively recently. There are, as you would expect, in relation to these matters a lot of moving parts across a whole range of different portfolios. My preference is to ensure that the information that is provided to the committee is as current and as accurate as possible. So we do what ministers before me have done, including Senator Wong in her day: we will take the question on notice and provide you with an accurate answer.

Senator GALLAGHER: Of course, it is your prerogative to take it on notice; I accept that. I just think it is frustrating in terms of our ability to question you and your officials, Minister, that that information cannot be provided.

Senator Cormann: And we all received a lot of sympathy from Senator Wong when I made that observation to her.

Senator GALLAGHER: I cannot speak on behalf of Senator Wong.

Senator Cormann: I am just observing.

Senator McALLISTER: Minister, is that something that could be provided over the course of today?

Senator Cormann: We are taking it on notice and we will provide the information when we can.

Senator McALLISTER: Page 20 of the PEFO includes chart 1, which is a chart that we have discussed here before. You would accept that that chart shows the budget returning to surplus in 2020-21, peaking in 2021-22, and then that surplus falling again?

Senator Cormann: What it shows is essentially, for all intents and purposes, a flat line and what it shows is that, based on information available at the time of the budget and, indeed, at the time of the pre-election economic and fiscal outlook, the budget is expected to get into surplus, as you say, in 2020-21 and remain in surplus for the whole period of the medium term. That is what that graph shows.

Senator McALLISTER: I appreciate that discussions about very long-term projections are quite difficult, but can you explain the basic drivers that see the surplus fall after peaking in 2021-22?

Senator Cormann: Again, this is a conversation that we have had in this committee many times. The medium-term projections are a matter for Treasury and Treasury appears

tomorrow. The appropriate place to ask about these medium-term projections is probably fiscal group, I think—fiscal group Treasury tomorrow.

Senator McALLISTER: Notwithstanding the fact that this is a shared document issued—

Senator Cormann: Sure, but it is a shared document where each agency has particular responsibility. Treasury has responsibility for a component and we have responsibility for a component and we always very helpfully assist the committee in relation to those matters for which we have responsibility.

Senator GALLAGHER: In terms of Finance's responsibilities as they relate to chart 1, particularly over the forward estimates period, on the trajectory that has you moving from a deficit to a surplus position, what work is Finance doing on determining the savings that would be required to reach that surplus by 2020-21?

Ms Huxtable: Just to be clear, this is a reflection of a table that was also in the 2016-17 budget papers and it basically is a picture of all the budget measures for which decisions have been taken and underlying expectations about the operation of demand-driven programs that see the budget deficit falling from what was projected, I think \$37.1 billion in 2016-17, through to around—

Senator Cormann: \$6 billion.

Ms Huxtable: \$6 billion in 2019-20.

Senator GALLAGHER: This reflects decisions already taken?

Ms Huxtable: That is correct.

Senator Cormann: And the economy growing is another.

Ms Huxtable: So the work that Finance has done is to advise government in respect of measures which are in this document and pictured here and reflect what is in the 2016-17 budget.

Senator GALLAGHER: Is there a global savings target that is required as part of that that was determined in the budget and—

Senator Cormann: No. We went through this in, of course, the estimates after the budget. What is shown in the budget is that all of the policy decisions that we have made that had a negative impact on the budget bottom line were more than offset by policy decisions that improved the budget bottom line. Explicitly on the spending side, all of the decisions that increased expenditure were more than paid for with decisions that reduced expenditure in other parts of the budget. The budget is the plan that the government has put forward; it is an economic plan and it is also a fiscal plan for us to meet what we set out in terms of the trajectory back to budget balance that is reflected in the budget papers and in the pre-election economic and fiscal outlook. That graph takes all of what we know or all of the assumptions on economic parameters, on expected spending-related parameters, policy decisions and puts all of that into an overall picture and the numbers are as the acting secretary indicated: the expectation is for a deficit of \$37.1 billion in 2016-17. I might say that the two first months for the financial year have shown that we have performed slightly better than expected. The expectation is to go to a deficit of \$6 billion in 2019-20 and then turn it into a surplus from 2020-21 onwards. That is based on the best available information at the time that the budget and the pre-election economic and fiscal outlook were put together. Obviously information

and the relevant circumstances can change, but the fiscal discipline that we impose on ourselves is to ensure that we do not go backwards as a result of policy decisions of the government. That is a discipline that we continue to impose on ourselves, including in the context of the next mid-year economic and fiscal outlook and the next budget; that is that, if decisions are made that have a negative impact on the budget bottom line as a result of decisions of the government, we will more than offset the effect of those decisions with policy decisions that improve the budget bottom line.

Senator McALLISTER: You already have a policy decision in the public domain around cuts to corporate tax and that interacts with the note at the foot of chart 1 in relation to tax and the GDP cap. I just wonder whether you could explain how that cap practically works. Does it mean that, if you cut corporate taxes, you increase taxes in other areas?

Senator Cormann: Firstly, the 23.9 per cent cap essentially drives the revenue assumptions and you will find that, over the forward estimates period, we are not actually expected to meet that cap.

Senator McALLISTER: You do not expect to meet that over the forward estimates?

Senator Cormann: No; and, again, that is actually publicly disclosed in the budget. It spells that out in the discussion in the budget papers. Again, I am being abundantly helpful because revenue is squarely a matter for Treasury and questions about company tax cuts are squarely a matter for Treasury; they are questions for the revenue group in Treasury, to be helpful. But the 23.9 per cent cap essentially drives the revenue estimates because the assumption is that the government will not allow tax revenue as a share of GDP to exceed that 23.9 per cent cap and, over the current forward estimates, we are not expecting to do so.

Senator GALLAGHER: Or to fall below it, presumably, if that is what is driving the assumptions?

Senator Cormann: We are currently below it. I believe the way that the 23.9 per cent was set was that it was the relevant average over the particular period between the introduction of the GST and the GFC, I believe.

Senator McALLISTER: But we can assume that you are fully committed to the government's tax cuts—

Senator Cormann: Yes.

Senator McALLISTER: For large businesses?

Senator Cormann: Sorry?

Senator McALLISTER: For large businesses?

Senator Cormann: Actually, if you look at our 10-year enterprise tax plan, which is designed to make our tax system more growth friendly so that we can attract more investment, improve productivity, strengthen growth, create more jobs and over time improve real wages—if you look at the way the enterprise tax plan is structured, you will see that it actually prioritises small and medium sized businesses initially and that, over a 10-year period, ultimately the intention would be to get to a 25 per cent corporate tax rate for all businesses. I would refer you to a speech that your leader, Mr Shorten, gave to ACOSS—I stand to be corrected but I believe that it was in March 2012—where he spelled out the importance of having a lower corporate tax rate applicable for all businesses and not to do

what the Greens political party was suggesting at the time, which was to limit a lower corporate tax rate just to businesses with a turnover of less than \$2 million, which I believe has since been adopted as Labor Party policy. So the Greens led the way and Labor followed.

Senator McALLISTER: In terms of your commitment, Minister, your intention, you are committed to the full package?

Senator Cormann: We are committed to the full package; that is right, yes.

Senator McALLISTER: Very good.

CHAIR: I just note for the committee that we are almost at the lunch break. I gather that we will have more questions for outcome 1 after the break?

Senator McALLISTER: We will.

CHAIR: Okay. Continue until the break.

Senator Cormann: These are very much Treasury questions you are asking me, by the way.

Senator McALLISTER: I understand and I am grateful for your assistance. Has Finance provided advice on the budget treatment of infrastructure investments?

Senator Cormann: Can you be a bit more specific? That is a very broad question.

Senator McALLISTER: Yes. I am speaking about, I guess, both a domestic and a global discussion about the virtues of splitting out the recurrent budget expenditure and infrastructure investment for the purposes of distinguishing—

Senator Cormann: So you mean capital recurrent versus recurrent expenditure—

Senator McALLISTER: And in particular the capital account as it applies to infrastructure investment. I am just interested in whether you have provided any advice on that question internally.

Dr Helgeby: The government publishes a full set of financial statements. It publishes, effectively, an operating statement which shows revenue expenses; it publishes a balance sheet and a cash flow statement. Embedded in those statements are cash flows for the purposes of infrastructure investment and also cash flows for the purposes of funding the states or whoever in order to undertake infrastructure investments. So the government discloses all its infrastructure investment intentions through those statements and through those mechanisms.

Senator McALLISTER: I am not asserting that they are concealed. I suppose the question is whether, in assembling the budget papers, you might not draw them out and draw out that level of investment for the purposes of, I guess, allowing ratings agencies to assess where expenditure being undertaken by government is likely to produce productivity dividends down the track.

Dr Helgeby: My understanding is that the main conversation between ratings agencies and the public service is through Treasury. Quite what conversations they have I am not overly aware of.

Senator McALLISTER: So Finance has not been asked to provide any advice on that question?

Dr Helgeby: Not that I am aware of.

CHAIR: It is now 12.30. I think we might break for one hour and return at 1.30.

Proceedings suspended from 12:30 to 13:30

CHAIR: It being 1.30 pm, we will resume questioning on outcome 2 to the Department of Finance.

Ms Huxtable: Sorry, Chair, before we start can I just add to a response we provided earlier?

CHAIR: You may, please.

Ms Huxtable: When we were first questioned in respect of PEFO, I think I said that there had been four new measures that were in PEFO that were not in the budget. I just wanted to list those, if that is all right. We may or may not have taken it on notice, but we may as well get it on the record. The first was additional support for the containment of Panama TR4 disease, which relates to preparedness and response activities to manage the outbreak on a banana farm in Tully. The second was opposition personnel employees, which was a new measure since budget for additional personnel staff for the opposition.

Senator Cormann: You might remember we discussed that during the last estimates.

Senator McALLISTER: I do remember.

Ms Huxtable: The third was confiscated assets account and additional crime prevention activities, which was a new measure to enhance surveillance analysis capabilities for the Australian Crime Commission and the Australian Federal Police. The fourth was the Australian Rail Track Corporation accelerated network upgrades, which was an equity injection for network updates. They were the four.

Senator McALLISTER: Thanks very much, Ms Huxtable. I just wanted to ask some questions, again, about the details in the final budget outcome. Can we go to page 6? I am just hoping that you can explain the reduced level of payments. The \$1.6 billion worth of payments are listed there, which were not made as expected. I am just wondering how many of these are expected to appear in other financial years. It is essentially a question about profiling. I assume the obligations associated with these payments do not go away—they just are pushed out.

Senator Cormann: It depends. Sometimes there are circumstances in the economy or in the community that mean that there is genuinely a lesser than anticipated level of expenditure, and that will never have to be reincurred again. But, on other occasions, you are right. It can obviously be the case that, in relation to certain problems, expenditure has not been affected at the speed that might have been anticipated but has shifted into subsequent financial years. I am not sure whether we are able to provide the detailed breakdown in relation to all of that.

Senator McALLISTER: If we are able to run through each of the dot points that appear on page 6 and at the top of page 7—

Ms Huxtable: Sorry, Senator, I think at a general level we might be able to provide some information, but the more detailed levels really are questions that should go to the portfolios involved.

Senator McALLISTER: Can we have the general conversation? And then we can follow it up with the portfolios if we must.

Senator Cormann: But the high-level explanation, of course, is listed in the document the same as is the case in the budget and MYEFO. If you go to the dot points under 'payments' and under 'revenue', I think you will find that there is a high-level explanation for all of the variations there. We can read that into *Hansard* if you want, but it is actually listed there. To the extent that you want more detail beyond that in specific portfolios that are in relation to measures that are not finance related then you have to go to the relevant portfolio.

Senator McALLISTER: Thanks for the explanation. For clarity, what I am looking for is an explanation as to whether each of these dot points represent a permanent reduction in expenditure against that commitment or whether they will turn up—

Senator Cormann: It depends.

Senator McALLISTER: It depends?

Senator Cormann: It depends. Specifically it depends on whether it is because the implementation of a particular measure has been slower than anticipated or whether the demand for a particular program has been less than anticipated.

Senator McALLISTER: I am looking for you to make that distinction in relation to each of these dot points on the page.

Senator Cormann: The point that we are making is that that is a question for individual portfolios.

Senator McALLISTER: You may well refer me to individual portfolios, but on page 6 there is a significant reduction in payments of childcare benefit linked to in the document, to measures to improve the integrity of the family day care sector. That is at dot point 4 on page 6. Do we know what the impact of that will be on future years?

Ms Huxtable: What this reflects is what has happened between the 2016-17 budget and the final budget outcome. In the normal course of events, we continue to closely monitor the estimates—the forecast of expenditure—so we will monitor all these programs and, if required, there may or may not be further changes to the forecasts at the next economic update. All this is doing is reflecting that, between the budget and the final budget outcome, the spending in respect of the childcare benefit program was less than we had anticipated, remembering that this figure of \$234 million will be rather a small proportion compared to the childcare program itself. One of my assistants, I am sure, could tell me the percentage, but it will be a small percentage. What you are seeing here, in a case like that, is basically the final outcome, and that will then inform our thinking in terms of the next time that we review this program, which will be at the Mid-Year Economic and Fiscal Outlook. If need be, there will be further variations or not, as the case may be, in either direction.

Senator Cormann: To go back to your original question, this one very specifically relates to lower than expected usage. So it is not a shifting of expenditure from one financial year to another financial year. It is just that utilisation, for a range of reasons, was lower than anticipated, and that \$234 million reflects that. It may well be that in future years, depending on what happens—in the community, with demand, and the economy—at some point there would be a variation the other way, but it is not a continuum, for want of a better word.

Senator McALLISTER: Can I ask about the higher than expected payments under the pharmaceutical and pharmaceutical services line item, \$824 million? It is referenced at the top of page 7.

Senator Cormann: You are troubling me here because, after I explained to you that these are matters that need to be taken up with individual portfolios, you are now proceeding—

Senator McALLISTER: I am persisting.

Senator Cormann: with asking the precise questions that we have indicated to you that you need to address to other portfolios. The high-level information that Finance is able to deal with is what is essentially published here. If you want to dig down into the detail, you really have to go, for the Pharmaceutical Benefits Scheme, to the Health portfolio, for child care related matters to the Education portfolio, and so on.

Senator McALLISTER: Thanks, Minister. I think Senator Gallagher has some questions.

Senator GALLAGHER: I have a couple of questions on the plebiscite bill. I think at estimates in May, Minister, you indicated—and this was confirmed in PEFO—that the plebiscite was included in the 'decisions taken but not yet announced' category.

Senator Cormann: Yes.

Senator GALLAGHER: Can you provide an update on the cost of the plebiscite now the legislation has been introduced?

Senator Cormann: As always with these matters, as you would be aware, the number is reflected in the explanatory memorandum with the legislation. From memory, I think the updated number is \$170 million.

Senator GALLAGHER: Does that include public funding for the yes and no campaigns, which is the total of \$15 million?

Senator Cormann: Yes, it does.

Senator GALLAGHER: And has that been recosted since the election?

Senator Cormann: Yes.

Senator GALLAGHER: So that is the latest updated cost of the plebiscite?

Senator Cormann: It was costed for the purposes of, obviously, the public deliberation and ultimately for inclusion into the relevant legislation.

Senator GALLAGHER: So since the election?

Senator Cormann: Yes.

Senator GALLAGHER: Will that be reflected in the mid-year update?

Senator Cormann: Yes.

Senator GALLAGHER: Is that the next point where we will see that actually—

Ms Huxtable: Just to be clear, there was a provision of \$160 million, which was in the budget and published at PEFO.

Senator GALLAGHER: Was that disclosed at \$160 million?

Ms Huxtable: It was disclosed at PEFO, from memory. The net difference of \$10 million would be reflected at MYEFO.

Senator GALLAGHER: What is the difference between the \$160 million and \$170 million?

Senator Cormann: There are some movements up and down. We have actually been able to bring the costs down in relation to some aspects but, of course, there is the additional

expenditure in the proposal that comes with the \$15 million in public funding. I am not sure whether we have got the detailed breakdown here.

Senator GALLAGHER: If you have, that would be useful.

Senator Cormann: We might take that on notice.

Senator GALLAGHER: Of that \$170 million, has there been any provision made for extra support to mental health service groups in recognition of the increased demand that they might see through a plebiscite?

Senator Cormann: We have taken the detail on notice and we will provide the answer to the extent that we might be able to assist.

Senator GALLAGHER: Could we have that today?

Senator Cormann: We will see what we can do.

Senator GALLAGHER: I presume that was costed and broken down for the purposes of the discussion on the legislation, that is all. I do not imagine it is too hard to get. Have you got a figure for the Indigenous recognition referendum? Have you got a costing for that?

Senator Cormann: That was also released at the time and it was costed at \$160 million, but there has not been an update to this. If you look at the information that was released as part of the Pre-Election Economic and Fiscal Outlook you will find that there is a \$160 million figure for—

Senator GALLAGHER: So that has not been updated?

Senator Cormann: There has not been any further development.

Senator GALLAGHER: So you would update that at the point when you are doing the legislation?

Senator Cormann: At the appropriate time. Yes.

Senator GALLAGHER: Can I ask about the ASIC Registry sale?

Senator Cormann: This is probably not the best time.

Senator GALLAGHER: What outcome would that be?

Senator Cormann: Outcome 2.

Senator GALLAGHER: There was an announcement by Minister Birmingham last week, I think, on changes to VET FEE-HELP. Could you inform the committee on the budget impact of this—both the fiscal balance and the underlying cash balance?

Ms Huxtable: I might take that on notice, Senator. This VET FEE-HELP area is quite complex and there is a different impact, as I recall it, on fiscal compared to UCB. We might need to take it on notice. Just to make sure, we will liaise with education and make sure that we have got it all broken down.

Senator GALLAGHER: Could I add in, then, any impact on debt as part of that?

Ms Huxtable: Yes. As I said, we will take it on notice, but in the minister's media release he did reference some of the debt reduction figures: \$7 billion across the forwards and \$25 billion over the next 10 years. We can include the debt line in the information that we provide to break that down.

CHAIR: Do you have any further questions on outcome 1?

Senator GALLAGHER: Yes, we have some on the NDIS special account. Would that fall in here?

Ms Huxtable: Possibly.

Senator Cormann: We will be as helpful we can be, so if you want to—

Senator GALLAGHER: Can you explain how the NDIS special account works? Is that outcome 2?

Senator Cormann: We might have to deal with that question later. At a high level, relevant savings under the social services portfolio have been earmarked for this account to ensure that the NDIS is fully and sustainably funded into the future, but in terms of the specific mechanics, we might need to deal with them in outcome 2.

Senator GALLAGHER: Are we going to outcome 2?

CHAIR: I think Senator Smith has some questions on outcome 1. Then we will move on to outcome 2.

Senator SMITH: I thought we might briefly go back to a discussion about the budget repair progress that the government has embarked upon. I want to turn to the government monthly financial statements for July and August. Could you detail for the committee whether the payments are above or below the profile that was outlined in the 2016-17 budget.

Senator Cormann: If you bear with me, there is actually a media release that was put out by—

Senator SMITH: There is, yes.

Senator Cormann: the secretary and I. What you will see in the statement is that, in underlying cash balance terms, the profile for the months of July and August was a deficit of about \$11.3 billion, which is about \$1.3 billion less than anticipated at the 2016-17 budget when the profile predicted a \$12.7 billion deficit, or thereabouts. Receipts were \$724 million higher than the 2016-17 budget to the end of August 2016. Total payments were \$720 million lower than the 2016-17 budget profile. I hasten to add, and it is something that I put into these monthly updates every time, that care does need to be taken when comparing monthly or cumulative data across years into full year estimates, as revenues and expenses can vary from month to month. But, certainly, in terms of the year-to-date data for 2016-17, in underlying cash balance terms, we are running slightly better than anticipated at budget time.

Senator SMITH: It is a good way to start. Further to that, can you outline for us the categories of those cash payments that were below the 2016-17 budget profile? And in layman's terms, the types of government spending that that represents.

Mr Greenslade: You were asking, if I can clarify, which payments were—

Senator SMITH: What categories of cash payments were below the 2016-17 budget profile.

Mr Greenslade: The media release actually contains a breakdown.

Senator SMITH: I have learned it is always good to have it on the estimates *Hansard* and in the media release. You can never amplify good news enough.

Mr Greenslade: The media release actually shows a full set of accrual financial statements, which include the operating statement, the balance sheet and a cash flow

statement. The amount of information on cash flow—for the year-to-date to August, payments for employees were \$4.666 million compared with a budget profile of \$4.627 million, so marginal—

Senator Cormann: You asked for the cash flows—

Senator SMITH: The question is, please outline for the committee what categories of cash payments were below the 2016-17 budget profile, and if you could put in layman's terms what types of payments or government spending that represents.

Mr Greenslade: Yes—I can only give a very high-level breakdown for cash.

Senator Cormann: We might take this on notice.

Mr Greenslade: We will take it on notice.

Senator SMITH: The detail is not in the media release?

Mr Greenslade: No, not by program.

CHAIR: Are there any further questions on outcome 1?

Senator GALLAGHER: No, I think they are all banking up into outcome 2.

[13:49]

CHAIR: As there are no further questions on outcome 1, we will move to outcome 2.1, starting with questions from Senator Siewert.

Senator SIEWERT: In relation to the potential sale of Australian Hearing, could I ask a fairly obvious question: can you provide us with an update of where the process is up to?

Mr Edge: We are currently in the process of evaluating a submission from the consortium that comprises the Royal Institute for Deaf and Blind Children, Macquarie University and Cochlear. It was submitted to the department at the end of September.

Senator SIEWERT: I want to come back to that process, but I first want to go to the information sheets that have been made publicly available on the department's website. In those sheets the point is continually made that no decision has been made about the sale or transfer of ownership of Australian Hearing.

Senator Cormann: That is right—no decision has been made.

Senator SIEWERT: It goes on to say that the government 'has been exploring the right future ownership options'. Several times you make the point that there has been no decision made and that you had not actually called for any tenders or started that process. Yet the consortium has now made an approach—a bid—and it seems to have circumvented any tender process. You just said you are actively considering the consortium's bid, but it seems out of order. Could you explain why you are considering this bid when you had not actually made the decision or had not actually gone out to the market?

Senator Cormann: It is not out of order, and we made the relevant announcement earlier this year. If I can refer you to the media statement that I put out on 12 February 2016; that is when we announced it. We had been approached by a consortium which was led by the Royal Institute for Deaf and Blind Children, alongside Cochlear and Macquarie University. At that time we announced that we would facilitate a due diligence process by the consortium prior to dealing with a proposal that they may or may not put forward. The context is that when we came into government we inherited a policy setting in the NDIS which was put in place by the

previous government—which we do not criticise, which in fact we support—but which is to make relevant services in the disability services space, including in relation to hearing impairment, fully contestable. It is in that context that the government has been reflecting on what the best possible structure is for Australian Hearing, bearing in mind that there is a very developed private sector market that Australian Hearing, to date, has not had to compete with in the context of some of these services. But, as a result of decisions made by the previous government in the context of the NDIS, we will have to compete across the board. We are reflecting on what the best structure is and on what the best ownership arrangement is for Australian Hearing to give them a strong, sustainable and successful future and to ensure that they can continue to provide their valued services in a sustainable fashion. In the context of us going through this highly publicised process, the approach has been made; we are assessing the approach in good faith, going through a rigorous process, which is managed of course at arms-length by the department. But I refer you to the 12 February press release.

Senator SIEWERT: I understand that you have made that call. I am aware of that. In fact, I have been briefed by the consortium. My question still stands. I do not think you invited that consortium approach, did you?

Senator Cormann: No. The consortium was obviously aware of the work that the government had been doing. The government had been going through some extensive stakeholder consultations after having received the scoping study into the future ownership options in relation to Australian Hearing. It was in the context of the consortium partners being aware of the government wanting to ensure that Australian Hearing has the strongest possible future in a fully contestable market that they approached us. We agreed, as per the statement of 12 February 2016, to enter into a process with them, which the finance department has been managing.

Senator SIEWERT: What happens at the end? If you decide not to go with the consortium approach, do you go back to the issue about seeking proposals from the market?

Senator Cormann: That is an extremely hypothetical question. Obviously, it is very hard for me to speculate. At this stage, a proposal has been received. I have not seen the proposal yet. The proposal is with the department, and the department is doing its job of assessing it and properly evaluating it. At some point, I expect advice to come to me. Depending on what the recommendations are and depending on what my assessment of the recommendations is, I will make a recommendation to the government about the right way forward. Then it is a matter of whether the government agrees with my recommendation. Depending on what the decision is at that point in time, we will have to make judgements on various potential future scenarios, but we have not reached that point just yet.

Senator SIEWERT: So this consortium came in before you had made the decision about whether you were in fact going to go to market and you were going to sell Australian Hearing?

Senator Cormann: We had not made a decision. If you might recall, we received the scoping study. Obviously, this is an area which is somewhat sensitive. Australian Hearing provides valued services to a client base which includes hearing-impaired children and hearing-impaired Indigenous Australians. The government was committed to ensuring that appropriate consultation was undertaken with all of the relevant stakeholder groups. So we had not reached a final landing point in relation to the approach to the recommendations of

the scoping study. At that time, we were approached by the consortium led by the Royal Institute for Deaf and Blind Children. On the face of it, the proposition was attractive enough to warrant further investigation. That is the process that has been undertaken since then.

Senator SIEWERT: Can I now go into the process that you are undertaking to assess the consortium's proposal? You said you are in the process of doing that. Could you describe that process, please.

Mr Edge: Obviously, having received the proposal at the end of September, we still have a bit of a way to go in terms of working through the—

Senator SIEWERT: Sorry—I beg your pardon. Can I interrupt? Obviously, the notification was given very early, as the minister has just said. So your process did not start at all until you received that formal proposal, which was at the end of September?

Senator Cormann: Just to clarify—as I have indicated, the announcement of 12 February triggered the consortium conducting a level of due diligence. Then, of course, we had the election. Having undertaken their due diligence, which included, of course, engagement with Australian Hearing and stakeholders as appropriate, a proposal was submitted to the department, which I understand was towards the end of September.

Mr Edge: Yes, 30 September.

Senator SIEWERT: All I was doing was seeking clarification of the process.

Senator Cormann: And I am happy.

Mr Edge: Your question is: having received the proposal, what are we doing?

Senator SIEWERT: Yes.

Mr Edge: As I said, we are working through the proposal, consulting with our colleagues in other Commonwealth agencies and working with external advisers who are assisting us in terms of evaluating the proposal. There are a range of things that we need to do to work through such a detailed submission.

Senator SIEWERT: When you say 'we'—

Mr Edge: 'We' as in Finance.

Senator SIEWERT: You have a group that is responsible for that?

Mr Edge: That is right.

Senator SIEWERT: You have set up a group that is responsible for assessing that—a group which does not include other agencies? You are just consulting the other agencies?

Mr Edge: We are consulting very regularly with other agencies as we step through that assessment process.

Senator SIEWERT: Including Health?

Mr Edge: Yes, absolutely—Health and Human Services are a very important part of that consultation process.

Senator SIEWERT: Do you have a framework for how you are going to assess the bid, and is that available?

Mr Edge: There has been quite a bit of material published on the internet about the process.

Senator SIEWERT: You are talking about the information sheets?

Mr Edge: The material that is on the Finance website.

Senator SIEWERT: Which is this series of information sheets about how the NDIS will impact—

Mr Edge: There are a range of things that are obviously being taken into account in the assessment. As I said, material has been published about our process.

Senator SIEWERT: What is your time line for making a decision?

Mr Edge: It is obviously not up to the department to make a decision. We will make a recommendation to the minister. We are working through it as quickly as possible, but we have no particular date at this point.

Senator SIEWERT: Minister, once the department reports to you, there seem to be two decisions: whether you are going to proceed with the sale of Australian Hearing and then whether you go straight to the consortium—or do you put it to the market?

Senator Cormann: The first decision is how we respond to the proposal we have received. If it is a proposal that is worthy of support, and if we are satisfied that the proposal gives Australian Hearing the best possible opportunity to be successful in the context of a fully contestable NDIS market, then I would envisage that we would decide to proceed with that proposal. If we were to decide not to proceed with the proposal, at that point in time the government would have to make a judgement on what the best way forward would be in that context. At this stage it would be premature for me to speculate about what that might be, because we are in a live process in relation to a specific proposal put forward by the consortium.

Senator SIEWERT: You would probably be aware that there is a great deal of concern in the hearing community about the sale of Australian Hearing—and specifically about the way some of the contestability issues are rolling out with the NDIS. I am going to pursue those with NDIS, but I assume that you are across a lot of those issues?

Senator Cormann: We are very conscious of the sensitivities of the stakeholder group and the client group of Australian Hearing. We are very conscious of the fact that Australian Hearing provides a valued service. We want Australian Hearing to continue to provide a valued service. We are also very mindful of the fact that the move to a fully contestable NDIS market, which is not something that we put in place but which we inherited from the previous government—I guess it is, arguably, a bipartisan position—does have implications for an organisation like Australian Hearing. We are working our way through how best to position Australian Hearing for the future in that context.

Senator SIEWERT: I take on board everything you have just said about the approach to NDIS, but do you acknowledge that there are areas of policy failure with respect to some of the client groups? You yourself mentioned Aboriginal and Torres Strait Islander children and some CALD communities. How are you addressing that issue of policy failure in your process?

Senator Cormann: Some of the questions you are asking—for example, those that relate to the structural arrangements for NDIS—go beyond Finance, and I think you know that. They are very much questions for the Social Services portfolio.

Senator SIEWERT: I will be asking them on Thursday.

Senator Cormann: I am sure you will. In relation to the services provided to Indigenous Australians and children, the important point is that, whatever happens with the future ownership of Australian Hearing, there is no proposal whatsoever to change any of the benefits or the community service obligation arrangements that are currently in place. The benefits currently available to relevant client groups will remain unchanged. What we are talking about here is how best to structure one service provider, who will, in the future, have to compete with private service providers across the full gamut of services that are provided.

Senator SIEWERT: So it is highly likely that private service providers—particularly for remote communities, for example—will not contest that.

Senator Cormann: I accept that.

Senator SIEWERT: How do you address what will be a policy failure of contestability?

Senator Cormann: That is a live question for us to consider as part of the assessment of the proposal in front of us. What you raise is an absolutely legitimate query. It is one that we are mindful of and it is one of the things that we have to work our way through before we make a final decision.

Senator SIEWERT: How are you doing that?

Mr Edge: As I said, we are working very closely with colleagues in the Department of Health and Human Services and, as required, the NDIA, to address those issues. As the minister said, there are existing arrangements in place which are the responsibility of other agencies, but we have been working very, very closely with them to understand what the issues are with the transition to the NDIS.

Senator SIEWERT: I understand existing arrangements involve a community service obligation that Australian Hearing carries out. At the moment, even they struggle to address some of the issues for Aboriginal and Torres Strait Islander kids. I do not think I am verballing Hearing Australia, or saying anything about them that they would not agree with, regarding that service obligation. How do you maintain that service, and improve it, through this process? Are those issues actively being discussed?

Mr Edge: It is important to keep in mind that the policy ownership and the service delivery around these things are the responsibility of the agencies that we have been working with and consulting with. To the extent that there are any proposals or is any thinking about changes to the service delivery models, then we need to understand that in terms of any implications for the assessment we are doing.

Senator SIEWERT: I understand what you are saying about the other agencies, but, the point is, if ownership is transferred that fundamentally affects how those services can be delivered.

Senator Cormann: I do not necessarily accept that. The important point, as I was trying to say before, is that people with a hearing loss who currently receive, or are eligible to receive, a community service obligation service or benefit will continue to receive that service, either as an NDIS participant or as a client of the Hearing Services Program. One is in social services, the other is in the health portfolio. If you are a client of Australian Hearing, you will not be advantaged in terms of outcomes under NDIS. In fact, the whole point of

rolling out the NDIS is that the services will actually improve. The whole point is that, under the full rollout of the NDIS, participants will generally have greater choice of provider and they will also potentially have a greater range of services. But, accepting what you are raising in relation to the circumstances for Indigenous communities in particular, we are very mindful when assessing the proposal in front of us that that is one of the things we have to have a proper solution for, to the extent that there is any impact on the service delivery model.

Senator SIEWERT: I will be pursuing this through the rest of estimates, and I will most likely be coming back with questions on notice following the advice I get during the rest of the week.

Senator WHISH-WILSON: Can I have an update on the potential sale of the ASIC corporate registry?

Senator Cormann: You would be aware that the deadline for the receipt of bids under the final bid phase was towards the end of August, and the outcomes of the final bid phase are currently being evaluated by the department. Again, no decision has been made one way or the other on whether or not to proceed with a sale of the ASIC registry services. Beyond that, I invite Mr Edge to provide further detail.

Mr Edge: As the minister said, we are currently assessing what we received at the conclusion of the final bid phase. That process is ongoing, and the next step in that process is to conclude that assessment and provide advice to government.

Senator WHISH-WILSON: Why was an equity sale or a float ruled out?

Mr Edge: It is not currently a corporate entity. It is currently part of ASIC.

Senator WHISH-WILSON: Yes, but it could be a corporate entity.

Mr Edge: That is certainly a possibility.

Senator WHISH-WILSON: Was that the sole reason that it was ruled out?

Senator Cormann: If you look at the way we actually framed what we were looking for, we were looking for private sector interest—and I am talking off the top of my head here—to participate in the upgrade and enhance services to the ASIC registry, so we were not looking at selling a business; we were looking at facilitating a private sector investment in a part of ASIC which needs significant investment and which is able to attract, under the right conditions, private sector investment on the basis that value-added services can be provided through that service.

Senator WHISH-WILSON: How would you describe the approach you are going through at the moment? Is it a formal or informal expression of interest? Is it a book build process? Are there hard and fast bids being made for different valuations on the business?

Mr Edge: It is not in any way like a book build process. That is more a process that you would get for an IPO or a share offering. This is different in the sense that it has been quite a structured process; it has gone through a number of phases over the past 18 months or so in terms of testing market interest around operating the registry. The point we are at now is: we have stepped through those various phases; we have just recently finished the final bid process, where counterparties—bidders, if you like—were invited to respond to some quite detailed documents around the requirements and obviously the proposed legal and contractual documents.

Senator WHISH-WILSON: When you say 'a final bid', that is the first and last opportunity for these potential bidders for the business?

Mr Edge: Yes. As I said, it has gone through a number of phases and it is now at the point where the final bid phase represents something just short of, I guess, a best and final offer. Obviously, depending on what government decides to do, there will be further processes.

Senator WHISH-WILSON: Can you tell us how many bids you have received?

Senator Cormann: We have not publicly disclosed that sort of detail, because we obviously know in the pointy end of the process—the outcomes of the final bid phase are currently being assessed and evaluated, and relevant decisions will be announced when we are in a position to announce relevant decisions.

Senator WHISH-WILSON: In terms of potential bid valuations, did the department provide the information to potential suitors to value the business, to do forward cash flows and other EVD and other business evaluations?

Mr Edge: There was a lot of information provided through the bidding process, including some due diligence and access to information that would enable the bidders to inform their bids. That has been quite a detailed process over a number of months.

Senator WHISH-WILSON: Yes, over 18 months. Did the department get their own independent evaluation for the business?

Mr Edge: We have advisers that we have been working very, very closely with on all the commercial aspects of this process and looking at the bids, not just in terms of value but in relation to all of the objectives that government set for this process.

Senator WHISH-WILSON: Who are your advisers?

Mr Edge: There are a couple of parties involved. The main commercial adviser is Greenhill. Deloitte has been providing advice to us as well—accounting and technical advice, technological advice, IT advice—and our lawyers are Ashurst.

Senator WHISH-WILSON: What kinds of fees have you had to pay for that advice?

Mr Edge: We could probably give you an indication of fees to date.

Mr Jaggers: Do you want to know a breakdown by organisation?

Senator WHISH-WILSON: If it is easy. Otherwise, just a dollar amount for what you have had to pay so far for advice on the sale.

Mr Jaggers: We have expended \$3.9 million with our commercial advisers, Greenhills. For our legal advisers, \$3.2 million. We have had probity advisers as well and have spent \$116,000 on probity advice. We have spent just over \$2 million on accounting advice and \$680,000 on IT advice.

Senator GALLAGHER: What was the first one, the \$3.9 million?

Mr Jaggers: The first was business advisory services, which was with Greenhill and Co.

Senator Cormann: This was previously published on AusTender when the contracts were let and have previously been discussed in this committee.

Senator WHISH-WILSON: So there is about \$10 million all up, roughly, when you add them all together.

Senator GALLAGHER: Was that up to the end of the market-testing phase?

Ms Huxtable: That is basically expenditure to date.

Senator WHISH-WILSON: Would you confirm when you expect an announcement to be made. It is at ministerial discretion, presumably.

Senator Cormann: This announcement will be made when we are ready to make announcements. Announcements will be made after decisions have been taken. At this stage I have not received any advice from the department in relation to the recommended way forward. As the officers indicated, they are going through the evaluation of the outcomes of the final bid phase at present. Obviously, decisions will be made after relevant recommendations have been received.

Senator McKENZIE: Minister, can you confirm for the committee the status of the employees working in Traralgon and the Latrobe Valley as a result of this process.

Senator Cormann: The government has been consistent all the way through. All of the bidders, at every step of the process, have been made explicitly aware that the government's very strong preference is that we want to see the employees in regional Victoria accommodated as part of any private sector involvement in the ASIC registry. That continues to be the case.

Senator WHISH-WILSON: In relation to expressions of interest, were different business models looked at for future sales, or was it just 'going concern; business as usual'? For example, did you look at a UK approach which put limits on potential fees and user charges into the future?

My concern and the concern of my party and, I know, a number of stakeholders who have come out is about the potential future charges of accessing this database.

Senator Cormann: This is where I might assist you. There has been a lot of misinformation about this out in the public domain. Firstly, 95 per cent of services provided by the ASIC registry at this point are completely free of charge. Ninety-five per cent of searches through the ASIC registry are completely free of charge. Fees and charges for the remaining five per cent of searches and products are currently regulated and subject to price caps, and this arrangement will continue. In terms of the cost of what is currently a regulated service and what is currently provided by ASIC, there is not going to be any change. However, the reason we are looking at and exploring private sector involvement is that we believe that the services provided by the ASIC registry can be taken to another level, that value added services can be provided. Obviously there would be opportunity in the context of value added services to assess what the appropriate remuneration arrangements for those services would be.

Senator WHISH-WILSON: Could you give me some examples of what value added services would be?

Senator Cormann: I cannot because that obviously goes to the evaluation of specific bids that is currently underway. Should the government decide to go down this particular path based on the recommendations at the end of this evaluation process, we will be able to talk through these sorts of examples. At this point, what I can say to you is that 95 per cent of searches currently conducted through the ASIC registry are completely free of charge and fees and charges for the remaining five per cent of searches and products are regulated, subject to

price caps and will continue to be regulated and subject to price caps, so there is absolutely no change on that front in relation to the existing arrangements.

Senator WHISH-WILSON: You know as well as I do that businesses do not buy assets from other businesses unless they can get increased returns, either cutting costs or growing revenues. You are trying to say that the primary motivation for any potential buyer of this business would be to grow revenues through new business development?

Senator Cormann: That is right, yes.

Senator WHISH-WILSON: Why couldn't they do that without?

Senator Cormann: There is a database here with a certain set of information, and the basic premise is exactly as you have said: there is a view that the database, the use of that database and the services provided in the context of that database can be enhanced compared to what is currently provided through a public sector provider. Whether that is the case or not the case is obviously currently being tested.

Senator WHISH-WILSON: Will there be restrictions on the privacy use of that database?

Senator Cormann: The answer is yes. Current requirements will continue to apply.

Senator WHISH-WILSON: Can you give us any examples, Mr Edge, of what the potential new value added businesses might be? I should probably go have a look and see what market analysts may have said about this, because I am sure Computershare and other businesses that are interested in this would be pretty clear why they might want to buy it. What would a couple million people in a database offer if their fees and services were regulated as they currently are? What is the upside to owning that database?

Mr Edge: Obviously, there are a number of considerations there. The existing IT system is very dated and has got limited functionality. Some parts of it are more than 25 years old. There are a number of elements of it that do not talk to each other. One of the most important priorities in this process has been an update and a modernisation of that database, and that in itself will enable some cost savings in terms of operating the registry but would also enable new services to be offered—in effect, services that are currently unable to be provided.

Senator WHISH-WILSON: But you would want to capture that in your sale price, surely; so, once again, where would the upside be for a potential bidder?

Mr Edge: A potential bidder would need to invest in an IT platform—

Senator WHISH-WILSON: Right; so it would come after.

Mr Edge: to enable it to offer these services.

Senator WHISH-WILSON: But it is something the government could do and still get the same efficiencies or the same returns for stakeholders—the taxpayers—as well if we chose to go down that road.

Mr Edge: In terms of the IT platform, that is obviously in a sense agnostic as to who builds it, but with a commercial operator they would have a view to how those additional products and services could be sold to the market.

Senator GALLAGHER: Is the costing figure an estimate for the IT system that is required \$100 million? What is Finance's costing on the replacement IT system that is required?

Senator Cormann: It is somewhat more than that.

Mr Edge: Yes, it is pretty significant. I think it is a bit more than that.

Senator GALLAGHER: I think I have read a figure of \$100 million. Is there any way that you could enlighten me on what the draft estimate is? Put whatever caveats you want around it; this is just to get an idea.

Mr Edge: This is the estimate to replace the existing systems with a modern database. That estimate, I think, is certainly what we understand is required. As the minister said, something more than \$100 million.

Ms Huxtable: We might have to take it on notice to be more precise.

Senator GALLAGHER: Something more than \$100 million but less than infinity.

Mr Edge: We would have to take it on notice.

Senator WHISH-WILSON: Presumably, whether or not it was \$100 million, as Senator Gallagher was asking, they are going to expect a decent return on that if they are going to rationalise the business. They are not going to buy it unless they are going to make a good return.

Mr Edge: I think the other thing that is important to remember is that the operating costs associated with a 25-year-old IT system are pretty significant and that that investment will result in significantly lower operating costs as well.

Senator WHISH-WILSON: I could understand that any potential bidder, if they could do it in-house with their expertise, would save costs, but I was not aware that the potential bidders had that kind of IT expertise unless they were migrating onto one of their own platforms. I am sure we could work backwards from that. That is the only thing that makes sense to me.

Senator Cormann, you mentioned the five per cent of services for which fees and charges are charged, which is actually what makes most of the money for the registry at the moment. You said they are going to be regulated with price caps.

Senator Cormann: That is the current situation.

Senator WHISH-WILSON: That is the current situation. Can you tell us if that regulation would entail price rises over time? That is important.

Senator Cormann: But not related to this proposal. Obviously, governments of either political persuasion from time to time reserve the right to adjust fees and charges for relevant services, so I am not saying that there will be but I also am not saying that there never, ever in the future will be a change in fees and charges, which are adjusted across the board from time to time as appropriate.

Senator WHISH-WILSON: But they are not charged at cost at the moment, are they—company searches, for example.

Senator Cormann: It is right to say that it is not just a cost-recovery arrangement; it goes beyond pure cost recovery. But it is also right to say that, as I have already indicated, the

searches that do attract a fee or charge are a small percentage. Five per cent of searches and products are currently regulated and subject to price caps, and these would continue to remain in place. As to whether there would be changes to the level of fees and charges into the future unrelated to this particular proposal: that is obviously a matter for governments in the future to consider.

Senator WHISH-WILSON: But that means that they could be subject to being lobbied by the new entity to raise those price caps, which is what I would do if I was in their shoes.

Senator Cormann: The thing is that you are making all sorts of assumptions on how any private sector involvement, which has not been decided on yet, may or may not be structured—

Senator WHISH-WILSON: That is how they operate. You understand that.

Senator Cormann: You are making assumptions.

Senator WHISH-WILSON: They are in the business to make profits for shareholders. That is what they do.

Senator Cormann: You are making assumptions.

Senator WHISH-WILSON: First-year economics students would make that assumption.

Senator Cormann: You are making some assumptions that make your conclusions a bit flawed

Senator WHISH-WILSON: So maximising the future value—

Senator Cormann: and I cannot go into the detail of all of this, because it goes to the structure of any proposal that we may or may not decide to proceed with.

Senator WHISH-WILSON: Okay but, just to be clear, we do not know what the future price changes are going to be on these fees and services.

Senator Cormann: I cannot predict the level of fees and charges at some point in the future for any government service that is attracting a fee or charge. From time to time relevant fees and charges are adjusted.

Senator WHISH-WILSON: Would you admit, then, that perhaps with an asset like this in public hands it is easier to maintain prices and price caps in place at a level for public access than it would be for a private company?

Senator Cormann: No, because the private company has absolutely no role in setting regulated prices that are subject to price caps. Whether it is in public hands or in private hands, regulated prices are regulated prices. There is absolutely no difference in the decision-making authority in relation to regulated prices whoever owns the asset.

Senator WHISH-WILSON: Sorry to be a bit cheeky or a bit cantankerous but, if the logic is right that a company will migrate a new IT platform, rationalise a business, monitor operating costs and perhaps build the business, could you say that the prices and fees might actually go down if they can do it at a lower cost or their profit margins are higher? Would it be reasonable to assume that costs are going to come down if the provision of these costs is actually lower?

Mr Edge: The cost that we are talking about—the fees and charges for statutory products—are determined by the Treasurer through a statutory instrument.

Senator WHISH-WILSON: But he has to base it on something, right? You understand it because you own the business now, but in the future for a private owner it is going to be a lot different.

Senator Cormann: But the private owner does not make the decision in relation to those regulated—

Senator WHISH-WILSON: But you will make your decision based on information that the private owner will give you. That is the logic of what I am saying. They are going to say, 'Senator Cormann, we want to get the best return possible for our shareholders.' That is how it works.

Senator Cormann: It is not how it works in relation to this because, as you have already indicated, this is not a cost-recovery arrangement at present. The government sets these fees and charges now. The government would set these fees and charges in relation to those services we are talking about in the future. So there is no change envisaged on that front.

Senator GALLAGHER: I just want to understand exactly what Finance's role is in this. Are you the lead department on the potential sale of the ASIC registry?

Senator Cormann: We conducted a scoping study. We are the lead in assessing the opportunity for the private sector to get involved in the upgrading and value-added services through the ASIC registry, yes.

Senator GALLAGHER: So you would be the responsible minister for this potential sale?

Senator Cormann: Yes.

Senator GALLAGHER: Does ASIC have any role?

Senator Cormann: ASIC is obviously a key stakeholder and is part of the process, yes.

Mr Edge: Yes, that is right. ASIC has been very closely involved in the process.

Senator GALLAGHER: So there is some sort of working group or structure?

Mr Edge: Yes, there is.

Senator GALLAGHER: Who is on the working group?

Mr Edge: Finance, ASIC, Treasury and the advisers. And I think, from time to time, PM&C have attended.

Senator GALLAGHER: So Treasury sit on that as well?

Mr Edge: Yes.

Senator GALLAGHER: Has that been there since the beginning over the last 18 months?

Mr Edge: Pretty well, yes.

Senator GALLAGHER: Is that the only governance structure of the—

Mr Edge: Yes.

Senator GALLAGHER: Then are there subgroups that work off that?

Mr Edge: Yes.

Senator GALLAGHER: Are they represented by similar agencies at different levels?

Mr Edge: Yes.

Senator GALLAGHER: It has been reported that Treasury have some concerns with the sale. Is that fair? It has been publicly reported that Treasury have—

Senator Cormann: You cannot ask the officer for an opinion. The decisions in relation to the testing of the private market to contribute to, add value to, upgrade and operate the ASIC registry are all decisions of the government. They are all decisions of the cabinet. They are decisions that are supported by the whole of the government. For you to ask officers of the department to speculate—

Senator GALLAGHER: I am happy to ask you, Minister. I can redirect. Are you aware of concerns in Treasury about the sale?

Senator Cormann: I am aware that every decision in relation to this process at every step of the way has been a decision of the government and is supported by the whole of the government.

Senator GALLAGHER: In terms of your response to the letter that Dr Chalmers and I wrote—

Senator Cormann: For internal use, as it says at the bottom of the letter, I think.

Senator GALLAGHER: No.

Senator Cormann: We had a very clear understanding. I was very helpful and candid, and relevant information—

Senator GALLAGHER: You were.

Senator Cormann: On the basis of internal use.

Senator GALLAGHER: I am happy to abide by that but—

Senator Cormann: 'Please note that this information is strictly for internal use only.' I am just quoting from it now. Relevant information was attached. I had relevant conversations with senior colleagues of yours, who assured me that this would be strictly for internal use on the part of the opposition.

Senator GALLAGHER: Who did you discuss that with? I will have a discussion with them.

Senator Cormann: I would invite you not to explore this any further until we have another conversation.

Senator GALLAGHER: Okay. Fair enough. I was not aware of those conversations. If that is the case I am happy to abide by that for the time being. It would have been useful if I had been made aware. Going back to Senator Whish-Wilson's line of questioning, it is not clear to me within the constraints that appear to be put in around a potential sale how it would be attractive to a third party. Mr Edge, you nominated the fact that they would be able to lower their operating costs, potentially, as one of the advantages of going to a third party provider. Could you explain to me in some detail what 'lower operating costs' means? Are we talking about systems or are we talking about people?

Mr Edge: When I was talking about lower operating costs it was in the context of IT systems. As I said, given that currently the registry is not a single IT system but a legacy system, the core of which is 25 years old and has had other bits connected to it, it is quite an expensive system to maintain and it is not in any way state of the art. I think that there would

be some clear operational savings in terms of IT maintenance systems, maintenance and so on, that would flow from an investment in a modern IT platform.

Senator GALLAGHER: I might end my questions there. I did have some more, but in light of the minister's advice I will seek to pursue them another way. I have more in 2.1, though.

CHAIR: Okay. Continue with that, then, Senator Gallagher.

Senator GALLAGHER: Is this the appropriate place for annual reports—2.1 Public sector governance?

Senator Cormann: Sure. Go for it.

Senator GALLAGHER: You have been leading the way on the new PGPA Act. According to some of the requirements for annual reports, it basically says, 'Table your reports by 15 October' or provide them to the minister—

Senator Cormann: The 31 October is the time for—

Senator GALLAGHER: Yes, I know. And then it goes on to say, 'However if budget supplementary estimates are before that date it is best practice to table them or to provide them prior to those hearings.' The PM&C annual report is up and available. Why isn't Finance's?

Senator Cormann: The deadline is 31 October. I received it just before the deadline for it to be put to me, and it will be processed as soon as possible.

Senator GALLAGHER: In terms of best practice Finance have not been up to meet the standard as set out in the annual report requirement.

Senator Cormann: I completely disagree with that characterisation. As you say—

Senator GALLAGHER: It is best practice for annual reports to be tabled prior to those hearings. That is what it says in the advice.

Senator Cormann: And the deadline is 15 October and 31 October. I received it not long before 15 October, and it will be tabled well and truly before 31 October. If you look at the last three or four years, or the last three years for that matter, I think you will find that we have tabled it earlier than that. This time round, the information came close to the 15 October deadline, and it will be tabled consistent with the legal requirements.

Senator GALLAGHER: Just to finish, I do not want to make a big point about it, but it does mean—when you are looking to ask questions on priorities and challenges—that we have to go back to, essentially, June last year to actually see what they are for the department, and things like campaign advertising and government advertising are all a year behind where we are now.

Senator Cormann: If I may, I made that precise point to Senator Wong every year.

Senator GALLAGHER: But I am asking you, Minister.

Senator Cormann: Sure, and what I am saying is that this government complies with the requirements under the legislation.

Senator GALLAGHER: But not best practice, as a lead agency—a central agency.

Senator Cormann: We do the best we can always.

Senator SIEWERT: Again, I will just double-check, given there is some issue over what is in program 2.1 and what is in others, that this is in 2.1. I want to ask about some of the decisions around Roe 8 or the Perth Freight Link.

Senator Cormann: Ask ahead. It is probably not really Finance; it is probably more Infrastructure.

Senator SIEWERT: Some of it is.

Senator Cormann: But, given my personal interest in this project of national significance, I am quite happy to—

Senator SIEWERT: Some of it is Infrastructure, so I will ask the questions that I think relate to here. Minister, you have been providing funding of \$1.2 billion, or intend to provide funding of \$1.2 billion, for the Perth Freight Link. That so far has not had a public business case or cost-benefit analysis. When we have asked for information, consistently we have not had access to that, on the basis of public interest or commercial-in-confidence. So I am just wondering, under that process of denial of access to information, what definition you use for public interest immunity.

Senator Cormann: There are a range of things mixed up in all of this. Let me first say that the Perth Freight Link project is an incredibly important project not just for the great state of Western Australia but, indeed, for Australia as a whole. It was independently identified by Infrastructure Australia as the highest priority project nationally out of 93 infrastructure projects nationally not yet under construction.

When it comes to relevant documentation that was sought by your colleague Senator Ludlam, in the main, through the Senate, we have always been very explicit in specifying the public interest grounds on which we refused to release certain information. Principally, they relate to either cabinet deliberations or the relationship between the Commonwealth and state and territory governments. These are well-established, understood and accepted public interest grounds which have been accepted by the Senate for a very long time.

Senator SIEWERT: There have been, in fact, seven times when Senator Ludlam has tried to get access to this sort of information.

Senator Cormann: If you keep asking the same question, you keep getting the same answer. That is the point. Seven times means nothing, really.

Senator SIEWERT: Sometimes it has been to you and sometimes it has been to the infrastructure minister, who has also continued to do that on the grounds of public interest immunity, and it has been about different cases. So why, for example, wouldn't it be in the public interest to provide information on the business case for the new tunnel that is included as part of the project?

Senator Cormann: All information that appropriately is put into the public domain has been put into the public domain. When it comes to the second stage of the Perth Freight Link project and the proposal by the state government in Western Australia to replace the surface road option with the tunnel option, obviously these matters are subject to commercial negotiation with potential bidders, and there is an obvious public interest issue at stake here. It is self-evident that while you are in the context of life-of-tender processes or of likely future tender processes, coming down the road—pardon the pun—you need to ensure that the

commercial interests of the federal and state governments are protected on behalf of taxpayers.

Senator SIEWERT: Why, then, do you refuse to provide basic information around claims that the freight link would reduce congestion and accidents and improve access to Fiona Stanley Hospital? Why is it not in the public interest to release that information?

Senator Cormann: This well and truly goes beyond my area of expertise. Because I have a particular interest in this very important public infrastructure project, I am really keen to assist and be helpful, but this is a very detailed infrastructure portfolio related question. I am happy to take it on notice and see how I can assist on notice, but it is not something that, on the spot like this, I can provide an adequately accurate response to you on.

Senator SIEWERT: I want to go back to the general issue of public immunity. You have argued against the claiming of public interest, and, in fact, you sought advice from the Clerk of the Senate in around 2000.

Senator Cormann: I will correct you there. I did not argue against the claiming of public interest immunity. I was criticising the previous government—the main culprit being principally the then Treasurer, Wayne Swan—for refusing to provide information without claiming public interest immunity and without pointing to the proper ground on which public interest immunity was claimed. There is a significant distinction there. The example that comes to mind was in relation to the anti-WA mining tax, where we asked for certain information around economic modelling and the modelling of budget impacts and the like. We were essentially confronted with a blanket refusal to provide the information, without any explanation whatsoever as to why it was not in the public interest for that information to be provided and without specifying the public interest ground. So, it is true that in May 2009 or 2010—I cannot remember—I initiated—

Senator SIEWERT: 2009.

Senator Cormann: 2009—there you go. Two years after I came into the Senate I initiated a particular public interest immunity order, for want of better words, which has been in place ever since and which I think is referred to by chairs at the beginning of each hearing. That is to remind every minister—or any official, for that matter—that if you do not think it is in the public interest for certain information to be provided you need to explain why that is so and on what basis. Certainly, from my personal point of view, I scrupulously comply with not only the spirit but also the precise requirements of that order.

Senator SIEWERT: But you cannot answer, then, the question about, for example, why it is not in the public interest to tell us about the claimed improved access to Fiona Stanley Hospital.

Senator Cormann: B, I have pointed you to the public interest immunity grounds, and these are matters very much that are in the province of the state government. That sort of specific information is not information that is held by the federal government in its own right. It would undermine the relationship between the federal government and a state or territory government if we were to unilaterally release that type of information. But, as I have already indicated to you, this is a very specific infrastructure related question. If you want a more precise and adequate explanation as to why, in the government's judgement, it is not in the public interest for that specific information to be publicly released, then I have already taken

that on notice and I am happy to assist with providing either a response or an explanation as to why a response cannot be provided.

Senator SIEWERT: Perhaps, then, I will also put those other cases, on notice to find out why public interest has been claimed on them.

Senator GALLAGHER: I am a bit confused because we have gone to programs. Did we work out that the NDIS special account was in 2.1? I cannot remember. It was prior to lunch.

Senator Cormann: We can deal with it. It is in outcome 2 so let's just deal with it. Is there much more in outcome 2?

Senator GALLAGHER: I do not know if we are in the right spot but we are just going to press on. Can you tell me about how the special account works, how it is treated in the budget, how it differs from the Future Fund and just the mechanics of it?

Senator Cormann: I will let him answer the question in detail but the Future Fund is obviously an investment fund. This is essentially an account to facilitate the government's policy intent of quarantining certain savings for the express purpose of helping to fund, on a sustainable basis, the expenditure related to the NDIS.

Mr Greenslade: I think that is a key first point that the Future Fund is an investment fund with an investment mandate with specific moneys physically invested. The NDIS savings fund is a special account. I might just go through the process if that would help.

Senator GALLAGHER: That would be excellent, thank you.

Mr Greenslade: Holly can deal with the more specific aspects of savings. Essentially the government, as part of its annual budget process, will determine the amount of funding to be credited into the fund from savings. And credits will be made through determinations by the relevant minister, which is the Minister for Social Services, and those credits will be in line.

Senator Cormann: And in the 2016-17 budget what we have announced is that the government will credit \$2.1 billion to the fund—that is, the National Disability Insurance Scheme Fund Special Account—to assist in meeting the future cost of the National Disability Insurance Scheme. The government has also identified the efficiencies that will contribute to the NDIS savings fund, principally \$1.5 billion over five years, by closing relevant unnecessary carbon tax compensation to new recipients of government welfare benefits and various other efficiencies that were announced in the budget.

Senator GALLAGHER: Do any of those need to be changed because of the omnibus bill?

Senator Cormann: The omnibus savings bill, in relation to the measure I just mentioned, out of 22-odd payments, from memory, only three of them were captured in the omnibus savings bill.

Mr Greenslade: That is correct.

Senator Cormann: So that is correct, yes. The government intends to pursue the remaining through separate legislation.

Senator GALLAGHER: Yes, okay. So when and if that needs to happen, it would. But \$2.1 billion is the commitment?

Senator Cormann: The \$2.1 billion is the commitment based on assuming that we can realise the efficiencies that have been identified as contributing to the fund.

Senator GALLAGHER: And if they are not delivered via the passage through the Senate then you would have to—

Senator Cormann: We would have less money in the NDIS savings fund to help contribute to the future cost—

Senator GALLAGHER: Say you would just reduce the provision rather than find the money?

Senator Cormann: We are not reducing the provision. As the NDIS ramps up and the cost of funding it increases and the funding gap increases, what we are seeking to do here is to structurally and sustainability guarantee that all of the future costs are able to be funded without putting the government's budget into deficit. What we have said is we are quarantining these efficiencies that are listed, these savings that are listed in the budget, to go into this fund to help meet the future costs of the NDIS. Obviously, if the savings are less, then less money will go into the savings fund. If the savings are more, more money will go into the savings fund.

Based on the policy decisions of the government, what we are intending to achieve is a \$2.1 billion contribution to the NDIS savings fund, but it is obviously subject to the passage of the relevant legislation.

Senator GALLAGHER: Mr Greenslade, were you continuing or had you finished?

Mr Greenslade: I might just explain that a special account ringfences amounts. Amounts credited are ringfenced for the purpose of the savings fund, and amounts can only be debited for that purpose, which I understand will be in the legislation, which, I assume, is broadly for NDIS operations. That is, broadly, how the special account will work. There are accountability mechanisms. The Department of Social Services will report on the special account in its annual report, and internal finance will publish information on all special accounts on its website. So they will be swept up through that, and that, essentially, is the mechanical framework around this fund.

Senator GALLAGHER: So there are no assets, as such, that will sit in the account?

Mr Greenslade: No. It is part of the consolidated revenue.

Senator GALLAGHER: That is where the funds are located.

Senator Cormann: As I indicated up-front in my opening remarks, ringfencing is one way of putting it. I said quarantined for the purposes of funding the NDIS. This is not an investment fund like the Future Fund; this is, literally, to make sure that we have got visibility on how savings out of the social services portfolio that were announced in the budget help to achieve sustainable funding for the NDIS over the medium and long term.

Senator GALLAGHER: Was the quarantining of funds a decision in the 2016-17 budget?

Senator Cormann: Yes.

Senator GALLAGHER: Is that allocated over the forward estimates?

Senator Cormann: Well, the budget measure that I just read out to you—I am just trying to find that—

Senator GALLAGHER: I just do not have the budget book with me, otherwise I would have—

Senator Cormann: I have got the extract here. It is Budget Paper No. 2, page 143. If you want to go to that page, I think you will find that the detail is all there. It provides you with a breakdown of what is expected to go into it and what is meant—

Senator GALLAGHER: So there is no need for any fund manager or anything like that?

Senator Cormann: No.

Senator GALLAGHER: It is just an administrative instrument—

Senator Cormann: Yes.

Senator GALLAGHER: to quarantine money. Does the money that was already identified for the NDIS sit within the special account or is it just this \$2.1 billion—the existing provision that was made?

Senator Cormann: There are a couple of different vehicles through which the NDIS is funded—it involves the states and territories.

Senator GALLAGHER: So there is state and territory money that comes in there?

Mr Greenslade: Yes, that is right.

Senator GALLAGHER: There is DisabilityCare—

Senator Cormann: That is a separate fund.

Senator GALLAGHER: Okay. So, they work alongside each other—why wouldn't it just go into DisabilityCare?

Senator Cormann: Because there is a funding gap, which we are seeking to close. We have got federal responsibilities, state responsibilities and different funding sources. This fund here is essentially focused on helping to close the funding gap identified by the government by channelling current efficiencies which are identified in the 2016 2017 budget into that purpose, whereas the DisabilityCare fund is subject to the general architecture of the NDIS.

Ms Huxtable: The primary purpose of the DCAF, the Disability Care Australia Fund, is to reimburse the states, territories and Commonwealth for expenditure incurred in relation to the NDIS sites. It is money that also flows to the states and territories, whereas the special account is to provide the Commonwealth contribution to the NDIS.

Senator GALLAGHER: But, presumably, at some point, it would go into DisabilityCare then, would it?

Ms Huxtable: No.

Senator Cormann: No. The Commonwealth has certain liabilities in relation to funding for the NDIS which are not fully funded. So this NDIS savings fund helps to put the Commonwealth-only contribution towards the NDIS on a sustainable fiscal foundation for the future. The liabilities of the states and the related arrangements between the Commonwealth and the states are a separate matter.

Senator GALLAGHER: So this is just to look after your expenses?

Senator Cormann: This is to help us fund our liabilities—that is right.

Senator SIEWERT: Minister, my understanding from the hearing that we had last Friday about the fund was that the Minister for Social Services and other ministers could identify still more savings that could potentially go into the account, but—

Senator Cormann: Potentially, yes, but that is a matter of decisions that are yet to be made. The way it would work in practice is that the minister would make a recommendation to the Expenditure Review Committee that certain savings should be earmarked or quarantined for this purpose, and the government could make a decision to accept that recommendation.

Senator SIEWERT: It is not quite correct to say all the money is ring-fenced for the NDIS when it is my understanding from what we talked about last Friday that each year you work out how much is required for the year and everything excess can be taken out and spent on other things.

Senator Cormann: No, that is not right. It is definitely ring-fenced—

Senator SIEWERT: That is certainly the discussion—

Senator Cormann: You certainly would only take what is required to help meet the gap, but all of the savings that are identified here would remain in the fund. At the moment, our expectation is that there is not enough funding to fully fund the requirements of the NDIS over the medium to long term.

Senator SIEWERT: This is exactly why I was concerned. Would you be able to have a look at the *Hansard* and see the conversation that we had—

Senator Cormann: With whom?

Senator SIEWERT: with the Department of Health on Friday, because that is clearly—

Ms Huxtable: It would have been Social Services.

Senator SIEWERT: Social Services—I beg your pardon.

Senator Cormann: Let me be very explicit. All of the savings out of the Social Services portfolio that are identified as savings to go into the NDIS savings fund will remain in there. So it is not true to say that, if expenditure in one year is less than what has been accumulated, we would take the remainder to the bottom line.

Senator SIEWERT: If the expected expenditure for the NDIS exceeded the amount of savings that was there, the extra could be used.

Senator Cormann: For what?

Senator SIEWERT: For other purposes. Senator Smith had the same understanding of our discussion. Is that correct?

Senator Cormann: We will review the *Hansard*.

Senator SMITH: It might be an idea to check the *Hansard*.

Senator SIEWERT: It may be that we are talking at cross-purposes.

Senator Cormann: We will review the *Hansard* and provide you an accurate explanation.

Ms Huxtable: We will come back on notice.

Senator SIEWERT: We will obviously need that fairly quickly, because we are due to discuss this very shortly.

Senator Cormann: We get that, yes.

Senator SIEWERT: That would be appreciated. Thank you.

[15:03]

CHAIR: There being no further questions under 2.1, we will move to program 2.2—transforming government.

Senator McALLISTER: I want to ask some quick questions about ICT. I assume this is the place to do that?

Senator Cormann: You can, yes.

Ms Huxtable: Ask away.

Senator McALLISTER: I understand that last Friday the Assistant Minister for Cities and Digital Transformation announced the formation of a new Digital Transformation Agency that will be responsible for the ICT policy and procurement functions currently managed by the Department of Finance. Is that correct?

Senator Cormann: That is right, yes.

Senator McALLISTER: Last night I had the opportunity to talk to some of the officers from the Digital Transformation Office and they indicated that the first they knew of the change was when the assistant minister announced it. So what consultation took place with Finance about this restructure?

Senator Cormann: We have obviously been part of the process of making relevant decisions by government. Finance, it will not surprise you, sits around the table with me when relevant decisions are made.

Senator McALLISTER: When was the—

Senator Cormann: I would have to take that on notice. Genuinely, I mean—

Senator McALLISTER: I have not asked my question yet!

Senator Cormann: I thought you were going to say: when was the decision made?

Senator McALLISTER: I will ask a more general question. Was this contemplated before the election or after the election?

Senator Cormann: A decision was made after the election. When this started to be contemplated I would have to have a look at.

Senator McALLISTER: So you will come back to us with a date of when discussions commenced?

Senator Cormann: Yes.

Senator McALLISTER: Is the restructure underpinned by a review or any sort of internal process?

Senator Cormann: Yes. It is the result of an internal process and it is a result of decisions of government. All decisions of government of this nature follow a deliberative process. We are obviously working our way through giving effect to it.

Senator McALLISTER: That review took place prior to the election?

Senator Cormann: In terms of the timing, I would have to take that on notice. These are machinery-of-government related changes, which ultimately always are the province of the Prime Minister and the Prime Minister's department, so again we are being abundantly helpful here. Prime ministers of governments of both political persuasions from time to time make machinery-of-government changes and relevant departments work professionally and competently to give effect to those changes.

Senator McALLISTER: I think your evidence is that leadership on this strategic decision came from Prime Minister and Cabinet and not from the Department of Finance; is that correct?

Senator Cormann: What I am saying is that there has been a process—and I will give you the precise dates—where relevant structural arrangements in the context of the government's Digital Transformation Agenda were considered by the government's digital transformation committee of cabinet. Decisions were made. There are machinery-of-government implications. Finance is working with relevant others to give effect to those machinery-of-government changes as efficiently as possible.

Senator McALLISTER: The Prime Minister is responsible for the Digital Transformation Agenda rather than the Minister for Finance; is that correct? Everyone has a contribution—

Senator Cormann: The digital transformation agency certainly is within the Prime Minister's portfolio. You will remember that Prime Minister Turnbull also as the Minister for Communications took a very active and enthusiastic interest in relation to these matters. Indeed, he has got significant expertise in relation to these matters. Obviously the Prime Minister is the boss—it is the Turnbull government; the Prime Minister is in charge—and the Prime Minister from time to time makes decisions in relation to the appropriate machinery-of-government arrangements to deliver on the government's priorities. There has been a traditional cabinet process which led to certain decisions which are now being implemented.

Senator McALLISTER: Will staff move from Finance to Prime Minister and Cabinet under the arrangements announced on Friday?

Senator Cormann: We are working through that detail at present.

Senator McALLISTER: So that has not been finalised. Can you tell us when that will be finalised?

Senator Cormann: We are working through that detail at present and we will make these arrangements efficiently, which means as quickly as possible but as slowly as necessary to make sure they are right.

Senator McALLISTER: Have arrangements been put in place to consult with staff in the Department of Finance about the change?

Senator Cormann: This will be managed efficiently and professionally, as it always is. Let us be very clear. Machinery-of-government changes are not unusual. They happen on a regular basis across a wide range of government portfolios. They happened under your government, they happened on several occasions under our government and they will happen under future governments. The Australian Public Service is well versed, well equipped and well experienced in managing these sorts of transitions. I am very confident that all involved will manage this with their usual level of professionalism.

Senator McALLISTER: I cannot find the speech that Mr Taylor gave.

Senator Cormann: It was another very fine speech.

Senator McALLISTER: If that is so, it is a shame, because it is not available on the internet as far as I can tell.

Senator Cormann: I do not have a copy with me. I am happy to provide it to you on notice. I would like you to read Mr Taylor's speeches.

Senator McALLISTER: Very good. I would be very interested. You said that it would be handled efficiently and professionally. That was in answer to my question about whether staff consultation was planned or had begun.

Senator Cormann: Let us be clear. The decisions in relation to machinery-of-government changes have been made and the process will be managed professionally and efficiently, so the interaction with relevant staff, to the extent that individual staff are impacted, will be done in the usual way it is always done in relation to these machinery-of-government changes when they occur. This is not something that is particularly exceptional. This is really, in the context of the Australian Public Service, a rather routine matter.

Senator McALLISTER: But we do not know whether staff are affected and we do not know whether they will move, and yet it is the subject of a major speech by one of your government ministers.

Senator Cormann: We are being way too helpful and you are taking advantage of our being way too helpful. The questions that you are asking in terms of what the digital transformation agency, which comes under the purview of Mr Taylor, intends to do and how it intends to manage things moving forward is very much a matter that comes under the Prime Minister's portfolio, which appeared before this committee yesterday.

Senator McALLISTER: They did, Minister, and they were singularly unable to tell us anything at all about the initiative that was announced last Friday, which is why I am asking you.

Senator Cormann: It is a matter for the Prime Minister's portfolio. We from the Finance point of view are working as efficiently and as professionally as possible to give effect to the relevant machinery-of-government changes that were part of the announcement, and that is currently in train.

Senator McALLISTER: Are you able to say whether you will have any ICT functions at all?

Senator Cormann: We will be able to give you relevant advice as soon as all of the decisions have been appropriately implemented.

Senator McALLISTER: I would like to explore past performance in relation to whole-of-Australian- government ICT, because I understand that until now that has been the responsibility of your department. Mr Sheridan, I understand from the evidence just given that we are in a period of transformation around ICT. Finance to this point has been responsible for providing advice to government and Commonwealth entities on ICT investment delivery and implementation of ICT policy. Is that correct?

Mr Sheridan: It is but it is not a question for me.

Ms Huxtable: There are a range of responsibilities that Finance has had in this space. In respect of informing government on potential decisions to invest in ICT we provide a sort of assurance function, which Dr Bartlett and Dr Helgeby are responsible for. Then there are other elements of ICT which Mr Sheridan is also involved in. Investment insurance is more a matter for Dr Bartlett.

Senator McALLISTER: Before we move on, Mr Sheridan, what are your responsibilities? Then I will come back to you, Dr Bartlett.

Mr Sheridan: I provide whole-of-government ICT services and whole-of-government procurement, basically in the coordinated procurement area, and look after the Commonwealth Procurement Rules.

Ms Huxtable: This is going beyond ICT procurement, so broader procurement.

Senator McALLISTER: Can the department talk to us about its performance in improving whole-of-government ICT—just an update on how it is going? It has been a priority for the government to make improvements. You were tasked with it as a department. I am interested in understanding how it is going.

Dr Bartlett: As Ms Huxtable has indicated, we have responsibility for investment assurance. We provide advice on proposals that go into the budget process. In terms of decisions that are made within the budget process, we then are also responsible for coordinating assurance reviews, gateway reviews, that are done to look at the progress of various projects, to provide senior responsible officers with an update on how things are going and suggestions about ways in which they can improve.

We also have responsibility for ICT benchmarking, which is designed to give agencies a sense of how they are spending their ICT dollars, how it compares to others and, potentially, it provides them with a tool they can use to look at spending their money more effectively.

We have what I would best describe as a residual ICT policy remit that goes back to the days of the Australian Government Information Management Office. We are in the process of consolidating that from a quite large number of policies into a very small number of policies, and we have done some work about a whole-of-government ICT strategy, which, again, is designed to provide some overarching sense of the way in which government ICT strategy can come together. That is on our side of the house. Mr Sheridan is, clearly, doing a range of other things with ICT on his.

Senator McALLISTER: Perhaps, Dr Bartlett, I can make this observation: those are all activities. I suppose I was looking for your assessment about how whole-of-government performance has improved as a consequence of those activities.

Dr Bartlett: One of the difficulties with the question you are asking is that ICT is, typically, a policy enabler. We invest in ICT in the process of trying to deliver government policy, and it is looked at in that context. I can talk to you about the way in which—although I would have to also say that the agencies responsible are in a far better position to talk about it than I am—the welfare payment infrastructure transformation that the Department of Human Services is going through. It is a major ICT project but it is a major ICT project that is designed to improve the way in which we make welfare payments and ensure that we get better outcomes from those, that potentially we automate things but also that the right people

get their money, it is a more straight-forward process and their interaction with the system is better.

There are a number of things of that sort that in terms of government ICT projects has been an aim. The DTO has focused on user experience, but it is not the only part of government that has had a focus on improving user experience. It has been something that we have sought to do. These sorts of big projects—the tax office with single-touch payroll—are designed, very much, to ensure that people's interaction with government improves. I can point to those sorts of things as evidence of improvement, but I cannot—

Ms Huxtable: Sorry, I was just going to add that if you think about it in two parts, informing governments in respect of decisions around ICT, the role that Dr Bartlett's people perform is quite similar to the role that the budget group area also performs, ensuring that the appropriate questions have been asked as proposals move forward—there is very detailed work done, but it is work that is being done in agencies. We are asking questions and looking to improve the quality of the information that comes forward so that government can make a very well-informed decision in respect of a particular investment.

Once that decision has been taken there is the implementation of that decision. ICT projects will often be over many years. The role that we perform is, really, providing advice and a layer of assurance to senior responsible officers in agencies as to whether their project is tracking as they intended. I have been on the other side of that, having worked in the Health portfolio for many years and having been a senior responsible officer on ICT projects. From my perspective, there was great value in what was called the gateway review process, because it brings in some independent external professional advice that allows you as the SRO to have another source of advice, compared to the people who are embedded into putting the particular ICT platform into place. It does lift the quality of the product and the quality of the decision.

I think it is hard to answer your question, because you really need to know what the counterfactual is, in a sense. I would argue that we have a range of processes that lift the quality of investment and implementation decisions. There is data about how many of those we do and the like. It is harder to be very tangible about what would have happened if those processes had not been in place.

Senator GALLAGHER: With your gateway reviews, do you have a threshold for an automatic gateway review, like size of project or functionality?

Ms Huxtable: Yes, there are a range of criteria.

Dr Bartlett: It is a combination of size and risk.

Senator GALLAGHER: Over the last 12 months, how many gateway reviews would you have been involved in?

Ms Huxtable: Just to be clear: we facilitate the gateway review process. Finance goes through the process of setting up a gateway review panel, made up of external people, who then conduct the gateway review and submit their report, and we provide advice back to the—

Senator GALLAGHER: Do you report back to the portfolio minister?

Dr Bartlett: The gateway reviews go back to the senior responsible officer within the agency concerned, and then there is an enhanced notification process. If there is a consistent

outcome from gateway reviews that indicates implementation is less than it should be, there is an enhanced notification process that ensures that awareness of the issues is raised at higher levels within that agency and with their minister.

Senator GALLAGHER: What is the timing of a gateway review? Does that vary depending on size and risk as well?

Dr Bartlett: It varies in terms of size and risk. It also varies in terms of the nature of the project. Obviously, if you have a more intense project, they will get to the various gates sooner. With a longer project, you may well find that the gap between gateways is longer. In terms of the question you were asking about numbers, seven measures came out of the 2015-16 budget and one came out of the 2015-16 MYEFO. There are 34 projects dating back a number of years that are subject to gateway review processes at the moment.

Senator GALLAGHER: And some of them more than one review?

Ms Huxtable: Generally there are a number of gates and there is a gateway review process at each of those gates, going right through to the point when you are going to live with the system, which is I think is the last gate process.

Senator GALLAGHER: In relation to any of those gateway reviews, was any work done with the ABS in the lead up to some of the ICT issues pertaining to the census? Had you been involved in any of the—?

Ms Huxtable: They have certainly been subject to gateway reviews, but we might have to take on notice the exact detail, because there are a range of ICT projects in the ABS—including their big transformation project.

Senator GALLAGHER: It would be good to know what Finance's involvement has been in relation to ICT in ABS.

Dr Bartlett: We will take that on notice.

Senator GALLAGHER: Thank you.

Senator McALLISTER: Sorry, do you need to take the question of the census on notice? You cannot tell us whether or not you have provided advice?

Ms Huxtable: The question was specifically about gateway reviews, and there are a number of ICT-related activities in the ABS, so it is more about which one at what time et cetera.

Senator McALLISTER: I will ask a specific question, then, about the census. Did Finance have any role in advising the ABS on ICT issues around the 2016 census?

Mr Sheridan: No, we did not.

Senator McALLISTER: I am surprised by that—I suppose because my perception has been that moving the census online was a project of quite some scale.

Ms Huxtable: We might just have to clarify.

Dr Bartlett: Mr Sheridan has talked about specific advice provided in terms of operational IT. We have a responsibility for assurance. I think what we are saying is that if you would like us to give you detail about an assurance process related to census I would have to take that on notice and check what is there. The documentation I have here deals with current assurance review processes. It indicates that the ABS transformation project is the subject of gateway

reviews at the moment. It does not include the census, but it may well be because the census has already occurred, so I will need to check that and come back to you with notes.

Ms Huxtable: Just to be clear: the budget measure in respect of the census is actually quite an old one now. It was in the 2013-14 budget, so we would need to go back and have a look at the capital investment component of that.

Senator McALLISTER: Okay, so you will take that on notice. In a similar vein, have you done any work with the Department of Human Services on the Centrelink IT overhaul?

Ms Huxtable: Is this WPIT—the Welfare Payment Infrastructure Transformation?

Senator McALLISTER: Yes. I think you alluded to some aspects of that in your earlier remarks.

Dr Bartlett: This is a major project with a major expenditure. There is ongoing interaction between the Department of Finance and the Department of Human Services about that project on a range of levels, from investment assurance and IT terms through to policy and all the sorts of areas you would expect Finance to be interested in. It is a very large investment.

Senator GALLAGHER: Does the portfolio department have all the responsibility in terms of how that project progresses or is there a hierarchy? In the ACT, for example, Treasury—because we do not have a finance department—would have maintained a strong interest in any large expenditure. If, for example, Treasury said, 'This is not going well,' then—there is a hierarchy in a sense of how decisions are made and government is informed.

Senator Cormann: The high-level answer is that of course we would take an interest.

Senator GALLAGHER: But what role? Is it advisory or do you actually have capacity?

Senator Cormann: There are several passes as you work your way through making a funding allocation. A project of the size of the welfare payment system is actually delivered in tranches. As it so happens, the minister provided an update to me this week in relation to the progress of tranche 1. That involves advice and information that we review and assess in relation to updated costings for the first tranche and for future tranches. So, of course we monitor performance against budgets. Of course we monitor the required funding and the costings of projects of that sort of magnitude, not in the context of being directly connected to the procurement activities, but, essentially, in terms of making sure that the project is on track and that the cost estimates are still appropriate.

Senator GALLAGHER: Presumably, if Finance had concerns with the way a project was rolling out, there would be some ability to get involved at that point, would there?

Senator Cormann: Finance would then provide the Finance perspective as part of government deliberations on how to deal with the implications of any such scenario.

Senator McALLISTER: Chair, we are conscious that other senators have questions.

CHAIR: Thank you. We might jump ahead to property and construction.

Senator RHIANNON: Thank you. I have questions about the Ginninderra agricultural and horticultural testing station in the ACT. Can you provide an update on the proposal to develop housing on that site?

Ms Hall: Questions in relation to the detail of the development proposal are best directed to the CSIRO. They own the site and are responsible for that proposal. At a broad level, the

National Capital Plan was recently amended. Those amendments came into effect on 5 May and provided for that site to be designated as urban, so it is available for future housing development.

Senator RHIANNON: Isn't in that capacity, considering that change was made, that you are able to answer questions about the site?

Ms Hall: I may not have the level of detail you are looking for, but we can certainly have a go.

Senator RHIANNON: What consideration has been given to the possible toxic contamination of the site?

Ms Hall: I am not going to be able to answer anything in relation to the condition of the site. Those questions are best directed to CSIRO, who are responsible for the management and maintenance of the site.

Senator RHIANNON: Even at this period, when it is in transition to urban development? They are responsible right through?

Ms Hall: Yes, Senator.

Senator RHIANNON: So does that mean, therefore, if they are responsible there is no oversight? Because there are a lot of very nasty chemicals on this site as a result of the experiments that were carried out, going right down to dioxin and carcinogenic chemicals that were used in a range of fungicides and herbicides as the experiments were carried out. So when you say it is all up to CSIRO, isn't there any oversight of what CSIRO decides to do?

Ms Hall: CSIRO would be subject to all of the relevant environmental protection legislation, and the senior responsible officers in that organisation would have responsibility for the oversight of these matters.

Senator RHIANNON: You say 'environmental oversight', but there will not be an environmental impact statement will there? That is my understanding.

Ms Hall: CSIRO are subject to the provisions of the Commonwealth EPBC Act, so the provisions of that legislation would apply in these circumstances.

Senator RHIANNON: There is no EIS available, so can you clarify how that works? That is partly why I am asking the questions. Yes, I understand about CSIRO's key position, but I am trying to understand what oversight there is considering the status of the soil and the level of contamination?

Mr Edge: As my colleague advised, really these are questions for CSIRO, to the extent that it is relevant for the environment department. They are not questions that we can answer here.

Senator RHIANNON: But how could NCA rezone this land without such environmental studies about the levels of contamination?

Senator Cormann: It is a very interesting question, but it is not a question for us. As the officers have very politely indicated to you, these are questions that are appropriately directed to the CSIRO, which I believe will appear here on Thursday in the economics committee.

Senator RHIANNON: Thank you for clarifying that, Minister. Could you explain what oversight there is of what CSIRO does with the land considering there is no EIS? I am just trying to penetrate and understand the process.

Senator Cormann: And the question is a question for the CSIRO. It is not a question for us.

Senator RHIANNON: So by answering it in that way, it suggests it is all up to CSIRO, that there is nobody else looking over what is potentially quite serious with the level of contamination.

Senator Cormann: The CSIRO obviously is expected and required to comply with all of the relevant laws. To the extent that you have questions about the matters that you are raising, I would strongly encourage you to pursue those matters with the CSIRO, who I expect will provide you with satisfactory answers.

Senator RHIANNON: So you would expect, but am I accurate in taking from your answer that it is all up to CSIRO and there is no oversight or there is no other way of having some checks and balances here?

Senator Cormann: Well there is a check and balance here: there is a regulatory framework, there is a legal framework, and there is a requirement for CSIRO to comply with the law and a requirement for them to follow all of the relevant processes required by laws at various levels of government. Obviously that is the way this process works. If you are asking whether Finance is the policeman to ensure that CSIRO complies with the laws of the land, then, no, Finance is not the policeman to ensure CSIRO complies with the laws of the land. But I am sure that you will be able to ask probing questions in the Senate economics committee when the CSIRO appears, and I encourage you to do so.

Senator RHIANNON: Thank you, Minister. I will just try and come at it by considering—you have made the comment that they will be following the relevant processes, but there is no EIS that is available and a comprehensive register of all the works conducted on the site since 1958 is not available for public scrutiny.

Senator Cormann: You can go through all of that detail for as long as you want—

Senator RHIANNON: And get another knockback.

Senator Cormann: but this has got no relevance to the finance portfolio.

Senator RHIANNON: Okay, that is informative in itself, getting knockbacks when one is just trying to find out how public safety is addressed.

CHAIR: Senator Rhiannon, I think it is that your questions are just not directed to the right agency here.

Senator GALLAGHER: With property, could I get an update on Operation Tetris? Is that still its name?

Senator Cormann: Yes.

Ms Hall: Yes. The minister gave it that name, so of course it is still its name—an excellent name!

Senator Cormann: I think it captures it!

Ms Hall: I believe when we last appeared before the committee we had advised that Finance had successfully filled—and the minister had issued a press release to this effect—42,000 square metres of previously vacant and surplus office space in and around the ACT, which was expected to realise savings of \$200 million over 10 years, and I understand we subsequently answered a question on notice from Senator McAllister in relation to how those savings were calculated. At that time we advised that there was approximately 18,000 square metres remaining vacant in the ACT. Arrangements to fill that remaining space, which was predominantly in the Nishi Building and the Treasury Building, are very close to finalisation. Of the 13,000 square metres in the Nishi Building—

Senator GALLAGHER: That is 13 of the 18?

Ms Hall: Yes. It is expected that arrangements will be finalised in coming weeks for the Department of Communications and the Arts to assume responsibility for that lease.

Senator GALLAGHER: Was their lease expiring?

Ms Hall: Their lease is expiring from 1 July next year, 2017. Nishi is currently fully occupied by the Department of the Environment and Energy as staging space as we undertake the finalisation of the refurbishment of the John Gorton Building, and that will be completed and Environment and Energy will be fully occupying that building from 1 July next year, with Communications and a subtenant arrangement fully occupying Nishi. That is 13,000 square metres previously unfilled. Estimated savings are \$5.85 million per annum from filling Nishi at the average ACT cost per square metre of about \$450.

Senator GALLAGHER: So, that is the cost of the Nishi lease—

Ms Hall: No, that is the average cost that agencies would pay—

Senator GALLAGHER: Oh—because of consequential savings—

Ms Hall: if they were taking out new leases as opposed to filling the surplus space. The Treasury building: 5,000-odd square metres; the Bureau of Meteorology has entered into a lease to occupy approximately 1,644 square metres and negotiations are underway and close to finalisation with another agency that will take up 3,000-odd square metres from February next year.

Senator GALLAGHER: Is that another public sector agency?

Ms Hall: It is another Public Service agency.

Senator GALLAGHER: So, that would be the 5,000, then, almost.

Ms Hall: Yes, approximately. Following those moves, the 18,000 square metres is effectively filled. There is a small amount of space which we will be using as staging space and surge or task force activities in the Treasury Building. That would house about 150 employees. That would complete ACT Tetris.

Senator GALLAGHER: By the time all those moves are made, there would not be any significant leased and unoccupied office space?

Ms Hall: Yes, subject to any further changes in leasing arrangements and sizes of government departments.

Senator GALLAGHER: Operation Tetris went national. How is that going?

Ms Hall: We have undertaken two pilots of national Tetris, in Adelaide and in Brisbane. In Adelaide there are two approaches running. One of those involves 'Tetris-ing' a number of agencies into vacant space that is currently held by the Australian Taxation Office. The Department of the Prime Minister and Cabinet and the Department of Industry, Innovation and Science have agreed to take up approximately 2,000 square metres of the vacant space in the tax building, and discussions are underway with a number of other agencies. There is a separate coordinated approach to market by several agencies in Adelaide seeking new lease arrangements for about 7,000 square metres. That is currently under evaluation and that is led by the Australian Bureau of Statistics. A similar approach is being developed in Brisbane for a joint approach to the market by a number of agencies to consolidate the Commonwealth's purchasing power and join up our bargaining leverage as existing leases expire in Brisbane.

Senator GALLAGHER: Do you have a global square metreage in Brisbane that Tetris is—

Senator Cormann: We might have to take that on notice.

Ms Hall: We will take that on notice.

Senator GALLAGHER: Can you explain how this is operationalised across the Service? Say an agency is coming up a year beyond—how does that work? Is it with a year to go on their lease that something is triggered? Can you just explain the process for me?

Senator Cormann: We have some published guidelines that we might provide you with, which sort of set it out.

Senator GALLAGHER: Okay. Thank you.

Ms Hall: We have a number of strands of work that go to that. Finance collects the annual occupancy data, so we have information as to where leases are expiring on a whole-of-government basis. We are currently in the process of collecting the data for this year. So it is not available this time, but it will be available in coming months. As a part of the resource management framework, entities are required to notify Finance where they have leases expiring or where they intend to exercise options to extend leases. That process triggers a check of whether there is any available space that is suitable for their requirements at that point in time. If there is available surplus space then the intention is that they would occupy that unless there are significant reasons that would not be suitable. Otherwise they are approved to approach the market for new lease arrangements.

Senator GALLAGHER: With new announcements, tell me how a process like the relocation of agencies aligns with Operation Tetris. Is that one of the criteria?

Ms Hall: It would depend. Operation Tetris and the resource management framework applies to Commonwealth non-corporate entities. It does not apply to all of the entities, so it would depend on the facts and circumstances of the situation.

Senator GALLAGHER: What about the APVMA?

Ms Hall: The APVMA is a Commonwealth corporate entity and the policy framework does not apply in that respect.

Senator GALLAGHER: This would be in this same area, I imagine—property leasing with the APVMA?

Ms Hall: The relocation of APVMA is broader than leasing.

Senator GALLAGHER: So, Finance has not had any role in the relocation of the APVMA from Canberra to Armidale?

Mr Edge: In terms of the property angle, as far as I am aware, no. However, if a relocation did occur and there was vacant space as a result, then obviously we would look at that.

Senator GALLAGHER: So, the vacant space created by the relocation—

Mr Edge: If that were to happen, yes.

Senator GALLAGHER: would potentially come under Operation Tetris?

Mr Edge: We could certainly look at it, yes.

Senator GALLAGHER: Was Finance involved with the cost-benefit analysis that I think EY did on the relocation of the APVMA?

Ms Huxtable: I do not think this is really a matter for this outcome. It is not really a property matter.

Senator GALLAGHER: Can you tell me where it is a matter for, then?

Ms Huxtable: Probably that was part of informing government in respect of a decision.

Senator Cormann: Outcome 1.

Ms Huxtable: It would be outcome 1.

Senator GALLAGHER: But Minister, are you prepared to answer some questions about the relocation of APVMA?

Senator Cormann: I suspect that any specific questions I would have to take on notice.

Senator GALLAGHER: I am after the cost-benefit analysis.

Senator Cormann: I would have to take on notice to see whether we can provide anything in relation to that.

Senator GALLAGHER: Yes, and what Finance's role was in that.

Senator Cormann: I will take it on notice.

Proceedings suspended from 15:46 to 16:02

CHAIR: The committee will recommence outcome 2 of the Department of Finance. Senator Xenophon, I understand you have questions on procurement services.

Senator XENOPHON: Thank you Chair. Mr Sheridan, I know our interchanges have been a combination of *The Myth of Sisyphus*, *Waiting for Godot* and *Groundhog Day*, but let us see if we can break that curse. I refer to clauses 4.5 and 4.6 of the Commonwealth Procurement Rules which are the value-for-money provisions, including whole-of-life costs. What tools are available—or has there been a difference in emphasis in the department considering issues such as the spillover effects, the economic stimulus value of the procurement, tax receipts and the burden of regulation the government imposes on an Australian provider compared to an overseas provider? There are a few distinct issues there. Do you consider, in the context of 4.5 and 4.6, the economic stimulus that may arise from something being procured locally rather than from overseas?

Mr Sheridan: The Commonwealth Procurement Rules are, as you know, based on our trade agreements. Those trade agreements generally prevent discrimination on the basis of the

source of procurement. As a consequence, the ability to favour a local provider above a provider from either some distance away, or indeed another country, is completely limited, especially for the covered procurements—those above \$80,000. In the context of discussing value for money, the ability of procurement officials to determine what the second, third or fourth order effects might be as a consequence of a procurement is extremely limited. It is not generally something that would be done in assessing value for money.

Senator Cormann: I would like to add to that answer—and I promise that I will only do it once.

Senator XENOPHON: You can do it twice; I like you trying to justify the completely indefensible.

Senator Cormann: I will only do it once, but it is a very important point in this context. Firstly, when it comes to Commonwealth procurement, Australian suppliers are very well represented, with approximately 94 per cent of Commonwealth contracts by number being awarded to Australian suppliers in each of the three years from 2012-13 to 2014-15. The Commonwealth procurement rules, as Mr Sheridan has just indicated, do identify that potential suppliers to government must be 'treated equitably' and cannot 'be discriminated against due to their size, degree of foreign affiliation or ownership, location, or the origin of their goods and services.' And now comes the very important point, because this is an important principle that our exporting businesses rely on when supplying goods and services in overseas markets. The Australian market is a very small part of the global market. We want Australian businesses to be able to supply the global markets on fair terms because, importantly, the non-discriminatory rules contained in our various export agreements ensure that Australian suppliers are not disadvantaged when tendering for government procurement in countries with which we have such agreements in place. It goes both ways. If we start to discriminate against relevant suppliers from other parts of the world, countries with which we have relevant export agreements, then obviously any retaliatory consequences in those markets would reduce the capacity of relevant Australian businesses to successfully export into those markets and we want Australian businesses to grow their export market. That is why it would be very unwise to seek to introduce a discriminatory approach when it comes to government procurement here in Australia.

Senator XENOPHON: Are you being unwittingly misleading, I am not suggesting deliberately, when you say that 94 per cent of contracts are awarded to Australian suppliers?

Senator Cormann: I said, 'By number.'

Senator XENOPHON: By number, 94 per cent of contracts are awarded. If it is an Australian company, it does not mean that an Australian company cannot be sourcing the actual goods procured from overseas. It is an Australian company that might be an importer of goods. I am not having a go at you, minister, I am simply saying—

Senator Cormann: I am not being misleading because what I have indicated is absolutely accurate and that is that 94 per cent of Commonwealth contracts are awarded to Australian suppliers. What sort of arrangements the Australian suppliers have up the line is, ultimately, a matter for those Australian businesses.

Senator XENOPHON: That is inherently misleading when you say that, minister.

Senator Cormann: I completely reject that.

Senator XENOPHON: It is inherently misleading.

Senator Cormann: You are actually missing the most important point and that is that the Australian market for government procurement is comparatively small when seen in the context of the global markets. If we want relevant Australian businesses to be the most successful they can be then we want them to have the most competitive possible access to markets around the world and not just to the Australian market. Part of making sure that that can happen is to ensure that we do not discriminate here in Australia based on, for example, the degree of foreign affiliation, or ownership, location or the origin of the goods and services. That is what I have said very clearly, openly and transparently. If we do, then obviously that would mean that Australian businesses exporting into other markets would likely face similar restrictions over time.

Senator XENOPHON: You have not been clear and you have not been open or transparent in that answer when you said that 94 per cent the procurement contracts have been awarded to Australian suppliers. Is that what you have said?

Senator Cormann: That is the advice that I have from the department. That is the advice that—

Senator XENOPHON: Right. Can you please, Minister, concede that just because those 94 per cent of contracts that have been awarded to Australian suppliers it does not mean that a contract is necessarily involving the procurement of locally made goods?

Senator Cormann: I am sure that that is true, but me giving you the advice that I have given you is not in any way, shape or form misleading. Again, you are going on a side issue where you are missing the point.

Senator XENOPHON: No, you are going on a side issue.

Senator Cormann: No.

Senator XENOPHON: You are going on a side issue.

Senator Cormann: The implication of your line of questioning is that you want the Commonwealth to introduce a discriminatory procurement policy—

Senator XENOPHON: Chair, I have a point of order on relevance. I just want to get an answer to a line of questioning. The minister is verballing me.

CHAIR: I heard the minister answer your question when he agreed with you that the 94 per cent does not necessarily mean that all the goods are sourced in Australia, just that the suppliers are Australian.

Senator XENOPHON: I am still on the point of order. The minister has now segued onto verballing me about a discriminatory approach to procurement. I am just trying to establish, on this line of questioning, what percentage of those contracts actually involve the procurement of locally made Australian goods.

Senator Cormann: We have not got to that yet. I am still completing my original answer. The line of questioning you were pursuing, and in particular the initial series of questions you addressed to Mr Sheridan, suggested that various things should be taken into account, which all goes to treating Australian suppliers in a different way to suppliers from other parts of the world. The point I make to you is that it is in the interests of Australian businesses supplying these sorts of services that they have the most competitive possible access to markets around

the world, that they are not discriminated against in other markets around the world. For us to be able to ensure that happens we need to comply with the same rules that we have agreed to comply with that we expect other countries to comply with. That is the critical point. This is not the first time we have discussed this of course.

Senator XENOPHON: And won't be the last.

Senator Cormann: We have gone around in circles with the same line of questioning before. We might have to agree to disagree. The government's view is that Australian businesses have the best possible opportunity to get ahead if they can access to the largest possible market, and the global market clearly is a significantly larger market than just the Australian domestic market, so we have to make decisions on procurement that facilitate Australian businesses being able to grow their businesses globally and not just domestically.

Senator XENOPHON: Chair, I apologise for my overly optimistic estimates of how long this would take!

CHAIR: Let's just stick to it.

Senator XENOPHON: Exactly. Minister, of those 94 per cent of contracts to the Australian suppliers, can you advise what percentage of the \$59 billion or \$60 billion that the Australian government spends in procuring goods and services is actually goods that are made in Australia or services that are sourced in Australia, such as an IT service, for instance.

Senator Cormann: What we know is that 94 per cent of contracts awarded by the Commonwealth are contracts awarded to Australian suppliers. We do not hold the information to the level of detail you are seeking. Going to the fundamental—

Senator XENOPHON: We spend, what, \$60 billion a year on Commonwealth—

Senator Cormann: We do not verify how every individual Australian business that does business with the Commonwealth sources every aspect of their operation.

Senator XENOPHON: It is \$60 billion a year, is it not—in that order?

Mr Sheridan: Yes.

Senator XENOPHON: \$60 billion a year of taxpayers' money procuring goods and services and you cannot tell me how much of that relates to locally sourced goods and services made here or provided here in Australia.

Senator Cormann: I have just indicated that 94 per cent of contracts awarded by the Commonwealth are awarded to the Australian suppliers. It would be an inappropriate diversion of taxpayer resources to essentially track the level of detail that you are suggesting the Australian government should track—and, in the end, for what purpose, because we are not actually able to discriminate between suppliers on the basis that you are suggesting we might want to discriminate.

Senator XENOPHON: I am talking about finding out how much of the \$60 billion is spent on local suppliers for goods and services, in terms of goods made in Australia and services provided from Australia, not from overseas.

Senator Cormann: And what I can say to you is that 94 per cent of Commonwealth contracts are awarded to Australian suppliers. If we were to spend money—

Senator XENOPHON: Which does not tell us much at all, does it?

Senator Cormann: If we were to spend money on collecting information to the level of detail you are suggesting, it would, with the greatest of respect, be a waste of money because ultimately what would we do with the information that we received, because we are not in a position to discriminate, through the Commonwealth procurement rules, between essential suppliers, based on size, degree of foreign affiliation or ownership location, or the origin of the goods and services. So we would be collecting information for esoteric purposes, but not for an actual purpose that would lead to any practical consequences.

Senator XENOPHON: How is it esoteric if other countries, some of our major trading partners—such as the United States, under some piece of legislation, the Canadians and the Europeans—take a more stringent view of procurement, to have an emphasis on the level of local involvement of those goods and services—whether they are manufactured or sourced in their country? Are you aware of the differences between the United States' approach to procurement, the Canadian approach to procurement and the European approach to procurement?

Senator Cormann: Again, I point you to the fact that 94 per cent of Commonwealth contracts—

Senator XENOPHON: You are not answering the question.

Senator Cormann: We have a philosophical difference here. We believe that Australian businesses are best served by having access that is as open and as competitive as possible to key markets around the world. That is how we structure our export trade deals to facilitate competitive access for Australian businesses to markets around the world. And our procurement framework is a part of facilitating that. Nevertheless, Australian businesses do very well by being able to secure 94 per cent of contracts. But, in the end, the decisions that Australian businesses make on how to supply the relevant goods and services to the Australian government are decisions for them that it is not up to the government to second-guess.

Senator XENOPHON: So it is esoteric for Australian taxpayers to work out how much of the \$60 billion a year the government spends in procuring goods and services is actually source from Australia?

Senator Cormann: 94 per cent of contracts are awarded to the Australian businesses. Importing businesses are Australian businesses. I am not proposing that we should say that Australian businesses that import goods from overseas are second-class businesses. They are providing a valued and appropriate and important service as part of the Australian economy. Again, 94 per cent of Commonwealth contracts are awarded to Australian suppliers. We obviously have a responsibility to taxpayers to ensure that, through our procurements, we get value for money and that we spend as much as necessary and as little as possible on procuring relevant services through this process. Collecting additional information beyond what is collected, when that information is not ultimately going to you the lead to the sort of protectionist changes you are seeking, is—

Senator XENOPHON: Don't verbal me now—

Senator Cormann: In the end it is not a good use of taxpayers' money.

Senator XENOPHON: So you do not have any problem in reducing manufacturing in this country even further. We are down to 6.2 per cent.

Senator Cormann: We want to boost manufacturing—

Senator XENOPHON: I have not finished my question, Minister—particularly when manufacturers are the biggest innovators and exporters in the economy and drive economic growth.

Senator Cormann: I completely reject the premise of the question. We want to see manufacturing in Australia thrive and be successful—

Senator XENOPHON: How?

Senator Cormann: Based on having competitive access not only to the Australian market but to key markets around the world. If you look at the work in the context of the defence industry plan, for example, it has a significant component of support of local high-end manufacturing, when you look across the board. During the election campaign, incidentally, the Prime Minister was able to put the spotlight on in relation to quite a number of those export success stories. A mattress manufacturing company in New South Wales comes to mind. It has been successful in significantly boosting its exports into China. We want to see manufacturing in Australia be successful, of course. We want it to be successful based on being genuinely competitive, not because the Australian government is putting protectionist fences around it.

Senator XENOPHON: It is a key priority of this government to simulate jobs and growth in this country. Is it not?

Senator Cormann: It is absolutely a key priority for us to implement our plan to deliver jobs and growth. If you look at the outcomes, indeed, that is what we are achieving, by improving our competitiveness, by improving our productivity, by making sure that our businesses have better access to key markets around the world, by investing in infrastructure, by implementing our defence industry plan, and by promoting innovation. Yes, of course jobs and growth are key priorities. Growth today is running at 3.3 per cent, compared with 2.2 per cent when we came into government. Employment growth is stronger. The unemployment rate of 5.6 per cent is well below where it had been anticipated it would be.

Senator XENOPHON: You are ignoring underemployment.

Senator Cormann: For every bit of positive news I know that you are throwing something negative back at me, but the truth is that if you look at the performance of the Australian economy in a global context—in its 26th year of continuous growth—we are performing rather well as we are dealing with a very difficult transition in our economy from record resource investment driven growth to broader drivers of growth.

Senator XENOPHON: Could you please take on notice the basis upon which you say we will be breaching various national trade obligations by having the current procurement policy we have that does not take into account the economic stimulus values, the tax receipts and the social and economic benefits of buying local?

Senator Cormann: Mr Sheridan gave evidence to that effect, and I am happy to take that on notice.

Senator XENOPHON: What clause in what agreement are we prevented—

Senator Cormann: I am happy to take it on notice.

CHAIR: I think the minister has agreed to take it on notice.

Senator XENOPHON: And what effect will the WTO agreement on procurement that this government seems to be plunging towards signing have in relation to the whole issue of procurement?

Senator Cormann: I will take that on notice, too.

Senator XENOPHON: It is for the trade portfolio, so I can ask that there as well. Mr Sheridan, when you are taking into account value for money, if you could buy goods more cheaply from a country that has little or no environmental standards, pays wages that are on any measure unreasonable or barely subsistence wages or below subsistence wages, and has a disregard to occupational health and safety, including, for instance, the use of child labour, these factors that you take into account? Do you take any of those factors into account? If the goods are so cheap in another country, do you look at whether their environmental standards, their occupational health and safety standards and their child labour laws are or are not adequate?

Mr Sheridan: There are several things that would be taken into account in value for money. Price is not the only determinant of value for money. So, because something is cheaper, it would not necessarily mean it would be preferred.

Senator XENOPHON: So do you take into account the child labour laws of a particular country we are buying goods from?

Mr Sheridan: I will address the points in order if you wouldn't mind?

Senator XENOPHON: Please.

Mr Sheridan: In terms of environmental standards, the procuring authority could ask for a particular environmental standard that was applicable across products. You might be aware, in the context of paper, how we do that already to make sure those things are in accordance with the right sort of standards. In terms of—

Senator XENOPHON: But they do not have to, do they?

Mr Sheridan: Do you mean that a procurer does not have to—a procurement official?

Senator XENOPHON: A procurement official does not have to take into account those—

Mr Sheridan: A procurement official has to conduct procurement in a way that is economical and efficient and environmentally sustainable—to take those things into account. They are required to do that.

Senator XENOPHON: To what extent? If the other country is a heavy polluter pumping toxins into the river system in whatever the country is, do you take those factors into account?

Mr Sheridan: A procurement official can take into account a standard—an international standard or an appropriate Australian standard—for procurement, as long as it does not essentially discriminate. So you cannot have a standard that overseas provider cannot possibly meet because they are not in Australia, but you can have an equivalent—

Senator XENOPHON: But you can insist on an equivalent Australian standard?

Mr Sheridan: Indeed. If the procurement official thinks that is appropriate, that is perfectly fine.

Senator XENOPHON: If they think it is appropriate—it is not mandated, is it?

Senator Cormann: They have to make a judgement.

Senator XENOPHON: So it is not mandated. So we could technically be getting goods made with child labour that would not be allowed here in Australia, and that would be prohibited under the current procurement rules? Is that the case?

Senator Cormann: You are asking separate questions. You started off with an environmental question and Mr Sheridan answered that. You are now asking a different question. Instead of jumping in immediately, let him answer the question.

Mr Sheridan: I would turn to ethical procurement in the context of child labour—that officials undertaking procurement must act ethically throughout the procurement and deal with the sorts of arrangements there. If it were able to be known that there were supply practices that were dishonest, unethical or unsafe, then relevant entities must not seek to benefit from those arrangements.

Senator XENOPHON: Is that a red flag, that the procurement cannot go ahead?

Mr Sheridan: This includes not entering into contracts with tenderers who have had a judicial decision against them around employee entitlements and have not satisfied any related order. Those sorts of things are included.

Senator XENOPHON: All of this is publicly available material, is that right?

Mr Sheridan: It is in the Commonwealth Procurement Rules.

Senator XENOPHON: Yes. It covers all of those issues. Given that it seems other countries, including the Americans, the Canadians and the Europeans, do procurement a little differently, has there been a comparison done—and, indeed, I put this to the minister—to see whether we are taking a literalist, some would say fundamentalist, view to procurement that other countries are not taking?

Senator Cormann: We do not take a fundamentalist view. We take an appropriate view. I completely reject the proposition—

Senator XENOPHON: Your appropriate might be my fundamentalist.

Senator Cormann: I completely reject the characterisation of a fundamentalist approach.

Senator XENOPHON: Let me neutralise the language. Has there been a comparison done between the procurement approach of other trading countries that we trade with—the United States, the Canadians, the Chinese, the Indonesians, the Europeans and others in the region—in terms of how they deal with procurement in their countries compared to how we deal with procurement in ours? Mr Sheridan, can you help me with that?

Mr Sheridan: I would try to help, but specifically—

Senator XENOPHON: You might want to take it on notice.

Mr Sheridan: Well, in the context of the Buy American Act, which is, I think, the discussion of American government procurement that was perhaps one of the things involved in what you are discussing, Australian goods and services in US government procurements that are covered by the Australia-United States Free Trade Agreement are treated in the same manner as US goods and services.

Senator Cormann: Which is the key point. So to the extent that you are suggesting there is discrimination—and that was what I was trying to suggest before—that does not apply to Australian businesses as a result of the agreements that we have got with the United States. It

is very important for Australian businesses to have the best possible access to those key markets, and, for as long as we manage our procurements consistent with the rules, our businesses will be able to benefit from other countries like the US also treating Australian businesses consistent with those rules.

CHAIR: Senator Xenophon, can I get an estimate of how far we are into your questions?

Senator XENOPHON: This is like waiting for Godot, or the myth of Sisyphus—I am not sure which is more appropriate. I will keep rolling the boulder for a couple more minutes. At least someone has read their Greek mythology. Minister, you are a very proud Western Australian, and you have a very successful company in Western Australia called Austal, the shipbuilder. Are you familiar with Austal?

Senator Cormann: Of course.

Senator XENOPHON: My understanding is that the ships Austal builds for the US Navy have to be built on US soil using American labour.

Senator Cormann: I am not going to talk about your understanding of contractual arrangements. That is between Austal and the US.

Senator XENOPHON: That is the case though, is it not? Austal builds in the US.

Senator Cormann: I am not going to answer questions about contractual arrangements between Austal, a private business, and the United States Navy.

Senator XENOPHON: But that has just contradicted what you said about American and Australian—

Senator Cormann: No, it does not, actually. You are now going into Defence procurement. The questions that you were asking before were in relation to general, non-military procurement. I think there is always a difference, whether it is the United States or whether it is Australia, between general procurement by government and Defence procurement where there are obviously other sensitivities at play.

Mr Sheridan: There is an exemption to the Commonwealth Procurement Rules for Defence procurement, and there is essentially a reciprocal arrangement in the US.

Senator XENOPHON: Sure. I am nearly done. I will be out of here in a minute. Can you indicate, Mr Sheridan, as to whether the department has undertaken analysis to determine how difficult and how expensive it would be to actually determine how much of those 94 per cent of contracts awarded to Australian suppliers with the \$60 billion we spend of taxpayers' money on procuring goods and services that are actually locally produced and locally sourced goods and services?

Senator Cormann: We believe it is unquantifiable, but we will take that on notice and see to what extent we can make the—

Senator XENOPHON: How can it be unquantifiable?

Senator Cormann: For the reasons I indicated to you before. We know that 94 per cent of contracts go to—

Senator XENOPHON: You do not even ask the question though. It is unquantifiable because you will not even ask the question.

Senator Cormann: I have indicated to you what the government's answer is. We will see, on notice, whether—

Senator XENOPHON: But you do not ask the question, do you? You cannot quantify it because you will not ask the question.

CHAIR: Senator Xenophon, the minister has agreed to take it on notice and I am sure he will come back to you if he has an answer. Any further questions?

Senator XENOPHON: I might have to reread *Waiting for Godot* tonight.

CHAIR: Okay, enjoy that.

Senator XENOPHON: Thank you, Chair.

CHAIR: My pleasure.

Senator GALLAGHER: Are we currently generally in outcome 2 or are we specifically in a particular area?

Senator Cormann: We are actually in 2.5, 'Procurement services'.

Senator GALLAGHER: But we seem to be moving fairly fluidly through.

CHAIR: We are. For the ease of the committee, are there any programs we can tick off?

Senator Cormann: We have ticked off 2.1 and 2.3.

CHAIR: I know we definitely want to come back to 'Transforming government'.

Senator Cormann: Before the break, the indication was put to us that you might want to go back 'Transforming government', but beyond that we have essentially worked through the list.

Senator GALLAGHER: I did not know we had ticked off 2.3. I only have one very small area of questioning, around Finance's move to your new building. Also, would questions about the Lodge fall under this area? In relation to the move, it is all finalised now, I presume. I think at the last estimates you did not have a final figure on the cost of the move—so I am following up, basically, on whether you have final costs associated with that move.

Mr Hirschfeld: The total cost for the move was \$220,000.

Senator GALLAGHER: Can you tell me what that was for?

Mr Hirschfeld: That was for moving staff from roughly five different tenancies around Canberra and moving associated equipment they took with them—files and so forth—into the new building.

Senator GALLAGHER: Am I right in assuming you are mainly in the new Barton building but you still have a couple of leases elsewhere in Canberra? Sorry, it has been about a year and a half since I sat on this committee.

Ms Huxtable: The good news with the move is that we now have more than 85 per cent of our Canberra staff in 1 Canberra Avenue, which for us is a huge efficiency because not only do we have the benefits of people being together and forming a single organisation but, importantly, we gain the efficiencies of people no longer having to travel between buildings, which was a significant drag, and many people will tell you that. We do retain other premises, at the Burns Centre, Symonston, the COMCAR depot and Parliament House, with around 15 per cent of staff in those other premises, but there are some quite small numbers in some of

those. We can take you through that, but I think the key messages is that we have done very well to get most of our people together—and, of course, as you would know, there are savings associated with the consolidation into 1 Canberra Avenue of \$55 million over 20 years.

Senator GALLAGHER: So \$220,000 was basically the cost of moving people's files, equipment, computers and bodies?

Mr Hirschfeld: Yes.

Senator McALLISTER: We have had some discussions in this committee before, and again yesterday, with Prime Minister and Cabinet about the official establishments and, in particular, the very long project to renovate the Lodge. We sought some information yesterday about the expenditure on the luggage lift and Prime Minister and Cabinet referred us to Finance for the details of that.

Senator Cormann: Just a reminder that these decisions, I believe, were made back in 2010—before there is an attempt to politicise the refurbishments and the relevant decisions that were made in relation to The Lodge.

Senator McALLISTER: That is, in fact, what I do seek to explore. It is true, and we have had evidence here in the past, that the project was initiated back in 2010, but there was a series of significant changes to scope. I am particularly interested in understanding when the expenditure on the luggage lift was approved.

Senator Cormann: We might have to take that on notice to get the specific date.

Senator McALLISTER: Previously Ms Halton, as the secretary, has told me that there was a significant expansion of scope in 2014 to deal with a range of questions, including OH&S questions. She was certainly briefed, the last time we discussed this, in quite some detail on the contracts around The Lodge and its renovation. Are you certain you do not have the information with you today, Ms Huxtable?

Senator Cormann: I am certain that I am taking it on notice. We have obviously had a change of secretary since Ms Halton last appeared, and it is appropriate to ensure that the information is accurate.

Senator McALLISTER: Can you tell me what brand the lift is?

Senator Cormann: No. That is not the sort of detail that we have with us, but I am happy to take that on notice as well.

Senator McALLISTER: Is it an Australian-made lift?

Senator Cormann: We will take that on notice.

Senator McALLISTER: Can you tell me the dimensions of the lift?

Senator Cormann: I will take that on notice. You are obviously very interested in it. Why don't you give—

Senator McALLISTER: I am very interested in the lift.

Senator Cormann: Why don't you give me the whole list of questions that you have, and I will undertake to get the information to you?

Senator McALLISTER: I would also like to know what the weight capacity of the lift is.

Senator Cormann: Why don't you go through all your questions, and we will just take them on notice. I generally do not know what the weight capacity of the lift is?

Senator McALLISTER: I think those are some of the detailed questions that you have indicated you would like to take on notice. We were told yesterday that the insulation of the lift was to deal with OH&S questions. Can you elaborate on that, Ms Huxtable?

Senator Cormann: Obviously, the Prime Minister's department went through that yesterday. To the extent that I have fresh knowledge or fresh memory in relation to these matters, it is based on the evidence that I saw being given yesterday. Why don't we include your questions in relation to that with the questions that we have already taken on notice in relation to the lift?

Senator McALLISTER: I would like to know how many OH&S incidents have occurred as a result of lifting luggage.

Senator Cormann: We will take that on notice.

Ms Huxtable: I am not sure that we would know.

Senator Cormann: We will take it on notice. As always, we are keen to be helpful. It is not technically a matter for us, but I do not want to move you backwards and forwards, so I will seek to facilitate an answer.

Senator McALLISTER: Here is my last detailed question, and I feel certain you will take this on notice also. How many stairs are there at The Lodge?

Senator Cormann: We will take that on notice.

Senator McALLISTER: I will say that we did seek to pursue this with Prime Minister and Cabinet yesterday, and they were very explicit in referring a range of questions to the Department of Finance. Do they tell you when they refer us to you at estimates?

Ms Huxtable: Well, they have not told me, and I did not see their evidence yesterday. I am very happy to go back and review their evidence and, given the questions that you have asked, liaise with them to make sure that we are being as helpful as possible in getting back to you.

CHAIR: To be fair to them, I think they also undertook to take a lot of those questions on notice as well.

Senator McALLISTER: They did. It is simply that we had a very detailed discussion that probably went for over an hour the last time we were here at estimates about the same set of questions. I am surprised that neither department has come to this round of estimates in a position to discuss any of the detail at all.

Senator Cormann: You are going to a level of detail—it is not unusual for the government of the day to take questions of that sort of nature on notice.

CHAIR: There are no further questions for property and construction, so any officials who are relevant for that are free to leave. We will return to transforming government now.

Senator GALLAGHER: I have some questions in relation to public sector transformation and the efficiency dividend. It was raised by my colleague Senator McAllister at the May estimates just post the budget. Specifically, I think, at that time—

Senator Cormann: The efficiency dividend is very much an outcome 1 question relating to the budget, which we have well and truly moved on from.

Senator GALLAGHER: It is called transformation—public sector transformation—which could have led to the confusion.

Senator Cormann: The public sector transformation is an expenditure item, which is not the efficiency dividend. The government did make a decision to reinvest a proportion of the efficiency dividend into the public sector transformation fund, but the public sector transformation fund is very much an expenditure item and not a savings measure.

Senator GALLAGHER: I think next time we are just going to have to establish where everything lies up-front so that we do not get to this. There is a program called transforming government and this item is called public sector transformation, so you can see what perhaps led to my confusion about the appropriate place to ask this series of questions. I am going to press on anyway. If you cannot answer them, you can take them on notice. At the May estimates there was not a lot of detail about how this particular initiative as contained in the budget was going to be progressed. I think the former secretary, Ms Halton, mentioned the Secretaries Committee on Transformation, which would be meeting at a date obviously after the estimates date.

Senator Cormann: It is safe to say that more work has been done.

Senator GALLAGHER: All right, let's cut to the chase.

Senator Cormann: I have sought approval from the Prime Minister in relation to a proposal. Why don't we ask Dr Helgeby to take you through it?

Dr Helgeby: The work has progressed since the budget. There is a process which will advise government, and the ultimate decisions will actually be decisions announced by government in the budget.

Senator GALLAGHER: So that is all the committee is able to be told that this point—that work has progressed, there is a process underway to advise government and then government will make a decision?

Ms Huxtable: The work has progressed, but it has not yet been finalised to the point where advice has been provided to government.

Senator GALLAGHER: Have the efficiencies been allocated? There are two components to this, aren't there? There is the reinvestment of \$500 million for specific initiatives to assist agencies to transform their work, and then there is the efficiency dividend component, which is just standard. So that is just attributed across all agencies, and there are a few that are exempt?

Ms Huxtable: Yes, that is right. We have answered questions in the past around the exemptions for the ED. Yes, you are right; there are two elements: the element that relates to efficiencies, and then a reinvestment of the \$500 million in the fund, which is the element that Dr Bartlett and Dr Helgeby are responsible for.

Senator GALLAGHER: The decision around the \$500 million reinvestment initiative—has more work been done on that?

Ms Huxtable: Yes.

Senator GALLAGHER: So in terms of more work, are proposals being put to government about how best to allocate that money?

Dr Helgeby: The ultimate allocation will be by government in the budget context.

Senator GALLAGHER: I accept that.

Dr Helgeby: We will provide advice to government that enables that decision making to occur in the budget context.

Senator GALLAGHER: Finance, will you be making recommendations to government about the allocation of that \$500 million?

Senator Cormann: Finance will provide advice to government, and the government will make decisions.

Senator GALLAGHER: Will the programming involve any further staffing losses?

Senator Cormann: Obviously the transformation fund is an additional item of expenditure. Self-evidently, additional items of expenditure in themselves are not expected to lead to staffing losses.

Senator GALLAGHER: In the short term, perhaps.

Senator Cormann: The government's intention is always to ensure that public administration is as efficient, streamlined and effective as possible, that we spend as much taxpayers' money on public administration as necessary, but not any more than necessary. As little as possible, as much as necessary—that is really the right way to describe it. Obviously, we are always looking for opportunities to ensure that we achieve the same or better outcomes with fewer resources and in a more efficient and streamlined fashion.

Senator GALLAGHER: Will that \$500 million reinvestment start in the 2017-18 financial year?

Ms Huxtable: It is from 1 July 2017, for three years.

Senator GALLAGHER: So decisions need to be made for either the MYEFO or the budget?

Ms Huxtable: So I think Dr Helgeby already said we anticipate these will be decisions taken at the budget—

Dr Helgeby: In the budget context.

Ms Huxtable: remembering the money is already in the budget, but this is about the money to be spent.

Senator GALLAGHER: It is already allocated; this is about the decisions to allocate. I think you indicated you had answered on notice before how the efficiency dividend was being applied across individual agencies. Have you answered that post-budget?

Ms Huxtable: I might have to go back and look.

Senator GALLAGHER: Could you just have a look?

Ms Huxtable: I was answering about the exemptions and partial exemptions. We have certainly taken on notice before the whole framework in which the efficiency dividend operates. To be honest, I am not sure if we have actually allocated the efficiency dividend yet, but we can take that on notice and I will get back to you. Those officials are not here anymore.

Senator GALLAGHER: Were the national institutions considered as part of that exemption from the efficiency dividend?

Ms Huxtable: There has not been any change.

Senator Cormann: Because we have it available, we will again put on notice for you the list of exemptions.

Senator GALLAGHER: I do not think it is on notice from me.

Senator Cormann: We have not added any new exemptions, if that is your question. The exemptions are consistent with what was in place under your government when you applied the efficiency dividend. They are the same exemptions that apply under this government.

Senator GALLAGHER: There were some exemptions for the national institutions under the previous government which I do not think apply now.

Senator Cormann: The only difference is that we have allocated \$500 million to the public sector transformation fund, which will obviously help facilitate certain decisions as appropriate.

Senator GALLAGHER: I do not want to people to repeat work. I am happy to be pointed in the right direction. I am sure some of them will come back with that answer. What is the process to get an exemption from the efficiency dividend?

Senator Cormann: The government would have to agree.

Senator GALLAGHER: Yes, I get that, but how would a small agency or a small institution like the National Library, for example, basically say, 'We can't continue to deliver what government's asking us deliver if this efficiency dividend is applied.' Is there a process? Do people go to Finance? They are not going to be able to stop you in the street, Senator, and ask you.

Senator Cormann: The way it works is this: there is a minister responsible for the National Library. It happens to be my good friend and colleague Senator Fifield. If any minister, whether it is Senator Fifield or any other minister in any other portfolio, wants to make a new policy proposal to government that has a negative impact on the budget bottom line then the fiscal discipline rules under which we operate are that they would have to identify offsets on how they would pay for such a decision via a saving or a revenue measure in another part of the budget. It really is a matter for any such agency to persuade their line portfolio minister to pursue a policy proposal through the government process. Any such proposal would be put to the Expenditure Review Committee, which would make a decision as to whether it fits with the government's overall priorities.

Senator GALLAGHER: What you are saying then is for all of the agencies that are currently exempt from the efficiency dividend, within their portfolio that minister is finding that money and providing that back to consolidated revenue through another mechanism—is that right?

Senator Cormann: Not quite. Dr Helgeby just reminds me that an important element that you need to consider here is that the efficiency dividend applies at a portfolio level. It is absolutely open to individual portfolio ministers, by agreement, to reallocate the efficiency—

Senator GALLAGHER: By agreement with you, Senator?

Dr Helgeby: By agreement with the relevant minister, and they would approach the finance minister.

Senator Cormann: So it is absolutely open for a relevant portfolio minister to come to me and say, 'We will deliver the same efficiency dividend across the portfolio, but we would like to have a slight reallocation of the impact of the efficiency dividend across relevant agencies.'

Senator GALLAGHER: During your time as Minister for Finance, have you always agreed with those proposals when they have been put forward?

Senator Cormann: No, I am sure that I have not always agreed. It is not just my decision, incidentally. When you allocate new expenditure, obviously it is ultimately a matter for government as a whole, and you would not be surprised to hear me say that not every spending proposal would necessarily be agreed on by government. In relation to the efficiency dividend reallocation within portfolios specifically, I would have to take on notice what the actual track record is there.

Senator GALLAGHER: Could you also then take on notice whether an exemption has been sought for the national institutions in Canberra?

Senator Cormann: I will take that on notice.

Senator GALLAGHER: I am very confused about where we are up to.

CHAIR: Fair enough. Just to clarify, these questions are essentially on outcome 1. Are there any more questions in outcome 1 that we have not dealt with?

Senator Cormann: We have moved on from outcome 1.

CHAIR: I know.

Senator GALLAGHER: But then we went back.

CHAIR: We have, effectively, been discussing the efficiency dividend, which is outcome 1.

Senator GALLAGHER: I have some questions around procurement.

Senator Cormann: Have we finished with program 2.4? Are there any questions in relation to program 2.4?

CHAIR: That is insurance and risk management.

Senator McALLISTER: I do not believe so.

Senator Cormann: What about program 2.2? Have we finished with transforming government now?

CHAIR: Yes, so then in that case we are dealing with procurement services—not including government campaign advertising, which we will come back to with Senator Ryan when he joins us shortly.

Senator GALLAGHER: We have some questions around shared services, but I think we will put that on notice. It just was the last output class.

CHAIR: What about procurement services?

Senator GALLAGHER: Yes, I have some questions around the vehicle fleet. Is that the right area? You are not going to tell me it is under something else, are you?

Mr Sheridan: No, vehicles is right.

Senator GALLAGHER: Hallelujah! That is a first for the day, I reckon, where I am in the right spot at the right time. Is there a current Commonwealth government Fleet Vehicle Selection Policy?

Mr Sheridan: Yes, there is.

Senator GALLAGHER: Has it been recently updated? Can it be provided?

Mr Sheridan: We can certainly provide it, but it has not changed recently.

Senator McALLISTER: When was it promulgated? When was it first established?

Mr Sheridan: I have to take that on notice, but it has been the same for some considerable time.

Senator McALLISTER: So it was many moons ago and has not been recently updated?

Mr Sheridan: No, it has not.

Senator GALLAGHER: Has there been any thought about fleet selection policy in light of the changes to the car manufacturing industry in Australia?

Mr Sheridan: Yes. The government have decided that the current policy will stay in place until there is only one manufacturer left, and then we will review what to do next.

Senator GALLAGHER: That has been a recent decision?

Mr Sheridan: It was last year, I think.

Senator GALLAGHER: That decision was last year, and it did not require any changes to the policy as it stood?

Mr Sheridan: No.

Senator GALLAGHER: Have you had any discussions with Australian based vehicle manufacturers to discuss the impact of the closure of Ford and the future closure of Holden on options for the Commonwealth in selecting fleet vehicles?

Mr Sheridan: Usually we purchase fleet vehicles off the factory line. As a factory line closes, then the options to purchase vehicles direct from the factory are, of course, no longer available. When we are aware that that has occurred, then we might have to change the way we buy particular vehicles, or we might take only those that are available on offer, as it were—that have been built. We are in that situation, to a certain extent, with some of the vehicle types, but the policy has not changed.

Senator GALLAGHER: Just out of interest, what are the vehicle needs, in terms of what you purchase every year?

Mr Sheridan: We purchase quite a wide range of vehicles, from cars to utility vehicles and larger vehicles in certain circumstances. The fleet is quite diverse.

Senator GALLAGHER: Do you have an average volume per year?

Mr Sheridan: I could provide that on notice. I do not know the figure off the top of my head.

Senator GALLAGHER: For the previous financial year, 1 July 2015 to 30 June 2016, what was the proportion of Australian made passenger vehicles?

Mr Sheridan: It is knowable, and we can provide that on notice.

Senator GALLAGHER: You cannot provide that to me now?

Mr Sheridan: Not off the top of my head.

Senator GALLAGHER: Do you publish that data? I think the vehicle fleet numbers used to be published.

Mr Sheridan: I do not believe we have published the data for some time. I think we published it in the context of the last time we went to market for the fleet provider. So it was in the publicly available data that we provided for prospective providers to understand, but we have not published it since then.

Senator GALLAGHER: I recall that, at some time, there were debates across every government about the purchase of Australian vehicles. At that point in time, I think there was quite a detailed breakdown. From memory, compared to other governments, I think the Commonwealth might have led the way on the purchase of Australian vehicles.

Mr Sheridan: What we provided at that stage was very detailed.

Senator GALLAGHER: That is not happening now?

Mr Sheridan: We only published it in the context of going to market. When we are going to market we often publish information about the procurement arrangements that we have in place, history and those sorts of things. This is so that potential providers can understand what it is they might be tendering for.

Senator GALLAGHER: When was it that you last went to market?

Mr Sheridan: That would have been in 2012, I think.

Senator GALLAGHER: How long does that contract go for?

Mr Sheridan: Several more years.

Senator GALLAGHER: The intention would be that, rather than being information that was for anyone, it was information that was provided publicly but was for a particular purpose.

Mr Sheridan: Yes.

Senator GALLAGHER: Would the intention be that you would do that again?

Mr Sheridan: When we next go to market, yes.

Senator GALLAGHER: In terms of procurement more broadly, the Public Governance, Performance and Accountability Act requires contracts to be reported on AusTender. That is right, isn't it?

Mr Sheridan: As a consequence of the PGPA Act, contracts have to be reported on AusTender; that is correct.

Senator GALLAGHER: Am I correct in my recollection that Finance has an overarching role in regard to monitoring agencies' performance, or was that a one-off whilst the PGPA Act was being introduced?

Mr Sheridan: Finance runs AusTender, and that is the mechanism by which agencies report their contracts of over \$10,000, so we provide that.

We publish publicly the data from AusTender, both on the application and on data.gov.au. The requirements around reporting performance, or the compliance aspects, are not in my area specifically. They are in another area of Finance.

Senator GALLAGHER: Which we have probably finished dealing with, have we?

Mr Sheridan: The area that looks after the PGPA Act.

Senator GALLAGHER: In 2.2, or something like that. In relation to the areas that you look after, does the reporting, the arrangements for disclosure, work well across government?

Mr Sheridan: I would say, generally speaking, it does. In 2016, there were reported 70,338 contracts valued at \$56.91 billion.

Senator GALLAGHER: Finance keeps a watching eye on all of those?

Mr Sheridan: We hold that data.

Senator GALLAGHER: So agencies report to you and you upload to AusTender.

Mr Sheridan: Generally, yes. There are automated measures and those sorts of things for large agencies.

Senator GALLAGHER: Are there audit arrangements in place to make sure that people are giving you all the information, if ultimately you are the one that discloses it?

Mr Sheridan: There are arrangements that ANAO conducts about audits generally, both internal and external in agencies around those sorts of things.

Senator GALLAGHER: Finance is involved in that?

Mr Sheridan: Again, my colleagues in the area of governance could talk in more detail there. I am essentially the service provider for AusTender.

Senator GALLAGHER: Returning to the vehicle fleet—I remember this because we had to answer questions about fleet at a local level—I was of the understanding that that was data that was reported six-monthly at the time, as opposed to being a mechanism going out to market. Could you check that for me.

Mr Sheridan: I note that at the last estimates we answered some questions on notice about the fleet. In fact, it was question F160, where Senator Wong asked specific details about the fleet, both in June 2015 and December 2015. That answer, I think, has pretty much all the detail that you are looking for.

Senator GALLAGHER: In terms of the reporting of fleet statistics?

Mr Sheridan: Indeed it does, yes.

Senator GALLAGHER: Do you maintain your view that the fleet statistics as they were outlined back in 2012-13 was really the information that was provided once for approach to market?

Mr Sheridan: The overall thing, yes. In the question last time we answered specifically the detail in June 2015 and December 2015. We could answer the question for you at June 2016, if you want to put it on notice.

Senator GALLAGHER: I do.

Mr Sheridan: We shall.

Senator GALLAGHER: Chair, in relation to questions around staffing within—

Senator Cormann: That is 5.3.

Senator GALLAGHER: Finance.

Senator Cormann: Oh, staffing in Finance?

Senator GALLAGHER: Yes. General Finance questions. Am I going to be told they are back in—

CHAIR: I will take advice of the officers.

Senator GALLAGHER: It is staffing, use of contractors, fraud, things like that—general corporate questions.

Senator Cormann: Ask the question and we will see what we can do.

Senator GALLAGHER: This is where if I had the annual report I probably wouldn't need to. In the last 12 months, have there been any investigations of fraud internally within the department. Is that information that is reported in the annual report?

Senator Cormann: The annual report will be table by 31 October. You will find that it will provide the same information, on an updated basis, as is covered in the past annual report.

Mr Fredericks: In financial year 2015-16 there was one report of an internal fraud incident and one report of an external fraud incident.

Senator GALLAGHER: Obviously there would be limitations on what you can tell the committee, based on the state of an investigation, but is there any other information you can provide to us about those?

Senator Cormann: We may be able to assist you with the value.

Mr Fredericks: That is right.

Senator GALLAGHER: Do you grade them in terms of seriousness? Are they essentially triaged or graded?

Senator Cormann: There is one so there is not much triaging when you have one.

Senator GALLAGHER: No, I know. But say you had scale of serious fraud versus less serious fraud, do you categorise them like that or is it all the same?

Mr Fredericks: No, we essentially take each of the instances of fraud on the facts as they come. So obviously dollar value is relevant but other considerations are relevant as well. To take up the minister's invitation, I can describe for you the value of each of the alleged frauds.

Senator GALLAGHER: So they are still being—

Mr Fredericks: Just picking up on your point, the internal fraud matter is still under investigation. And the external fraud matter has actually been completed and reimbursement of funds has been received. The amount of the internal fraud was \$1,100.

Senator GALLAGHER: Was that \$100, not \$1,000?

Mr Fredericks: It was \$1,100 and the external fraud was \$24,048.64.

Senator GALLAGHER: Were they reported to the department or were they picked up through your own internal processes?

Mr Fredericks: I know the external fraud was reported to the department.

Senator GALLAGHER: Was that by a third party?

Mr Fredericks: It was by a third party. I do not have the answer to the internal fraud. I will take that on notice.

Senator GALLAGHER: Did you say the external one has been completed so it is no longer an alleged fraud?

Mr Fredericks: It has, that is correct.

Senator GALLAGHER: Is there anything else you can provide us with about that?

Mr Fredericks: The nature of the fraud was in relation to an over claiming of a range of allowances in relation to ministerial and parliamentary services.

Senator GALLAGHER: When you get a report like that, an external report from a third party, do you do the investigation within MAPS? Do they manage that?

Mr Fredericks: Yes.

Senator GALLAGHER: Do they manage that or do you get an external investigator to do that?

Mr Fredericks: In this instance of the external fraud, there was a police investigation involved in that as well. As far as us recouping our own money, obviously we take responsibility for that as a department and we sought repayment from relevant parties.

Senator GALLAGHER: Is that the internal one?

Mr Fredericks: No, that is the external one. The internal one is still under investigation.

Senator GALLAGHER: So there was internal cost to the department for the external one?

Mr Fredericks: That is correct.

Senator GALLAGHER: Did you say that money has been repaid?

Mr Fredericks: It has been repaid, yes.

Senator GALLAGHER: Was that in the 2015-16 financial year?

Mr Fredericks: The fraud was reported in the 2015-16 financial year. The funds were received in the 2016-17 financial year.

Senator McALLISTER: I wonder if this is the Mantach question?

Mr Fredericks: It is.

Senator McALLISTER: We might come back to that later.

Senator GALLAGHER: In terms of use of contractors within the department, was I noticing that you had an overall staffing increase in your department over the 2016-17 year? There was a document I was reading and I thought there was an increase of about 100 staff.

Senator Cormann: In the 2016-17 financial year?

Senator GALLAGHER: Yes.

Mr Fredericks: I can assist on that.

Senator GALLAGHER: Maybe it was predicted in the budget papers.

Ms Huxtable: There was a decline in the ASL between 2014-15 and 2015-16.

Senator Cormann: It is broadly the same, to be honest.

Senator GALLAGHER: In terms of use of contractors or consultants—

Senator Cormann: What is your question?

Senator GALLAGHER: In terms of use of contractors or consultants are they increasing or decreasing over those?

Senator Cormann: We will take that on notice.

Senator GALLAGHER: So you don't have the data?

Senator Cormann: These matters will obviously be reported in the ordinary course of events.

Senator GALLAGHER: Okay, so that one is: 'Wait for the annual report' as well?

Senator Cormann: Indeed.

Senator GALLAGHER: Does anyone else have any questions?

CHAIR: Can I just clarify: have we dealt with procurement services or are there further questions on that?

Senator GALLAGHER: I think that is it on procurement. I do not know if any others have questions.

CHAIR: In that case, we can let go officials related to procurement, other than government campaign advertising, which we will come back to.

Senator GALLAGHER: Are the scoping studies in procurement?

Senator Cormann: They are not in procurement. They were in 2.1, which was on some time ago.

Senator GALLAGHER: I will put them on notice.

CHAIR: Thank you, Minister. We will have a short suspension while Minister Ryan comes here for the remaining parts of 2.4 and 2.5.

Proceedings suspended from 17:12 to 17:16

CHAIR: I welcome Senator the Hon. Scott Ryan, Special Minister of State, for examination of relevant program areas within the department and portfolio which fall under his responsibility. We will begin with act of grace payments and waiver of debts under program 2.4, Insurance and risk management. We will then deal with program 2.5, Government campaign advertising, and then proceed to outcome 3, which covers ministerial and parliamentary services. We will conclude this evening with the Australian Electoral Commission. Minister, do you wish to make an opening statement?

Senator Ryan: No, thank you.

Senator GALLAGHER: Can we have an update on any act of grace payments that have been made.

Senator Ryan: I understand this is normally handled by officials.

Senator GALLAGHER: I do not know, either. I am new here.

Senator Ryan: I have only recently started doing this, so I will hand over to the officials.

Senator GALLAGHER: Sorry, Minister, usually we get the staffing document, which apparently we have flagged.

Senator Ryan: Yes, that will come round. We have that to be tabled.

Senator GALLAGHER: Thank you. Can that be tabled.

Senator Ryan: We normally table it at the start of outcome 3.

Senator GALLAGHER: I was not clear on that. I thought that previously it had been tabled ahead of time, so people can actually—

Senator Ryan: I think a couple of times it came up before—

CHAIR: I am new here as well, but whenever it is ready would be good.

Senator Ryan: We will arrange for it shortly.

Senator GALLAGHER: Thank you.

Mr Edge: Can I clarify exactly what you are looking for with the updates?

Senator GALLAGHER: I am not entirely clear on whether you were asked this at the May estimates, but how many act of grace payments have been made over the last 12 months? If that information was provided to the May estimates, are there any difference between what was provided in May and now?

Mr Edge: I do not think we provided that information at the May estimates. My colleagues can probably help you with the statistics.

Mr Jagers: This financial year we have received 89 act of grace requests. In 2015-16 we received 254 act of grace requests. I think you asked for 12 months; I do not have a 12 months number, but I have this financial year and last financial year.

Senator GALLAGHER: So you have had 89 already this financial year?

Ms Huxtable: Can I just clarify the question—were you asking what we had received or what had been made?

Senator GALLAGHER: I will have whatever you are happy to give me really.

Ms Huxtable: I think this is what has been received.

Mr Jagers: It is the number of claims received.

Senator GALLAGHER: I will start again. In 2015-16 that figure was—

Mr Jagers: It was 254 that we received.

Senator GALLAGHER: And the 89 is the—

Mr Jagers: It is the 2016-17 year to date.

Senator GALLAGHER: The 89 are requests received, and then you go through a process, do you, of assessing—

Mr Jagers: That is correct.

Senator GALLAGHER: Of the 254 received in 2015-16, have you finalised payments in relation to any, and how many?

Mr Jagers: In the 2015-16 financial year we finalised 230 matters that were act-of-grace matters. Not necessarily all of those were lodged in that financial year, but that was the number.

Senator GALLAGHER: So you cannot say, 'Of the 254 received, 230 were paid', because you might be comparing previous years' applications?

Mr Jaggars: That is right. We have a target of trying to finalise 50 per cent of claims within 60 days. We achieved about 66 per cent against that target. But some matters take longer than others, depending on the information that we have at the time.

Senator GALLAGHER: You set yourself an internal target of 50 per cent of claims dealt with within 60 days. Within that 50 per cent target you achieved two-thirds of that result?

Mr Jaggars: No. Our target was 50 per cent and we exceeded it.

Senator GALLAGHER: I thought you meant you got two-thirds of your target, but you actually—

Mr Jaggars: Yes. We are trying to turn through answers and finalising these matters as quickly as we can. We try to do them in 60 days and we try to achieve at least half within 60 days. We exceeded that standard last financial year and we are exceeding it already this financial year also.

Senator GALLAGHER: You have already settled or paid some of those 89, have you?

Mr Jaggars: Some have been settled. I think we are looking at a rate of around 75 per cent within 60 days at the moment for this financial year.

Senator GALLAGHER: I am not asking for specifics of individual cases, but what would be the average settlement and what is the area that is driving those applications? Is there a particular area that gets more applications than others?

Mr Jaggars: I do not have an average but certainly in 2015-16 approved payments totalled just over \$2.3 million.

Senator GALLAGHER: For those 230?

Mr Jaggars: There were 230 processed and finalised. They were not all successful.

Senator GALLAGHER: Of the 230 that were finalised, how many were successful?

Mr Antich: Going back a step in terms of the average, it is impossible to provide averages, because all the claims are very different. We are sort of the last line after all the other available avenues for claims are dealt with, whether it is legal or CDDA—we are the last line in the queue across the whole of government. Therefore for us the claims vary quite hugely in terms of complexity, whether it be something to do with an ATO matter or some other department. So it is impossible to provide an average. Sorry—could you just repeat the other aspect of your question for me?

Senator GALLAGHER: It was about where they had been driven from. Do you get the majority through, say, the Taxation Office or somewhere else?

Mr Antich: They come from all over the place: DHS, the ATO—basically across the area of activities of government. The power is a discretionary one in relation to whether in terms of the exceptional circumstances there is a moral claim to pay someone some money. You cannot really anticipate where they will come from. Sometimes it might be an issue that is not amenable to change through the legislation and therefore it may involve hundreds of claims, and there have been past legislative issues that have had to be cleaned up that way. Then you will end up with a backlog of hundreds that might skew the result. When we find trends across an area or a department, we let the department know. We look at other opportunities to try to amend the legislation or look at a way to take something away from the process and say: 'There is an issue here. We need to address it.'

Senator GALLAGHER: That was going to be my next phase. You monitor trends so you are alert to a number of claims coming in with a particular grievance in relation to a particular agency and there is some mechanism for you to go back and say, 'We need to deal with this'?

Mr Antich: Also, our decisions are decisions that are capable of review under the ADJR Act. They are also reviewable by the Ombudsman. Again, there are a number of levels where, if something is emerging, it is picked up and we try to make sure we deal with it.

Senator GALLAGHER: I get the point about not being able to give an average, I guess. The total cost of claims settled for 2015-16 is \$2.3 million. You are going to give me on notice how many of the 230 had costs attached to them?

Mr Jagers: Yes, we will provide you with that on notice.

Senator GALLAGHER: There have been 89 already for this year? Again, do you monitor whether they are coming in thicker and faster than they normally do?

Mr Jagers: That seems about the right number for this time of the year.

Senator GALLAGHER: That is what you expect at this time of the year?

Mr Jagers: Yes.

Senator GALLAGHER: Do you report this anywhere? Obviously, you would have an allocation through the budget papers for act of grace payments, but other than that, it is not reported publicly?

Mr Jagers: There are some details in the annual report about the full program, but the individual matters are usually dealt with privately.

Senator GALLAGHER: Sure—I am not after those.

Mr Antich: The only thing I will add to that is that act of grace payments are paid out of the departmental appropriation relevant to where the claim comes from. They do not come out of Finance.

Senator GALLAGHER: There is not an allocation globally within—

Mr Antich: No.

Senator GALLAGHER: It is in the individual agencies' interests not to end up needing to make act of grace payments, or not too many of them? They would have a contingency reserve, I imagine.

Mr Antich: I think it comes out of the departmental appropriation. I guess the point is they are within Finance because we look at them coming from other departments. Again, one of the reasons it takes a while is that, when the claim and the request come in, we have to go to the relevant department or agency involved and ask for their point of view. When it comes back, we then put it to the complainant in terms of natural justice. Depending on how quickly we get that information and on the iterative nature of it, it can take quite a long time, which is—

Senator GALLAGHER: What is the process to settle it? Is it a delegated power?

Mr Antich: Yes.

Senator GALLAGHER: It does not go up to the minister to sign off? Or is there a threshold in terms of compensation or settlement that triggers an escalation of the delegated power?

Mr Antich: It is delegated, but it has a threshold. The current threshold is that matters below \$100,000 are generally managed by delegated officials within the department, but—

Senator GALLAGHER: Below \$100,000?

Mr Antich: Yes, \$100,000 and below. That is generally the process, but where they involve representations from members or senators then they are usually dealt with by the responsible minister, as are matters above \$100,000.

Senator GALLAGHER: Grievances that might come through local members' or senators' offices are normally dealt with by the minister, in terms of responding and being abreast of the issues, as are any other cases over \$100,000?

Mr Antich: Yes.

Senator GALLAGHER: Thank you. They are all the questions I have on act of grace.

CHAIR: I think we can draw a line under program 2.4. We will move to the part of 2.5 which comes under Senator Ryan's responsibilities, which is government campaign advertising.

Senator GALLAGHER: You are responsible for this document?

Senator Ryan: I cannot read it from here.

Senator GALLAGHER: It is *Campaign advertising by Australian government departments and agencies*.

Senator Ryan: Are they the guidelines?

Dr Helgeby: Yes.

Senator Ryan: The guidelines on campaign advertising—

Senator GALLAGHER: No, this is the annual report that comes out, which has a lot of the detail. It is not the new one; it is last year's one.

Senator Ryan: I am sorry. I cannot quite read it from here, that is all.

Senator GALLAGHER: Sorry, I did not mean to [inaudible] at your face.

Senator Ryan: That falls under my bailiwick.

Senator GALLAGHER: Is the latest one available? I raised this with Minister Cormann. Ideally, we would have the 2015-16 report. It is due by 30 October, but—

Senator Ryan: I will let the officials explain how that differentiates from the Department of Finance annual report.

Senator GALLAGHER: I was not sure if it actually aligned with that, or whether it had another reporting date.

Dr Helgeby: That document is not governed by the annual reporting guidelines, which I think the earlier discussion on annual reports was about.

Senator GALLAGHER: When is it usually tabled then?

Senator Ryan: It was mid-November last year. I would expect that I would be able to meet a similar timeline this year.

Senator GALLAGHER: I had presumed it would come out alongside other annual reports, but fair enough. So it is a November date?

Ms Powell: Yes, it is usually tabled in the last quarter of the financial year. We do have to collate input from all of the other agencies. That is why it is tabled towards the end of the calendar year.

Senator GALLAGHER: That is not that different to other annual reports, in that sense.

Ms Powell: As the officer said, it is not related to the other annual reports. This is just on government advertising.

Senator GALLAGHER: Yes.

Senator Ryan: This must collate input from different departments in a different way than an annual report for the Department of Finance would. It is actually different.

Senator GALLAGHER: Fair enough. Some of my questions are about information that will be contained, presumably, in the next annual report, but we will see how we go. Can you provide an update on the amount of advertising expenditure for the year to date including 2015-16, and can it be broken down into campaign and non-campaign advertising expenditure?

Ms Powell: Year-to-date expenditure is \$159.5 million, and we report on campaign expenditure over \$250,000 a year, so that is for campaigns. We do not collate for non-campaign advertising. That was \$159.5 million for the 2016 calendar year. Is that what you asked?

Senator GALLAGHER: Calendar years are fine, but when you do the annual report, will that be in the financial year?

Ms Powell: Yes, that is right.

Senator GALLAGHER: Do you have a financial year figure from 2015-16 available?

Ms Powell: Yes, the 2015-16 total is \$174.7 million.

Senator GALLAGHER: Do you have the detail of the campaigns and the cost of those campaigns that make up that \$174.7 million?

Senator Ryan: I can give you that. The AEC's election-related figure was over \$40 million, and that is obviously a lumpy expenditure that occurs every three years. The Defence Force recruiting figure is over \$30 million. They are the bulk of the large spends.

Senator GALLAGHER: They are the two big campaigns?

Senator Ryan: They are the two largest. I do not have a complete list on me. There was more than \$10 million on the Stop it at the Start campaign aimed at reducing violence against women and children. They are the largest campaigns. If I am incorrect, I will correct it on notice.

Senator GALLAGHER: So those three, which are \$80 million of the \$174 million were the largest campaigns?

Senator Ryan: If I am incorrect, I will correct it on notice.

Senator GALLAGHER: Would public health campaigns come under those?

Ms Huxtable: If they are being funded by the Commonwealth government.

Senator GALLAGHER: So they would form part of those?

Senator Ryan: There is tobacco, for example. There was the campaign aimed at young women in sport earlier this year. I cannot remember the numbers, but they were not insignificant. And ice, as Dr Helgeby, reminds me.

Senator GALLAGHER: For the benefit of completeness, would you be able to provide us with a list of what constituted the \$174.7 million?

Senator Ryan: That will come out with the report and, if not, we will get it for you on notice.

Senator GALLAGHER: It will be either in the annual report—

Senator Ryan: Yes, it may well be when it comes out.

Senator GALLAGHER: or in your answer. What are the current campaigns that are underway across government?

Ms Powell: There are five campaigns underway at the moment—for the Australian tax office, Defence Force recruiting, Smartraveller for Foreign Affairs and Trade, and two being run through Immigration and Border Protection: one called No Way (Offshore) and the other one an onshore anti-people-smuggling campaign.

Senator GALLAGHER: So two in Immigration and Border Protection. Do have the figures for those campaigns?

Ms Van Veen: These are the campaigns above the value of \$250,000. We do not have the figures, because until they are verified in terms of what appeared in the media—and there is always a 45-day lag in actually getting proof of appearance and the final media spend—we can only give you what is actually running at the time. We do get a lag on that.

Senator GALLAGHER: So you do not have an allocation for that campaign—'we are allocating this much'—and then people go off and buy the campaign?

Ms Van Veen: We do not.

Senator GALLAGHER: You must have limits though.

Senator Ryan: Specific campaigns are run by departments. So you would address, for example—

Senator GALLAGHER: The Border Force one to Border Force?

Senator Ryan: Yes, to that department, and they would have such information.

Senator GALLAGHER: Fair enough. Is there an independent communications committee?

Ms Powell: That is right.

Senator GALLAGHER: For my benefit, because I am new to this area, can you tell me what role the Independent Communications Committee has and who sits on it.

Ms Powell: The members of that committee are Greg Williams, Chris Faulks and Malcolm Hazell.

Senator GALLAGHER: They are all external to government?

Ms Powell: They are all external, yes. The ICC reviews proposed campaign strategies and provides independent compliance advice to the relevant CEO on proposed campaigns valued at more than \$250,000.

Senator GALLAGHER: How often do they meet—as required, or scheduled?

Ms Van Veen: It is as required. Obviously there has been a lag after the caretaker period.

Senator GALLAGHER: Sure, they would not have needed to. They must review every campaign over \$250,000?

Ms Van Veen: Over \$250,000 by non-corporate entities.

Senator GALLAGHER: Has that requirement been met?

Ms Van Veen: Yes.

Senator GALLAGHER: So there is no situation where a campaign that is over \$250,000 would proceed without the specific advice or otherwise of this committee?

Ms Van Veen: Yes.

Senator GALLAGHER: If the Independent Communications Committee advises against a campaign, what happens then?

Ms Van Veen: We have not had that outcome. Certainly, entities are interested in hearing the views of the committee and taking on board that advice and incorporating and considering that.

Senator GALLAGHER: So they give a specific approval to a campaign?

Ms Powell: They provide compliance advice to the chief executive, and the chief executive then takes that into account in the campaign development process. So it could be an iterative process.

Senator GALLAGHER: So it is a question of compliance or noncompliance rather than approval or disapproval. With reference to my earlier question where I said, if they have said no, you are saying they have never been in a position where it is being non-compliant.

Ms Van Veen: That is correct.

Senator GALLAGHER: There was, as I understand it, an independent campaign committee report on the census advertising campaign in July this year. Following the collapse of the website on census night, I noticed there was a whole range of new campaign messages that were required after that time—a public information campaign—asking people to complete their census. Was that able to be reviewed by the ICC—is that what we can call it?

Ms Van Veen: Yes, the ICC. The ICC provided their advice on the early stage of the campaign in terms of the early shaping of the campaign, the strategy and the media plans. Obviously, the campaign underwent some revisions at the stage when the campaign was taken off the air and there were some revisions to those materials, and those materials did not go to the committee for their view.

Senator GALLAGHER: So that was not classified as a new campaign even though the message was quite different, as I recall it, to the original—

Senator Ryan: As I recall it correctly, the creative material was actually fairly similar, having looked at it in the last—

Senator GALLAGHER: I think there was an apology; sorry—

Senator Ryan: The bulk of the creative material used was very similar to the previous advertisement.

Ms Powell: The changes were very minor.

Senator GALLAGHER: I think the one that I presume was originally supported was public information about filling out the census and how it was going to be done. What happened afterwards was an apology and encouragement to have another go and, yes, I agree, to still fill it in in the designated time. So there isn't any capacity for those campaigns to be reviewed, if they change? There is allowance within that compliance framework for flexibility within the actual campaign period to change or adjust the message?

Ms Van Veen: If it is appropriate to go back to the ICC and seek their advice on the messaging, they can go back. A chief executive can go back to a committee and seek their advice on their messaging, if they are wanting a further view. The committee is available to them.

Senator GALLAGHER: But it did not happen in relation to the census. Did the adjustment to the census campaign require additional expenditure that was not foreshadowed? Presumably, in the original submission to the ICC, they would have a budget allocated to a particular campaign. Was there a—

Senator Ryan: Senator Gallagher, I will take that on notice but, with the proviso that you will have the opportunity to ask Treasury this tomorrow. It will be me at the table at this stage for the ABS, so those questions would probably be more appropriately dealt with by the agency that was running the advertisement. However, if not, I will make sure and I will give them a heads-up.

Senator GALLAGHER: Thanks, Senator. My final question on this, accepting redirection to tomorrow: what role, if any, did Finance have with the approval of an extended census campaign?

Ms Powell: We provided advice to the ABS about how to deal with the advertising master buyers but we just provided the normal sort of advice that we provide, so we talked to the agencies about their intentions.

Senator GALLAGHER: This is for the original and the extended campaign once the problems had emerged with the census?

Ms Van Veen: Certainly with the original campaign, as with any agency, we provided advice to them on the process of taking their campaign through the government approval processes. With respect to getting their additional media buy, obviously it was under some very tight time frames, because there was a concern about getting advertising on the air very quickly and working with the ABS and the Master Media Agency to assist them where we could. In the main it was about just making sure that there were clear lines of communications flowing between the ABS and the Master Media Agency, Dentsu Mitchell, who Finance has the contract with, and to see if there was anything further we could do to help them.

Senator McALLISTER: Thank you. We will wait for the annual report in November some time.

Senator Ryan: Yes.

CHAIR: Any further questions at all on government campaign advertising?

Senator McALLISTER: Not until the November annual report.

Senator Ryan: Come back in February.

[17:46]

CHAIR: We can now move onto outcome 3: support for parliamentarians and others as required by the Australian government through the delivery of, and advice on, entitlements and targeted assistance. There is just one program: ministerial and parliamentary services.

Senator McALLISTER: Before we begin—Senator Ryan, you are intending to table these documents?

Senator Ryan: Yes. Sorry about that.

Senator McALLISTER: At the last estimates, Senator Wong asked a series of questions about Mr Damien Mantach, who was a former director and officer of the Victorian Liberal Party.

Senator Ryan: I beg your forgiveness and interrupt at this point. Given that I am a Victorian senator and a Victorian Liberal senator and I was a senator during his time as state director, I just want to put on the record that in my first meeting with the then secretary Jane Halton, an arrangement was made whereby nothing about this would come across my desk as Special Minister of State. That has all been handled by Senator Cormann. Please go ahead with your questions, but I will just vacate any answers, because I have made sure that I do not have anything to do with those issues.

Senator McALLISTER: Thank you, Senator Ryan; that is fine.

Senator Ryan: Sorry to interrupt.

Senator McALLISTER: That is okay. Thank you for the clarification. At the last estimates, Senator Wong asked about this. Damien Mantach was a former director and officer of the Victorian Liberal Party. He misappropriated Department of Finance funds via an entity called Melbourne Mailing Pty Ltd. At the last estimates, a departmental officer gave evidence that there were some 98 claims, spanning a period from March 2011 to August last year, of varying amounts from Melbourne Mailing that totalled \$723,226. When we last discussed it, Ms Huxtable—it was with your predecessor—there was some reluctance on the part of the department to deal with it because it was still subject to criminal proceedings. Those restrictions do not apply any more, I think, because the perpetrator has now been jailed for five years for fraud. Is that correct, that we are now able to discuss it with you?

Ms Huxtable: The officers can certainly answer your questions on that.

Mr Fredericks: That is correct. Mr Mantach in fact pled guilty the day after that particular Senate estimates hearing. I also note that, as a consequence, Senator Wong tabled some questions on notice about the Melbourne Mailing issue. We have provided you with the answers to those in that same spirit.

Senator McALLISTER: Yes, thank you very much for those. To recap: in May we established that Finance had received an offer of voluntary repayment of \$20,590.68. That was a cheque that was sent to the department on behalf of the Liberal Party of Victoria in August 2015. At that time, the legal firm Hope Earle were acting as agents for the Liberal Party. We also discovered then that Finance had returned the cheque because they had not

been provided with any information as to how the Victorian Liberal Party had come up with that particular sum. Subsequently there were a series of letters between Finance and the law firm. Some of those letters have been provided as part of the answers to the questions on notice, and the legal accountant PPB Advisory became involved to try to sort out whether that was an appropriate repayment figure. In your answers to Senator Wong's questions on notice you say:

On 21 September, Finance received a voluntary repayment from the Victorian Liberal Party for amounts overcharged by Melbourne Mailing, and this matter is now finalised.

Can I just step through the arrangements that were made? Senator Ryan volunteered earlier that he had made alternative arrangements, given that he is a senator from Victoria. Was Senator Cormann the decision maker in finally accepting the settlement from the Victorian Liberal Party?

Mr Fredericks: No, he was not. Ultimately, Secretary Jane Halton was the decision maker.

Senator McALLISTER: Senator Cormann was consulted but not the decision maker?

Mr Fredericks: He was not consulted.

Senator McALLISTER: The answer does not say how much the voluntary repayment was in the end. Are you able to advise us how much was paid? You may have done so in your earlier evidence.

Mr Fredericks: Yes, I can. The final dollar value was \$21,862.44. You might notice that, when I gave evidence earlier about the quantum of this fraud, the figure I gave you was \$24,048.44. That is the GST-inclusive amount, while \$21,862.44 is the GST-exclusive amount, and that is the proper amount that we accepted we should receive.

Senator McALLISTER: Could you tell us a little bit about the methodology used to arrive at that figure? It has obviously been quite a complex process.

Mr Fredericks: It is quite complex, but the essence of it, as I think you know from previous estimates, was that we wanted to receive information from Melbourne Mailing—who were the innocent party in this fraud—because they were the party who were best able to provide us with the particulars of the invoices that had been subject to the fraud. We engaged in a series of correspondence with them to seek that information, and ultimately received such information that allowed our officers to come to the conclusion that that final amount was the correct assessment of the value of the fraud.

Senator McALLISTER: As I understand it, the fraud was perpetrated by having Melbourne Mailing inflate their price. I think you suggested that they are an innocent party in this. Could you just explain why it is that you have drawn that conclusion and also how you sought to establish—with their cooperation, by the sounds of it—how much of the price represented an inflated price?

Mr Fredericks: I will make a start on that, but I might call up one of my colleagues to give greater specificity if necessary. But, in a sense, you have described how we were able to quantify it. Essentially, Melbourne Mailing were in a position to be able to provide to us evidence about the value of the invoice that ought to have been provided to us for the amount of work done and also the amount of the invoice that was provided through to us for the

amount of work that was done. Therefore, the difference in instance represented, on a quantum basis, the value of the loss to us.

Senator McALLISTER: If Melbourne Mailing was an innocent party in this, who was the individual who provided the inflated invoice?

Mr Fredericks: We received the invoices from Melbourne Mailing. They were an innocent victim of the fraud because at the time they did not know that the amount of work that was being required of them was in excess of what was legitimate.

Senator McALLISTER: In an interview on *Sky News*, Mr Kroger said on 23 October 2015 that the overcharging of federal and state governments for a direct mail program was in the order of \$200,000. I am interested that such a small proportion of that, as it turns out, was associated with the federal government.

Mr Fredericks: I think I can assist on that. I do not have the exact number here, but my recollection is that the value of the fraud perpetrated against the state government was somewhere in the vicinity of \$170,000 to \$180,000. So that total that he provided represents the sum of the value of the fraud against Victoria and the fraud against the Commonwealth. I should note that at that stage he would have been using a figure that he had provided, which was \$20,590.68. Of course, our subsequent interrogation meant that we received a small amount more than that.

Senator McALLISTER: In terms of the process, you mentioned a sequence of correspondence with various parties. I think it would assist if you could set out for all of that correspondence the dates on which you corresponded and with whom in relation to this matter.

Mr Fredericks: There is a degree of that, and it is very hard to summarise this. My preference would be to give you that on notice. We could give you a chronology with that correspondence.

Senator McALLISTER: You indicated that you were in direct correspondence with Melbourne Mailing.

Mr Fredericks: I should say with the lawyers for Melbourne Mailing.

Senator McALLISTER: Who were the lawyers for Melbourne Mailing.

Mr Fredericks: That was Holding Redlich.

Senator McALLISTER: Were you in correspondence with the Victorian Liberal Party?

Mr Fredericks: We were in correspondence with the lawyers for the Victorian Liberal Party, and that remained Hope Earle.

Senator McALLISTER: What about PPB Advisory? Did they continue to play a role?

Mr Fredericks: No, they did not.

Senator McALLISTER: At least not in relation to you?

Mr Fredericks: No, we never had any further correspondence from them.

Senator McALLISTER: I noticed that it took a long time to resolve. It took over a year to come to a final repayment. I understand that that was in part because of criminal matters being on foot. Has there been any interest applied to the amount that was owing at that time?

Mr Fredericks: That I do not know the answer to. I might have to take that on notice.

Senator McALLISTER: It might be something that someone can assist with over the course of the evening.

Mr Fredericks: It would be unlikely.

Ms Huxtable: We will see what we can do.

Mr Fredericks: Yes, we will see what we can do.

Senator McALLISTER: Perhaps it can be resolved this evening. Otherwise, take it on notice. I think in the correspondence that you released one of the issues that the department was seeking to uncover was—what was the date? I think it was 26 August; I cannot quite read it. Ms Halton wrote to Hope Earle indicating that she was 'seeking urgent advice on which senators and members are, in your view, affected in order that we can take appropriate follow-up action in relation to the administration of their parliamentary entitlements'. Are you able to tell us which senators and members were involved?

Mr Fredericks: We would as a matter of practice—as I think you are aware—not provide information about named senators, for reasons of privacy and confidentiality.

Senator McALLISTER: I am interested that you consider that that is a matter of practice. Your department routinely responds to freedom of information requests in relation to the use of MP entitlements, and this is very clearly a question that relates to MP entitlements, as Ms Halton identifies in her letter.

Mr Fredericks: I can only repeat what I say. It has been the longstanding practice, under governments of both persuasions, that MAPS does not respond to questions about personal details around entitlements issues, for the reasons that I expressed.

Senator McALLISTER: Yes, although if I go to the Department of Finance disclosure log I can find out, for example, that on 19 February the department, under FOI, released details of Prime Minister Malcolm Bligh Turnbull's Comcar use, departing Capital Hill and arriving Kingston, costing \$64.19. A whole range of information about entitlements is, in fact, in the public domain. I do not understand how this is different.

Mr Fredericks: I will check that with my colleague, but my understanding is that is information that is routinely and publicly provided in any course.

Ms McGregor: Some may be, but also it is the case that we do get FOIed for information, but we would generally consult with third parties as well prior to any release of that information. So we do not routinely release circumstances around individual payments, necessarily.

Senator McALLISTER: So there are a range of members and senators in the Victorian branch of the Liberal Party who have been involved in a non-trivial instance of fraud, but you are not willing to tell us who they are.

Mr Fredericks: We are following the usual practice.

Senator McALLISTER: In your dealings with Melbourne Mailing, what evidence did they rely on to support their claim that \$21,862 was an accurate statement of the amount stolen from the taxpayer?

Mr Fredericks: Ultimately, they actually did provide us with a large amount of evidence, largely accounting evidence. The important point about it was that it was sufficient evidence to allow us to understand the facts and allow us to make a judgement at the end of the day that

this was a proper calculation of the amount of the fraud. As you know, Senator, that is why in the first instance we returned the cheque, as you referred to, because we did not feel we had the capacity to properly assess the amount of the fraud. So we set out to get ourselves in a position to be able to properly do that, and the amount of information that provided to us, ultimately by Melbourne Mailing, allowed us to make that judgement.

Senator McALLISTER: You have made reference to a large volume of accounting information. Are you talking about invoices? Are you talking about their bookkeeping entries into their books? What kind of information are we talking about?

Mr Fredericks: I do not have the detail of the information. I do recall that it was sufficient for our satisfaction. That is a question that, if you like, I could take on notice.

Senator McALLISTER: I would appreciate it if you would. Before we go there, is there anyone else here, in your team, who can help, who knows, who was involved in the detail of the investigation?

Mr Fredericks: I think I am answering on behalf of the department. As I say, it is just genuinely a case where there was a range of information. None of us have it with us. As I say, very properly I should take that on notice.

Senator McALLISTER: Did the department perform its own analysis on this? You indicated that you were satisfied. Did you engage any external support?

Mr Fredericks: No, we did not engage any external support. Yes, we did do our own internal analysis.

Senator McALLISTER: I am not sure that there is very much further we can go with this. It is obviously a regrettable situation. Has the department come to any conclusions about what changes to the entitlements regime might be necessary to prevent something like this happening again?

Mr Fredericks: Senator, as you are aware, there has been an independent review done into the parliamentary entitlements system. That review goes to issues around transparency et cetera. Our judgement would be that the implementation of the recommendations of that review, which the government has agreed to, will help to address these sorts of issues in the future. That said, Senator, you will appreciate that there is never a perfect system that can prevent fraud. Otherwise we would live in a world probably free of fraud. So we do everything we can in the department, and I think the record that I described to you before, when Senator Gallagher asked about our fraud record, would suggest that we do indeed have very strong procedures. We could always do better, and we are very confident that implementation of the recommendations of the review will allow us to do that.

Senator McALLISTER: Senator Ryan, I have a question for you. Will you direct the department to release the names of the members and senators who were involved in this?

Senator Ryan: I have ensured that I have nothing to do with this, given I served as a senator and covered the same period. So I do not think it appropriate to involve myself whatsoever in anything to do with this matter. I will refer the question to Senator Cormann, but I am not going to make any observational comment on it myself.

Senator McALLISTER: I appreciate the reasons you may have recused yourself from involvement in it, but my concern is that, you having done so, there is nobody in the

government, in the executive, who is taking responsibility for this, which is a fairly serious matter happening at an institutional level.

Senator Ryan: That is not true.

Senator McALLISTER: So Minister Cormann would—

Senator Ryan: You have had a great opportunity to hear from the officials, and I understand this is not the first time it has been raised, although I was not involved in this portfolio prior to the election. Feel free to talk to the officials. I am not going to make any further observation on this issue, for the reason I outlined in the brief opening statement, which I think is entirely appropriate given the circumstance.

Senator McALLISTER: Thanks, Chair. I do have some further questions. Shall I keep going?

Senator Ryan: Have we moved off that issue or are we going back to that particular issue that I have recused myself from? I do not mean the outcome; I mean that particular issue.

Senator McALLISTER: We may come back to it, but for the moment we are moving on.

Senator Ryan: No worries. So I will feel free to answer.

Senator McALLISTER: I will alert you.

Senator Ryan: Thank you.

Senator McALLISTER: I want to ask about media reports regarding the offices of the Tasmanian senators and what might be described as a kind of musical chairs arrangement in terms of moving offices following the 2016 election.

Senator Ryan: The past practice here, if we are referring to media reports, is that the officials should at least have a copy so that we are all working off the same sheet.

Senator McALLISTER: We might come back to that after dinner. I did once have copies of the media reports, but I am not sure where they are now. I will go to something that does not rely on media reports: travel claims. Has there been an increase in the time that it takes to process travel claims?

Ms McGregor: There has certainly been an increase in the number of claims that have been received over the election period and the end of the financial year up until now.

Senator McALLISTER: On average, how long does it currently take to process a claim?

Ms McGregor: We have a KPI whereby we aim to process the claims within seven days. Over the course of the year we will generally get above 95 per cent in relation to that KPI.

Senator McALLISTER: You have indicated it has been a little slower than usual.

Ms McGregor: We have probably had a greater number of claims to deal with over the last couple of months, and post elections it can take a little bit longer for some claims, just because we are getting new staff, new senators and members, set up. There is a process around getting people accounts and all that kind of information, which means that it might take a little longer to get the claim fully processed.

Senator Ryan: When I came in I asked how many claims were looked at, and just a quick back of the envelope calculation means that if you assume there are 50 working weeks a year there are more than 500 processed a day, which is actually more than one might think there are senators. So when there is a period after which there might be a larger submission—

because people might have been busy, or the financial year or whatever—it does put stress on the officials, especially given that it coincides with a new parliament and they have been setting up offices with new members. Also, one of the reasons for the expenses review, and one of the things highlighted in it, was the paper-based nature, which everyone is very familiar with. That makes it more time consuming than it might otherwise be. I think I came to about 550 a day.

Senator McALLISTER: Ms McGregor, you indicated that your KPI is for 95 per cent of claims to be cleared within seven days. That is a KPI that applies over a year, I suppose. But your monthly performance in recent times is less than that. Can you tell us what it is? What percentage of claims are cleared within seven days?

Ms McGregor: I do not think so. We looked at it probably about a month ago. It is a little bit hard to assess. I will explain the process. Claims come in. Paper forms are scanned in. We receive the claims. We then sometimes have questions about a particular claim. If paperwork has not been filled in we will go back to offices and back to individuals to get additional information. So the time taken to process a claim can be impacted by a whole range of factors. Our IT system is such that it does not allow us to do any real-time reporting on where claims are at any point in the cycle. It relies on a heavy effort, a lot of manual work, to do that assessment, so we tend not to do it routinely. Over the last month or so we have attempted to set up a few additional systems to allow us to track it a little more effectively because we did become aware that there are claims that have been outstanding for longer than we would prefer to have them outstanding.

Senator McALLISTER: You mentioned the IT system. Is there a data entry process associated with the claims handling?

Ms McGregor: I think so.

Senator McALLISTER: So it comes in on paper and then someone has to type it all in?

Ms McGregor: Yes. Mr Frost can talk a little bit more about how it all gets handled.

Mr Frost: I will go back a little bit on the claims processing. Our seven-day turnaround time frame is where it is a properly rendered form with, if needed, a properly rendered tax invoice as well. That is for travel allowance claims, both advances and acquittals. There is a two-step process in the office. A staff member or the parliamentarian will sign that. For staff it needs to be signed by an authorised person as well. That is scanned and sent to us. We then manipulate it through Outlook or some antiquated systems we have and it is an entry officer and a certifying officer who deal with that claim. So it is a two-step process. Every time a claim comes in that is not filled in correctly—even small things like dates not completed correctly—that form has to go back to the office and we negotiate backwards and forwards. That has led, especially with a whole suite of new senators and members and a whole suite of new staffers, to some of the downtime as well.

Senator McALLISTER: This may or may not be true, but I have heard that there is only a single computer where travel claims can be assessed and processed. Is that true?

Mr Frost: No, that is not true.

Senator McALLISTER: I am relieved to hear that.

Ms McGregor: It is bad, but it is not that bad.

Senator McALLISTER: It is an evil rumour circulating about your department. How many departmental staff currently work on processing these claims?

Mr Frost: We have a number of branches that deal with claims processing. My branch in particular has 72 staff.

Senator McALLISTER: Do they deal with travel claims exclusively?

Mr Frost: Part of them deal with travel claims and part of them deal with MoPS payroll. I have a reporting team and a procurement and contracts team, so there are probably 60 people, of which half deal with travel claims and half deal with payroll.

Senator McALLISTER: So something like—

Mr Frost: About 30.

Senator McALLISTER: So you apply something like 30 EFT to this task?

Mr Frost: Yes.

Senator McALLISTER: Has that allocation varied over the last two years?

Mr Frost: No.

Senator McALLISTER: So it has been constant over the last two years?

Mr Frost: I would add that they do not just process travel claims. The role is more diverse than that. They work on other tasks as well.

Senator McALLISTER: I understand, so the 30 EFT is not a head count of 30; it is a range of people applying time to this task.

Ms McGregor: It is not full-time processing claims. That is not 30 people.

Senator GALLAGHER: Where is the review of entitlements up to? There was a review that was handed to Prime Minister Turnbull with a number of recommendations. Can we get an update on how that is being handled, who is involved and where it is heading?

Senator Ryan: That is in my bailiwick. In March it was released and the government announced its in-principle support for all 36 recommendations centring around five key areas of reform—a new legislative framework for improved parliamentary work expenses; a principals based system for the determination, processing and monitoring of allowable work expenses; simplification of travel expenses and the overarching principle of value for money to support travel decisions; investment in the IT infrastructure supporting the expenses system to deal with some of the issues we have just heard about; and measures to improve transparency and accountability.

At the moment, we are working through all the recommendations. One of the time-consuming issues is there are currently four acts of parliament and I cannot remember off the top of my head how many determinations of the Remuneration Tribunal, ministerial determinations and conventions that define the use of parliamentary expenses and allowances. Consolidating all of those to underpin a new legislative framework is taking time. But the officials have been working on it as a priority since I was sworn in, and the government will have some announcements to make in due course regarding timing. There are decisions to be taken. For example, a decision about an IT system requires a decision about resourcing. I have consulted with people in parliament—

Senator GALLAGHER: What do you mean by that?

Senator Ryan: I have consulted with the shadow minister and some of the crossbenchers to keep them up to date on the process. But certain decisions need to be made. After that, announcements can be made regarding timing. I will say, however, that there is a substantial body of work to be done in consolidating all these determinations—different acts of parliament and different ministerial and Remuneration Tribunal decisions—to ensure that the transition does not create any unintended consequences.

Senator GALLAGHER: So the timetable at the moment is not clear because of the workload—

Senator Ryan: I would expect us to have something to say before the end of the year regarding a more detailed time line. I would hope to be able to say something and provide more detail around a time line before the end of the year.

Senator GALLAGHER: So the approach you are taking with this is to talk with other parliamentary colleagues about how this is progressing?

Senator Ryan: Since the government announced in-principle support for the recommendations, prior to my time in this portfolio, there has been an election and there are a number of new members. I, for example, have a new shadow minister after the events of a few weeks ago when Senator Conroy caught us by surprise. Part of the consultation has been because of the fact that they will be getting used to the system as it currently operates. In my discussions checking their new officers are being set up in what I would call a common courtesy I have alerted them to this. It has been on the website. It is publicly available. I would encourage those with an interest to read it.

Senator GALLAGHER: Does the government think there are any savings to be delivered through the work that is being done? You have talked about additional resourcing for IT. Do you think that there are savings to be generated from simplification in the new system that is being put in place? Is that part of the work?

Senator Ryan: I will let the officials answer about the workload. The only thing I will say is, as I said earlier, decisions about IT systems require decisions about resourcing. So, as to whether or not there would be efficiencies over time, I imagine the recommendations in the expenses review would make the system more efficient to operate. But I will let the officials answer, if there is anything else they would like to add.

Ms McGregor: I think that is basically the answer. The review found that if you had some more efficient systems, Ministerial and Parliamentary Services, for example, could spend a lot less time on the processing, chasing up, following up and getting paperwork filled out and more time on actually providing advice and assistance of a more useful type to senators, members and their staff. That is the intention. At the moment when there is a lot of processing we cannot always provide additional information to people.

Ms Huxtable: I will just add to that, too, Senator. You were talking before about the staffing. One of the things we as an organisation are increasingly doing is having flexibility around how we deploy our workforce, particularly in big transactional areas of the department, which is really M&PS and the budget area. There is a lot of transactional work. In both those areas we have used a surge philosophy to not only surge people in to assist. With our new technology in the new environment we are in, it is easier to do that in a technical sense. But also we are looking to build the capability of people across the

organisation in these areas so, next time, we will have more people who are trained and we will not have to go through such an intensive training process. We have utilised that. We used it in the election context. But also we have used it in this last period when we found we were under more pressure than usual in that area. So we have done that twice. We have also used it for the budget. I think it has been very successful in dealing with those sorts of peaks. Sometimes we can predict them, but it is often quite hard to rise to them. So we are increasing our capability in that regard.

Senator GALLAGHER: I am not sure if this was picked up in the review. I had a brief look at it when it came out, but I have been trying to find it online to check. Minister, has any thought been given to—and other parliaments have them—having an ethics adviser or someplace where members of parliament can go and take advice around either decisions or allowances? One of the issues that Finance quite properly does not deal with is being in a position to answer whether something is an appropriate use of entitlements. I have only had one situation and that was coming from a parliament where there were very few entitlements. There was an occasion when I inquired about, 'If I were to claim for this, would that be in line with that entitlement?' I understand that Finance came back with, 'It is not up to us to determine whether it is appropriate,' or words to that effect. They basically said, 'Read the guidance material. We are not sitting here as judges of particular claims.' I can understand that as well, but I wonder then where people can go to test some of that and whether having that would prevent some of the issues we have seen around entitlements from occurring. The assembly had an ethics adviser who anyone in the parliament could make contact with to seek a particular view and get some guidance. I am just wondering whether that has informed any of this. If you are streamlining and simplifying entitlements and allowances, I wonder whether that kind of capacity has been considered at any point.

Senator Ryan: I will commence by saying that, on whether it has been considered, I cannot speak to the deliberations of the committee that prepared this. That was an independent committee. I am happy for the officials to answer if there was something in the lead-up to it than I am not aware of. Recommendation 36 of the expenses review does say:

The Department of Finance should mandate and empower Ministerial and Parliamentary Services Division to:

... ..

b. provide detailed, definitive, authoritative advice, in writing, to parliamentarians and their staff about expense eligibility ...

It goes on to outline that:

The simplest and arguably most cost-effective way to ensure parliamentarians can obtain authoritative upfront expenses advice is to empower M&PS to provide it.

Senator GALLAGHER: So it is more about augmenting your role than providing another role?

Senator Ryan: I am open to ideas. As I said, the government has endorsed the principles of all the recommendations. But I will say that I like the idea that the people administering it can provide me with the advice on whether something is within the guidelines or not. I think that would provide a correctness and clarity.

Senator GALLAGHER: Yes, I agree. I have heard from others and I know from my own experience that when you inquire people say, 'That is not up to us to determine.' I think that change is possibly how you could deal with it.

Ms McGregor: That hinges on things like a single piece of legislation.

Senator Ryan: Absolutely.

Ms McGregor: I guess the review was making the argument that, if you can fix up some of the framework so that it is simpler, it will put the people who are administering it into a position where they are actually able to provide that—

Senator GALLAGHER: I agree. I think, as someone who has newly come in and seen it, there is a gap there. I think it possibly would prevent some problems occurring down the track.

CHAIR: We will break for dinner.

Proceedings suspended from 18:29 to 20:00

CHAIR: It being 8 pm, we will resume outcome 3 with the Department of Finance and the Special Minister of State.

Senator STERLE: I normally do not enter into this, but I think we have to on this occasion. I want to go back if I can—I am sorry. I cannot see your nameplate. Who is the boss? Is it Mr McGregor? Are you the boss?

Senator Ryan: The secretary of the department is detained so come to me if you want. These are the officials relevant to MAPS.

Senator STERLE: Okay, I will come to you, Minister. That makes it easy, thank you. On the afternoon of 1 September there was a situation here when a couple of members of the House of Representatives left the building and then there was a scenario of a few votes and whatever. I hope you can confirm this for me today: it was reported in the newspaper that the member for Stirling, Mr Keenan, was on a flight between Canberra and Melbourne and landed in Melbourne. It is reported that he subsequently jumped back on a plane to come from Melbourne back to Canberra and then, I believe, up to the House. Could you tell us what flights the minister did take that afternoon? Do you want to take them on notice?

Senator Ryan: We do not have those details handy.

Senator STERLE: That is all right. I will ask them and I am happy for you to take them on notice.

Senator Ryan: We will take it on notice. Obviously, some of this material is normally released in the course of the six-monthly reports.

Senator STERLE: Absolutely. That will clear it up for me, but I will get you take it on notice anyway. Not only would I like to know what flights the minister took that afternoon, I would like to know what class the minister travelled in. I would like to know how much the minister's flight to Melbourne from Canberra cost the taxpayer. I would also like to know how much the minister's flight cost, if he did come back to Canberra from Melbourne. I would also like to know if the minister used Comcar services for travel that afternoon, including from Parliament House to Canberra airport and then from Canberra airport back to Parliament House, if he did. Then, if he left again that night, did he use Comcar from here back to Melbourne.

Senator Ryan: We will take that on notice.

Senator STERLE: Thank you very much. I can check the reports when they come out in December, too.

Senator McALLISTER: Senator Ryan, I wish to ask another couple of questions about the Mantach matter.

Senator Ryan: Sure. I will back away from the table, metaphorically.

Senator McALLISTER: Mr Fredericks, I want to come back to the view you put to the committee that releasing the names of the MPs and senators involved in the matter in Victoria would not be something the department was willing to do. I want to clarify with you the grounds for that refusal to provide that information?

Senator Ryan: Given the questioning before, and given the situation I outlined earlier, I indicated that I would refer that to Senator Cormann. I will refer that to Senator Cormann, as the senior portfolio minister and the minister who, if any handling of this matter has been necessary—I am not aware of any—has been handling it. I will refer that to him.

Senator McALLISTER: Are you referring it to him because the grounds you are claiming are public interest immunity?

Senator Ryan: That will be a matter for him. I am not sufficiently aware, given the circumstances, of details to make any claim myself. I am going to refer the question to Senator Cormann.

Senator McALLISTER: What is the time line for resolution of that, because you are not taking it on notice? Mr Fredericks has indicated simply an unwillingness to provide the information. Is it being taken on notice or is it being referred, so that this committee can satisfy itself that a public immunity claim is warranted?

Senator Ryan: To be fair to Mr Fredericks, I do not think he asserted that. I will take the question on notice and refer it to Senator Cormann—given the arrangement I outlined earlier—given my status and my indication publicly and privately that I have nothing to do with these matters in an administrative sense. It will be taken on notice for Senator Cormann's consideration.

Senator McALLISTER: I wonder if it would help to have Senator Cormann come back to the committee this evening to deal with it.

Senator Ryan: I do not think that is possible, to be fair.

Senator McALLISTER: It is an unusual situation because you have recused yourself from a series of matters relevant to part of the portfolio scheduled for discussion this evening. Minister Cormann is, by your description, the minister responsible for those matters that I am seeking to discuss—

Senator Ryan: To the extent that there has had to be any ministerial involvement, I actually cannot answer that query because I have not dealt with any of these matters. Mr Fredericks answered some questions before for you. I think you asked about whether one matter in particular had been considered by a minister or considered by the officials but I cannot remember what the matter was. With some advance notice of this maybe something could have been arranged, but I think it is important that I maintain my distance from the situation—

Senator McALLISTER: Senator Ryan, can I ask you about the arrangements that you put in place in keeping your distance from this? In your opening remarks you observed, and quite sensibly noticed, conflict in your own arrangements and you sort to recuse yourself and to allocate responsibility for dealing with this to someone else, which must have been to some other minister in the government.

Senator Ryan: It was agreed that any matter that required ministerial decision making or involvement was to be handled by Senator Cormann as the other senior minister in the portfolio, and that course of action was agreed upon between myself, the secretary and the minister.

Senator McALLISTER: The problem we face though is that, at this stage, as far as I can tell, there is no public interest immunity claim being made by the department or by the government. Is that correct?

Mr Fredericks: It has to be made clear that the difficulty I find myself in, and why I would appreciate the opportunity to take it on notice from a departmental view, is that as a departmental official I do not have any right to claim public interest immunity that lies in the hands of government—

Senator McALLISTER: Certainly.

Mr Fredericks: so normally we would be in a situation where the minister would be dealing with this issue.

Senator Ryan: And I have taken on notice to refer to the minister, given the circumstances. I think that is the furthest we can take this this evening.

Senator McALLISTER: You can see why I might find it unsatisfactory? The challenge I am facing is that, for example, yesterday we received 80 pages of documents from the government in response to questions on notice, some of which had been in place since February.

Senator Ryan: May I say, Senator McAllister, that I have not been here that much longer than you but, having sat in the same chair as you for quite a few years, it is not something that I think you could make a claim about as being unique.

Senator FARRELL: That is not true.

Senator McALLISTER: We all need to make our own decisions about how we are going to behave. What I am saying is that there is a reasonably significant question here that I think is in the public interest for us to explore. It cannot be explored without the information that Mr Fredericks currently does not want to provide, but there is no public interest immunity claim because there is no minister here to make it.

CHAIR: To be fair Senator McAllister, he is not saying that he will not provide it—just that he will take it on notice. Lots of questions are taken on notice for much more routine reasons than this. I think he is entitled to take these questions on notice.

Senator McALLISTER: Can I ask this, Senator Ryan: did you recuse yourself because you are one of the senators involved in the matter?

Senator Ryan: I do not know the facts of the matter because upon my first meeting in this portfolio I indicated that I wanted to have nothing to do with this matter, given the potential or potential appearance, and given that I was a Victorian Liberal senator over that period. I

actually do not know, and I have not been provided with, any information to do with that particular effect. This was being handled in the manner that Mr Fredericks outlined.

Senator McALLISTER: Thank you. Chair, that concludes my questioning.

CHAIR: Does that conclude all your questioning on outcome 3?

Senator McALLISTER: No; it simply concludes my questioning at this point.

CHAIR: Senator Farrell.

Senator FARRELL: Are we dealing with outcome 3?

CHAIR: Yes, we are.

Senator FARRELL: I want to go back to the last round of estimates hearings where Senator Wong and Senator McAllister asked some questions about the personal staff allocation of the minister. There was some debate on that occasion as to whether the numbers had changed or increased. On this occasion, of course, Minister, you have now tabled the figures, which we have had a chance to have a look at. I have some questions that relate to those figures that you have provided for us. Firstly, can I just confirm that the total current number of personal staff allocated to the government, including those allocated to ministers, assistant ministers and parliamentary secretaries, is now 438?

Senator Ryan: The table on page 3 of 9 shows 440.

Senator FARRELL: I was referring to—

Senator Ryan: Is there two that I am double counting? The table refers to 440 on page 3 of 9.

Senator FARRELL: My question related to ministers, assistant ministers and parliamentary secretaries.

Senator Ryan: I think there are a two people—

Senator FARRELL: Sorry, yes, that is quite right. Yes, that is the figure that we are talking about. There appears to be an increase of 13 since the last time that the table was tabulated in May. Is that correct?

Senator Ryan: I was not the minister then. I do not have that information to hand. I can speak to what is in place at the moment.

Senator FARRELL: As I read the chart that you have provided to us—

Senator Ryan: Oh, the one on the back that shows the variation.

Senator FARRELL: To clarify the document—

Senator Ryan: Sorry; you were referring to the variation. I did not have the other document handy. I take the document at face value.

Senator FARRELL: I accept that you were not the minister then. The figure has increased by 13. Are you able to tell us where those staff are located and who in the government has increased their staff?

Senator Ryan: Without a comparison minister by minister following an election and a reshuffle of responsibilities, that is not a table that is in the routine course of business prepared. There has been an increased allocation to the opposition, I understand, as well.

Senator FARRELL: Yes, you have been very generous to us. We have no complaint about that, Minister, but I am asking you questions about the government.

Senator Ryan: I am just pointing that out for the sake of clarity, Senator Farrell. I do not have access to the previous document. I imagine you can sit down and do a tally yourself. That is not a document that is prepared in the routine course of business.

Senator FARRELL: And you do not have that information, to the best of your knowledge?

Senator Ryan: I do not.

Senator FARRELL: Are you able to get it for us?

Senator Ryan: That would require us to tally it. It is not a document we hold. It is not a document my office holds either. Having taken responsibility since the election, it is not something that I undertook. I would imagine that it would be appropriate—

Senator FARRELL: When did those increases occur? Have those increases occurred since the election?

Senator Ryan: There were some additional staff made available to the opposition prior to the election. So there was some change there since February, but not since May. There were, as I understand, 437 or 438 government staff prior to the election. If you look at the bottom of the table, part of that was that some of those staff existed within the Special Envoy for Trade, who was then Mr Robb, the Special Envoy for Human Rights, who was then Mr Ruddock, and the tax white paper unit. They are included at the bottom, under 'Other Government'. They are counted within the pool for the purposes of calculating the opposition's entitlement to staff. If I say anything incorrect, I am happy for the officials to correct me.

Ms McGregor: Yes. It is probably more helpful on the variances document to look at the grand total: 437 as at 1 May this year, and then 440 as at 1 October. Then there is movement in between various positions and things that have changed since the election.

Senator FARRELL: So these are not things that just occurred straight after the election. They were things that were gradually occurring between May—

Senator Ryan: I do not know. I honestly cannot speak to that. The matter of allocation of staff is a matter for the Prime Minister. As I think Ms McGregor has pointed out, these other staff that are counted under 'Other Government' are considered part of the government's staff numbers that we take into account in the formula that is applied to give the opposition its number of staff. There has probably been more change in the absolute numbers of the opposition staff than in the government staff.

Senator FARRELL: But as these so-called other government positions have subsided or ended they have gone back into the general pool?

Senator Ryan: They were always part of the government pool. I think most people understood that the roles of Mr Robb and Mr Ruddock—both of longstanding ministerial experience—as special envoys were different. I understand the opposition staff had its first increase since—

Senator FARRELL: I have already congratulated you on the increase. You do not have to keep making that point.

Senator Ryan: But that was the day after the last estimates, and I believe there was some discussion around it.

Senator FARRELL: Yes.

Senator Ryan: It went from 89 to, I think, 93.

Senator FARRELL: I have congratulated you, Minister. Let us be clear: I have congratulated you on the increase—

Senator Ryan: I am a believer in context, Senator Farrell.

Senator FARRELL: Yes, but the questions are in relation to the government staffing, not the opposition staffing. When the tables are turned you can get a chance to talk about those things, but now we are focusing, if you would not mind, on the government staffing. It would seem, and I do not know, Ms McGregor, if you would like to comment on this, the pool that was in the 'Other Government' area has now been filtered back into the main body of government appointments.

Senator Ryan: They were always part of the government's pool. The arrangements have been changed, but they remain part of the government pool. I have sat in your chair as well, Senator Farrell. There were changes prior to 2013 where staff moved around within the government pool. That is a matter of determination.

Senator FARRELL: Yes.

Senator Ryan: And the government's numbers have only increased by three since May.

Senator FARRELL: That is correct. From 437 up to 440.

Senator Ryan: Which is less than the increase to the opposition.

Senator FARRELL: I do not know how many times I have got to congratulate you!

Senator Ryan: I like hearing it.

Senator FARRELL: It is a brilliant move giving more staff to the opposition—I am congratulating you on that—but let us focus on what the government is doing. It will be a much easier evening if we do that. If we have a look at that chart, one of the things that perhaps sticks out most of all is that there are now 12 or so fewer assistants and secretaries, but an increase of 24 senior advisers. There has been quite a change in the make-up of the allocation. Can you confirm that that is correct? Are you happy to answer these questions, Minister, or would you like me to refer it to—

Senator Ryan: I have not done the addition of different classifications myself, but I am happy to take at face value your assertion. I understand you can count, Senator Farrell.

Senator FARRELL: If we accept that is the position that you have removed 12 of the lower category employees and increased to 24 the higher category employees—in fact, senior advisers close to the top by category—can you explain what has brought this change about?

Senator Ryan: As I said, the determination of allocations is a matter for the Prime Minister and I am happy to take on notice if you have a specific question. It is not something I can speak to off the top of my head. I will note that based on past practice, in my experience, as a government has gone on in years, you do tend to get more people at higher classifications.

Senator FARRELL: That is obviously one possible explanation.

Senator Ryan: You notice that over time. Other than that, I will take on notice any other reason which I become aware.

Senator FARRELL: Is it that you have been promoting?

Senator Ryan: Honestly, I cannot speak to that. As I said, the determination of staff is not a matter within my personal purview.

Senator FARRELL: Perhaps if you can come back and look at that and see if you can tell us whether it has been promotions and if these people being replaced. Can you tell us how many staff are currently employed in the Prime Minister's office, specifically?

Senator Ryan: I think the table indicates it is 52.

Senator FARRELL: Can you tell us whether this is an increase compared to the office allocation of the previous Prime Minister.

Senator Ryan: I cannot speak to that off the top of my head. That, again, could be something that people could look at by literally pulling the previous documents down which are on the previous estimates websites, which I have done myself before. I can say it is not the highest I have seen. I do recall before 2013, it did go substantially higher.

Senator FARRELL: You have this obsession about the Labor Party's staffing.

Senator Ryan: I am not the one asking questions.

Senator FARRELL: But you are constantly going back to the past; we are looking at the present and the future.

Senator Ryan: I think context is important. I remember at various times that the Premier of Victoria had substantially more staff than the Prime Minister. When I first came to this place I was reminded of that. I am just putting it in historical context, which I think is important, given the question.

Senator FARRELL: The question was a relatively simple one. It was asking a comparison between the former Prime Minister and the current Prime Minister.

Senator Ryan: And as I said, people would be able to pull that down by literally downloading documents on the website. I just do not have those details.

Senator FARRELL: We did not get these figures until relatively recently.

Senator Ryan: That is true and, again, is consistent with longstanding practice to have it tabled at the start of our—

Senator FARRELL: Minister, that is not a criticism. You are getting very—

Senator Ryan: I am not sensitive at all.

Senator FARRELL: too sensitive.

Senator Ryan: No, I am not at all. Very few people call me sensitive.

Senator FARRELL: In May, Senator Cormann stated that there were a number of staff that fell outside the total government allocation but were still employed in various functions. What is the number of staff currently allocated outside the government's personal staff in total but still working within the government's political offices?

Senator Ryan: As far as I am aware, and I will correct the record if I am wrong, that is not the case at the moment.

Senator FARRELL: So there are no staff—

Senator Ryan: I am happy to be corrected, but I have been working on the basis of this.

Ms McGregor: This is the total allocations.

Senator Ryan: I read up on the past estimates. I understand that there was a step, one might call it, addressing some of those concerns the day after the last estimates. But I understand at the moment—and these conversations were raised by your predecessor with me upon me coming to this office and having consultations with him—that is not the case at the moment and if I am incorrect, I will correct the record rapidly.

Senator FARRELL: When you say 'my predecessor'—

Senator Ryan: I refer to Senator Conroy, as shadow minister and deputy leader.

Senator FARRELL: I understand. This question may relate to what you have just said. In May, Senator Cormann stated that a number of individuals were employed under the tax white paper unit and, therefore, were not included within the staffing levels for the government, despite working out of the Treasurer's office. I take it you are saying that those people are now in the relevant—

Senator Ryan: The staff that were outside the table are now inside the table. Regarding the tax white paper unit, as you can see on the last page, variations are now at zero.

Senator FARRELL: That clarifies that matter. Have any of these individuals who were previously employed by the special units of government moved into or been hired by the government under the personal staffing allocations?

Senator Ryan: I will take that on notice, with the proviso that we generally do not use names, but we can provide numbers.

Ms McGregor: We can have a look at the general breakup there.

Senator FARRELL: No, I am not seeking names, minister. You are imputing the worst of motives to every question that I ask!

Senator Ryan: No, I was not imputing anything to you, Senator Farrell. I was just trying to avoid misunderstanding.

Senator FARRELL: I am sure we can avoid any misunderstandings. Are you able to tell us how many and where they have gone to?

Senator Ryan: We will take that on notice and we will provide information consistent with past practice. I have asked the same question, so I will try to provide answers consistent with that.

Senator FARRELL: Are any of these people employed in the Prime Minister's Office?

Senator Ryan: I honestly cannot answer that, so I will take it on notice. I should say that movement of staff within government is not uncommon. Particularly post an election where there has been a reshuffle, people move on to new challenges.

Senator FARRELL: Yes. I note that former Prime Minister Tony Abbott has had his senior adviser removed and replaced with an assistant adviser. Is that your understanding?

Senator Ryan: That is a question I, myself, asked earlier today, and that is my understanding.

Senator FARRELL: Great minds think alike.

Senator Ryan: I am not sure of the antecedents of that.

Ms McGregor: It is not 'replaced'. I think that at one stage there was a senior adviser and an assistant adviser, and now the senior adviser has finished and it is just the assistant adviser that remains.

Senator FARRELL: So the former Prime Minister has gone from a senior adviser and an assistant adviser to just an assistant adviser.

Ms McGregor: Yes.

Senator Ryan: I understand the senior adviser position was temporary. This practice is consistent with past practice for Mr Rudd when he was in parliament—I am not sure.

Senator FARRELL: That you have reduced his staffing is not to stop the former Prime Minister creating some mischief, is it?

Ms McGregor: No. It was always a temporary arrangement.

Senator FARRELL: I want to turn to some different items. I want to refer to the staffing for Karen Andrews. Can somebody give me some assistance?

Senator Ryan: What is it?

Senator FARRELL: How many staff are currently employed in her office?

Senator Ryan: She is the Assistant Minister for Vocational Education and Skills. As per the top line of page 3 of 9, she has two advisers.

Senator FARRELL: What about her electorate office?

Senator Ryan: She would normally be provided with the standard allocation.

Senator FARRELL: How many individuals have been employed in her office since the election of 2013? Are we able to find out that figure?

Ms McGregor: We can take it on notice and find out.

Senator FARRELL: The figure that we have been provided with is a figure of 36 over the three years.

Ms McGregor: Do you mean turnover?

Senator FARRELL: Yes.

Ms McGregor: We will have a look. I do not think that figure is accurate.

Senator Ryan: I do recall that sometimes in similar circumstances things that appear in the media have not been entirely accurate.

Senator FARRELL: That is why I am asking the questions.

Senator Ryan: They count interns and—

Ms McGregor: We will check for you. My vague recollection is that that 36 figure is incorrect.

Senator FARRELL: Is that because you have done a check, or—

Ms McGregor: I think it was just seeing media articles and having a quick cursory look, but that is why I cannot remember the exact—

Senator FARRELL: Does that mean you checked and found that it was another figure, less than 36?

Ms McGregor: I think we had a quick look, mainly probably because we were being asked by the media.

Ms Huxtable: But we cannot recall the exact figure, so we will take it on notice.

Ms McGregor: We can find out for you.

Senator FARRELL: That is much appreciated. Can you tell us how many people in that figure—whatever the figure is, if it is not 36—actually formally resigned from her staff? I take it you have something that tells you what the reason for—

Ms McGregor: I will have a look. We normally would not comment on individual staff arrangements and how they do or do not leave an office. But we are happy to—

Senator FARRELL: I am not asking you to identify individuals; I am just asking whether half of them—let us take the figure of 36 for the moment—were resignations.

Senator Ryan: We will take it on notice and provide information consistent with past practice.

Senator FARRELL: Thank you. While you are doing that, can you tell us whether any of the employees were dismissed as distinct from resigning?

Senator Ryan: We generally get a bit more careful, historically, at this point, because the more granular you get in these situations the easier it becomes for staff to be inadvertently identified.

Senator FARRELL: I ask that you do everything in your power not to identify individuals.

Senator Ryan: No but, for example, events might identify an individual. I will take it on notice and I will hopefully be back here next February when I can be quizzed again if you are unhappy with the information I provide.

Senator FARRELL: You will provide the information much sooner than next February, I am sure.

Senator Ryan: No—I might provide it in the next two weeks and you might not like the answer; you might want to ask me questions. I will provide information consistent with past practice where there are longstanding conventions about how such matters are dealt with at estimates.

Senator FARRELL: We are not asking you to break any longstanding conventions.

Senator Ryan: I appreciate that.

Senator FARRELL: While you are doing all of that, perhaps you could also tell us how many staff have taken leave in her office.

Senator Ryan: Senator Farrell, the issue of staff taking leave, I have to admit I am more uncomfortable with going into. The reason I say that is there are myriad reasons for leave being taken, personal in nature, that could be very private. I appreciate your questioning about the other matters. Leave I will consider but, again, I think that it is trickier.

Senator FARRELL: We have heard that there have been a significant number of people taking stress leave as well, so perhaps you could give some consideration to that and to whether any staff are currently on stress leave.

Senator Ryan: That is a question that would identify someone. An answer to that would, I think, identify someone. I will start from the point that I would need a lot of convincing to provide that answer.

Senator FARRELL: I am putting these questions to you and I am happy to get whatever information you are willing to provide. While you are looking at that, can you indicate whether there are any claims of bullying in this particular office?

Senator Ryan: Matters for the management of each member's or senator's office and what—let us say, for example, there is a difficult circumstance to manage. I will look at past practice and, if I do not provide you with the specific information you would like, I will provide an explanation as to why.

Senator FARRELL: While you are doing that, could you indicate who the bullying claims have been made against?

Senator Ryan: I am getting more uncomfortable because, again, I do not see how, in an office of what might be four, five or six people—there could be three based in an electorate and three based here—that does not lead to identification.

Senator FARRELL: I specifically requested that you not identify them.

Senator Ryan: I appreciate that, but, as I said, events can identify them.

Senator FARRELL: I made that very clear.

Senator Ryan: I am not confirming, because I am not aware of the detail. I will provide an explanation for what I provide and what I do not.

Senator McALLISTER: It is a more than usually large sample size of staff. That might make it easier than it might otherwise be.

Senator Ryan: I have looked at these sorts of thing before and, having represented this portfolio on your side of the table, I can say that most of what is in the media is far from accurate either in describing the events or in providing explanation.

Senator FARRELL: Can you tell us whether there have been any unfair dismissal claims?

Senator Ryan: Again, as I said before, I will provide information as is consistent with past practice. The officials have just advised me that broad information—that is not identifying—is provided to the workplace health and safety committee.

Senator FARRELL: This information has already been provided?

Senator Ryan: No, generally.

Ms McGregor: As a general rule, information in relation to the sorts of things you are talking about is provided to the WHS committee—but not identifying information.

Ms Huxtable: Not in regard to specifics—broad information.

Senator FARRELL: I understand, but I am asking specific questions about a particular member of parliament. I will change the topic and go to crossbench staffing. How many staff

has the government allocated to the crossbench senators and members of the House of Representatives?

Senator Ryan: It is on page 6 and 7. Page 7 incorporates the House of Representatives. Just looking down and doing a quick count for Mr Katter, Ms McGowan, Ms Sharkey and Mr Wilkie—it appears to be three each. That is three staff for each of the four crossbenchers in the House of Representatives.

Senator FARRELL: This is additional to their ordinary entitlements?

Senator Ryan: These are additional to their electorate staff. These are personal staff. There are other entitlements for electorate staff.

Senator FARRELL: Are we looking at the chart on page 7?

Senator Ryan: Yes.

Senator FARRELL: It would seem that everybody is getting three people except for Senator Lambie. I see there is a note there that it is a temporary position. Why was it deemed necessary to have a different allocation for Senator Lambie?

Senator Ryan: I am not aware off the top of my head. I will take it on notice unless I can locate something specific about that.

Senator FARRELL: It has been identified in the chart. Nobody here knows the answer to that question? If you can find out, I would appreciate it. Minister, are you able to tell us the formula you used for this allocation?

Senator Ryan: It was a decision of government, as the others have outlined. What I will say is that I did explore whether there was a historic formula for this, and there is not—unlike for the opposition. While not to the same degree, there is some basis for this sort of allocation with respect to minor parties—the Australian Democrats or the Australian Greens. The first time I witnessed this in the House of Representatives—which I cannot guarantee, but I will pursue informed practice—was in the 2010 parliament, where extra staff were assigned to House of Representatives member of the crossbench, and that was increased over the term of that parliament, if my memory serves. I can only assume that that formed the basis for part of the allocation.

CHAIR: I think we heard evidence from the Department of the Prime Minister and Cabinet yesterday that it was three extra staff for those lower house crossbench members.

Senator FARRELL: So, in the parliament between 2010 and 2013, people like Mr Windsor, Mr Oakeshott, Mr Wilkie et cetera were allocated three additional staff.

Senator Ryan: If memory serves—and I will correct the record if wrong—by the end of the parliament that was the case, and I think this may have started with Senator Harradine many years ago. I think this reflects the extra workload.

Senator FARRELL: He was a pretty good negotiator for these sorts of things—and for the great state of Tasmania.

Senator Ryan: Potentially even within the SDA, I imagine!

Senator FARRELL: He would have done a few things there as well.

Senator Ryan: In my experience—having served here for nearly eight years, benefiting from a party room, whips and shadow ministers or ministers—I think the extra staff allocation reflects the quite substantially increased workload on members of the crossbench to maintain.

I can confirm it was three for members of the House of Representatives crossbench as at 2013.

Senator FARRELL: Thank you, and what you have done is simply carried on with what was provided by the previous government.

Senator Ryan: I am speaking without actually making a decision myself. I am just outlining that I imagine that influenced current practice.

Senator FARRELL: That seems to make sense, doesn't it? Were these extra staff requested by the crossbenchers, or were they simply advised that this was the government's allocation?

Senator Ryan: I will take that on notice. I cannot answer that question. I can speak to how there were approaches to me after my appointment from a couple of people representing groups within parliament requesting extra staff, but it is not my determination. But, as to the House of Representatives crossbenchers you are mentioning, I did not have discussions with those.

Senator FARRELL: So you had had some requests.

Senator Ryan: I did.

Senator FARRELL: Who did you refer them to?

Senator Ryan: Staffing allocations are not my determination. I think requests were made to me and to others. I do not think I was the sole recipient of requests.

Senator FARRELL: Were those requests for staff in addition to the three that you had allocated?

Senator Ryan: As I said, I did not have discussions with the members of the House of Representatives crossbench?

Senator FARRELL: But these figures we are talking about are principally senators, aren't they?

Senator Ryan: There are more senator crossbenchers than there are members of the House, but they have all been provided—apart from the observation about Senator Lambie with the temporary position—with the three additional positions.

Senator FARRELL: Yes, but I thought you said that you had had an approach from—

Senator Ryan: In my role, I get approached by members and senators of all parties and both chambers about issues to do with things that some assume are my responsibility. They often are, but not always.

Senator FARRELL: What I am trying to get at is: were those requests for additional staff in addition to the three that you had already allocated?

Senator Ryan: They do not relate to that. I am not going to go into the discussions I had.

Senator FARRELL: No, I am not asking you to identify—

Senator Ryan: But I will say that none of the numbers here in the Senate or House of Representatives crossbench reflect discussions with me prior to the determination.

Senator FARRELL: But that is not what we are talking about here. I thought you said that you had been approached by some of the crossbenchers seeking additional staff.

Senator Ryan: I said I had been approached by some people in the parliament regarding additional staff.

Senator FARRELL: Not members of parliament?

Senator Ryan: I am not going to specify who approached me. What I am saying there—

Senator FARRELL: No, I am not asking you to specify, I am just trying to—

Senator Ryan: But by exclusion, if you ask me to exclude whole groups of people you get to the point of discussions. Now, I am quite certain that there are discussions that happen around the operations of parliament—staffing, offices, expenses—that are not always publicly disclosed. There can be queries referred to me and there can be requests. What I am saying is that there were some representatives of some groups in parliament who spoke to me about their staffing allocation.

Senator FARRELL: What I am trying to ascertain from you—I am not asking you to identify the individual person or persons—the only question I am asking you is: is the request that you had for additional staffing in addition to the three that you allocated to these people?

Senator Ryan: I did not allocate anyone new staff, I should say—

Senator FARRELL: No, these—

Senator Ryan: It is important to know, because the two issues here can be conflated. I am going through the list now, and I do not think I have had any discussion with any person listed on that second table on page 7—parliamentarians not affiliated with a major party—requesting staff above the number listed there.

Senator FARRELL: All right. So you have not had any requests for additional staffing?

Senator Ryan: I am not sure how much you want me to go into detail here. I could go, quite frankly, chapter and verse on the requests I get for additional staff. I am not quite sure if—

Senator FARRELL: Look, it is a perfectly innocent question, Minister. I am just—

Senator Ryan: No, I am just telling you that I am not going to go into private conversations where people approach me—

Senator FARRELL: And I am not asking you about—

Senator Ryan: But if I start excluding people on the table, you get the people who are left.

Senator FARRELL: That is possible, I suppose.

Senator Ryan: It is logical. People approach me in my role—

Senator FARRELL: I suppose the conclusion that we could draw from what you have said is that if the approaches have not come from anybody in the second table, that means the approaches must have come from the people in the top table.

CHAIR: Or possibly opposition members—

Senator Ryan: Or individual MPs who have approached me.

Senator FARRELL: But I have only been talking about the crossbenchers, Minister. Have you been talking about—

Senator Ryan: No. I made the observation that I have been approached. You quizzed me about that and I am trying not to go into a process whereby you seek to have me inadvertently reveal conversations by virtue of exclusion.

Senator FARRELL: No, I did not. You are an experienced minister, and you will not be releasing anything to me inadvertently. In fact, you are not releasing very much at all, if we can be perfectly robust about it!

Senator Ryan: I am not sure what you are trying to find out! Are you trying to lead me down a path? Just ask me what you want to know and I will tell you, if I can, or if I am able to tell you or not.

Senator FARRELL: No, I am just trying to get to whether or not you have had requests from the crossbenchers for staff in addition to the three, and the answer would seem to me to be no.

CHAIR: Senator Farrell, I think that question has been asked and answered many times. I suspect that asking it again and again is not going to get you a different answer.

Senator FARRELL: No, I think the answer to the question is no—is it not?

Senator Ryan: I said earlier that to the best of my recollection, and I am looking down this list now, I have not been—look: I have met with a lot of people, and many of these people have new offices and things. I will be honest, Senator Farrell, I am not going to go into my discussions with them so as not to inadvertently reveal private conversations, nor inadvertently mislead the committee.

Senator FARRELL: Thank you. Has the government imposed any conditions on the provision of these additional staff to any of the crossbenchers?

Senator Ryan: What do you mean by 'conditions'? Just clarify that, Senator Farrell—what are we talking about with 'conditions'? There are conditions of employment, like classifications and—

Senator FARRELL: I am not talking about the standard conditions of employment.

Ms Huxtable: There are various footnotes in the document that set out some—it depends on what you mean by 'conditions', I guess. It does establish some—

Senator FARRELL: I am not talking about the standard terms and conditions. Obviously, you have done some different things with different people; I am just saying: have there been any conditions that the government has applied?

Senator Ryan: Not that I would interpret. If you want to ask me about something specific, I am happy to take it on notice, but the information I have been provided with is that that was not the case. But if there is something—

Senator FARRELL: It is just a straightforward question, Minister.

Senator Ryan: But 'condition' is a very broad term. You have ruled out the conditions of employment, but I do not want to inadvertently mislead. As far as I am aware, no.

Senator FARRELL: Thank you. Changing to another topic, I have some questions relating to the personal staff allocation of Senator Parry.

Senator Ryan: Sure.

Senator FARRELL: Senator Parry informed this committee yesterday that he had been allocated an additional staff member by the Prime Minister. Can you confirm that this is the second additional personal staff member that Senator Parry has been allocated?

Senator Ryan: I will refer to the table. Page 9 of 9 indicates he has seven personal staff. I do not have any information to attest to the specific question you raise, but the number is there.

Senator FARRELL: Unlike the first chart where we get a comparison, we do not have that for Senator Parry. Are you able to find out for us whether this—

Senator Ryan: Do you mean the variances chart, or which? I am sorry, I am not quite sure what you are after.

Senator FARRELL: That chart on page 9 that you have referred me to tells me what is current allocation is.

Senator Ryan: This can be downloaded. Someone can jump on the APH website, download the May estimates tabling document and see the comparison.

Senator FARRELL: I was simply asking you the question.

Senator Ryan: I do not know.

Senator FARRELL: Again, can I say that we only recently got this document, and you are here to answer some questions.

Senator Ryan: And I am saying that I do not have the previous—

Senator FARRELL: If your answer is that you do not know, my question is: can you find out for us?

Senator Ryan: We can take it on notice but, to be honest, I do not have the capacity at the moment to look it up. I used to carry a folder of these with me into estimates from the previous few years.

Senator FARRELL: That is why you are looking after this area, Minister—you know so much about it.

Senator Ryan: Sorry? I cannot quite hear you. Either my hearing's going or you are whispering, Senator Farrell.

Senator FARRELL: I will have to speak closer to the microphone.

Senator Ryan: That chair has had a wonky—

CHAIR: 'Speak softly and carry a big stick', I think is how the phrase goes.

Senator FARRELL: It does not always work, Chair.

Senator Ryan: My office has advised me—and, again, I will stand to be corrected—that Senator Parry had six staff in May. He now has seven.

Senator FARRELL: Who provided you with that information?

Senator Ryan: My office.

Senator FARRELL: Nobody at the table?

Senator Ryan: No, my office. My staff have worked on this for years.

Senator FARRELL: But when I asked you a couple of minutes ago you did not know the answer, and you now know the answer, so somebody—

Senator Ryan: I am telling you how I got it, which is that my staff just provided me with the information.

Senator FARRELL: But nobody at the table just provided it to you?

Senator Ryan: To be fair, they do not have the document. I said to you that I used to carry the folders of these things in with me at estimates. I am guessing my staff member probably has that folder.

Senator FARRELL: Good. You have some very efficient staff there.

Senator Ryan: I do have very good staff.

Senator FARRELL: Going back to 2013 when, I think, Senator Hogg was the president, he had five personal staff. The figure is now up to eight—

Senator Ryan: Seven, isn't it?

Senator FARRELL: Can you tell us what the additional responsibilities are that have required—

Senator Ryan: Senator Parry covered this in substantial detail yesterday, so, this not being a matter of my responsibility, I will refer you to Senator Parry's contribution to the committee. I will note that Senator Hogg was not the senior Presiding Officer at the time. That was Mr Jenkins, I believe. Senator Parry is the senior of the two Presiding Officers and does have an extensive workload related to that. Senator Hogg was not the senior Presiding Officer. It goes in order of who has first taken office as a Presiding Officer.

Senator FARRELL: Are you saying in those circumstances that Speaker Jenkins might have had a—

Senator Ryan: No, I am simply referring you to Senator Parry's testimony yesterday, and making that observation.

Senator FARRELL: But if that has any bearing on the subject, surely it is because the Speaker of the House of Representatives in those circumstances must of had additional responsibilities.

Senator Ryan: What I will say is that in my eight years here I think there is a greater workload on the Presiding Officers now than at any time. That ranges from works necessary to the building and surrounds, to issues we do not generally discuss in public and to their traditional representative role as well. Being aware of some of them, and having sat on this committee and had DPS come before me for years, I think the workload there is greater. For example, DPS now does our IT, whereas five years ago it did not. And there are a number of legacy issues related to change in the Department of Parliamentary Services that have occasionally made the press. So, I would just refer people to Senator Parry's contribution to the committee yesterday, and make those observations about the workload of the Presiding Officers, which I think has dramatically increased—as someone who has not been one, but has witnessed it.

Senator FARRELL: Are you saying that these additional two staff have been required as a result of the additional workload?

Senator Ryan: I am referring you to Senator Parry yesterday. I did not hear it all.

CHAIR: He outlined in quite some detail yesterday the reform program of the department and the hands-on role that he and the Speaker are playing in that, and the extra workload that has arisen as a result.

Senator SMITH: It is in *Hansard*.

Senator McKENZIE: Go to the *Hansard* and questions on notice.

Senator FARRELL: In determining this additional workload, was there some process undertaken?

Senator Ryan: It is not my responsibility, so I cannot speak to that—or my authority.

CHAIR: Again, Senator Parry answered this question yesterday. It is just going over the same ground.

Senator FARRELL: Has there been any corresponding increase in the staffing of the Deputy President in the Senate?

CHAIR: Is it a question that was asked and answered yesterday?

Senator McALLISTER: We are dealing with a different department within the government and a different minister—in this case, the Special Minister of State. I think it is reasonable to check the facts are understood in the same way and I do not think Senator Farrell is going over old ground.

Senator Ryan: I can quickly answer that question from Senator Farrell. Based on my past knowledge, the Deputy President of the Senate has always had one assistant adviser, and that is reflected in the current table.

Senator SMITH: I am keen to understand how the helpdesk works, whether or not it is adequately staffed, and when it is staffed. How many staff are working on the helpdesk?

Ms McGregor: We have about seven people.

Senator SMITH: How many staff members are working on the helpdesk and what rosters do they work? I am particularly interested in knowing how those rosters might be changing as a result of daylight saving arrangements that now might be in place?

Ms McGregor: I might get Mr Ford to answer some of these questions on the helpdesk as this is his special area.

Mr Ford: We have seven dedicated staff for the helpdesks, but there are other staff who also answer queries via phone, and during peak periods we will add more staff.

Senator SMITH: There are seven dedicated staff, and if they are all on the phones it might go to an overflow arrangement?

Mr Ford: No. We have three people dedicated to the senators and members helpline and four people on the staff helpdesk. When I talk about additional staff, we also have entitlements managers or advice and support directors. And other staff from within my own branch or from other branches will come and help during peak periods.

Senator SMITH: What are those peak periods?

Mr Ford: I cannot really define a peak period—

Senator SMITH: They are unpredictable?

Mr Ford: They can be unpredictable. Obviously, around election time would be one. Potentially, right at the beginning or at the end of parliamentary sittings, as well.

Senator SMITH: What are the hours of operations? Does the senators and members line have a separate number?

Mr Ford: Yes.

Senator SMITH: Over what periods is that operated?

Mr Ford: 9 am to 5 pm Australian Eastern Time.

Senator SMITH: So, at 2 o'clock Perth time a senator or member would not be able to access a dedicated service?

Mr Ford: That is right. Senators and members do have access to their advice and support director, and if there are urgent issues they generally would have an out of hours contact they could call, as well.

Senator SMITH: If I ring the line after 2 pm Western Standard Time is there a message service there or does someone actually answer the phone?

Mr Ford: No, there is a message service there.

Senator SMITH: And what does that message service say? I have not used it but I have heard some queries or complaints.

Mr Ford: I cannot quote the message word for word, but it will say that we are closed until 9 am next business day.

Senator SMITH: I thought you said I can then access a dedicated person.

Ms McGregor: There are a couple of things. The helpdesk operates within those standard hours, but there are alternative contact points, including via the ministerial and parliamentary services website. If people have particular questions et cetera there is a lot of information on that website. But, also, there are state and territory—our CPOs. The state managers are another contact point for people. I know that if things go wrong in the electorate offices they will usually ring the state or territory CPO. So we have a number of other contact points.

Senator SMITH: And that works okay up until the point when the state based person, the CPO, says they need to refer the matter to Canberra for an answer.

Ms McGregor: Yes, and if they did need to they would probably come through to the branch—not necessarily the specific helpdesk, but they would still come through to, say, an entitlements manager or other individual. So I guess what I am saying is that queries are not limited to the helpdesk—that is one of the ways in. That is where most people would probably come with their queries, but there are other points of contact as well.

Senator SMITH: So if I am a senator or member and I have a query over an entitlement, or I am making a booking or I need to travel quickly, for whatever reason, this is how members and senators might get themselves into a bit of trouble. There is no-one there to answer the call and take the response and provide an authoritative perspective. In light of all the drama we have had an entitlements, I am curious as to whether this is the best way to give some assurance to a senator or member when they might be making travel arrangements or

have claims queries. With 2020, for example, I think the call gets directed to someone, or you are given the number of someone to call, so that way you are able to deal with your technology issue, which can be quite urgent.

Ms McGregor: That is a valid point you are making.

Senator SMITH: Am I the first to have made it?

Ms McGregor: We have never looked at extending the helpdesk times, I don't think. But we are happy to look at it. I suppose we think there are a lot of other ways in, and we do find that when people have urgent issues they will find someone to ring. I know that in the past our entitlements managers have actually provided their mobile phone numbers for emergency situations.

Ms Huxtable: The other thing to say—I am not sure if you were here when we were speaking about it earlier—but, as part of implementing the parliamentary entitlements review, when we are looking at our IT infrastructure and technology there might be opportunities to look to streamline or improve the communication channels. So I think that is something we would be very alive to as we look to implement the 36 recommendations of that report.

Senator SMITH: It is not just access to advice I am interested in, but it is also the accuracy of the advice that is provided to staff. This issue often occurs where there seems to be a bit of inconsistency between the advice you might get in regard to one query and in another very similar query you get different advice. So, again, when it comes to giving a member or senator, or their staff, confidence that things are being undertaken in accordance with the rules, a breakdown in the system is not necessarily happening in the senator's or member's office, but is happening because of the quality of the advice that is coming through on the helpdesk. I am wondering what sort of training and support the helpdesk operators get? Or is there some sort of mechanism where, if they get a query they are not quite sure about and they have given some advice, if they have any doubts around that advice are they encouraged to—

Ms McGregor: Yes. We have escalation points within that helpdesk arrangement. If people receive a more complex query then it is usually the case that that will get escalated to a more senior person within the whole structure of the branch. So there are definitely escalation points. There are escalation points based on the components of the question as well. So, if someone is asking a particular type of question that will get escalated immediately, if it is not a simple kind of question.

Senator SMITH: What would be the common areas of confusion or the common areas where errors might get made in the quality of the advice that is provided to a member or senator?

Ms McGregor: In my experience they relate mostly to the grey areas in the framework. In the whole entitlements framework there is room for interpretation. Sometimes—to be fair to the people on our side as well—we actually get people advice shopping. We know that there are people who will ring different parts of our division in order to see if they can make the most of some of the grey areas. So there are grey areas in the framework where there is not always a yes or no answer and sometimes it is down to—

Senator SMITH: But why wouldn't queries from members or senators or their staff be coming through one gateway to ensure that they were all being captured, so that this opportunity for advice shopping did not exist?

Ms McGregor: There are things coming into the helpdesk, but then someone might ring the helpdesk on another day on the same query. I am not saying—

Senator SMITH: Hoping to get a different person?

Ms McGregor: Hoping to get a different answer. I am just using that as an illustration of the fact that there are grey areas.

Senator SMITH: When senators or members or staff ring, do you log those calls? I would have thought that over a period of time you would get a pretty good sense of who might be advice shopping and put a red flag up against them, or, similarly, if someone is ringing constantly about a similar query, that again might flag a particular type of behaviour.

Mr Ford: The vast majority of the queries are coming on the two helpdesk lines, so there is a consistency there. There is a small group answering. Where they are more complex, they are escalated through to the relevant advice and support director, and they are state based. For example, you would have contact with your—what we have until recently called—entitlements managers. They are experts and they are constantly coaching the rest of the team. They are aware of all of those more complex issues, so you should get consistency of advice.

Senator SMITH: What recourse is available to a member or senator should they be given the wrong advice and then find that they have actually been publicly or privately penalised for that? What remedy happens behind the scenes? Are staff counselled? Is it used as a case study?

Ms McGregor: It would probably depend a bit on the situation. Normally if we find that we have provided incorrect advice we will seek to correct the advice.

Senator SMITH: Seek to, or you do?

Ms McGregor: We do. We make contact with the office and we will probably write to the senator or member. We do that in relation to things like travel claims that have been incorrectly calculated, for example. Are there other things you can think of?

Mr Ford: If that were to happen we would use that as a learning experience. We would refine our own processes or we might refine the information that was published on our website—that type of thing. We take a lot of queries—40,000 queries each year—predominantly through those helpdesk, but also through—

Senator SMITH: 40,000 queries. Can you break that down for me—it is a big number?

Mr Ford: Annualised figures, based on just the past four months—and these are statistics—

Ms McGregor: Just looking at the top five.

Mr Ford: The top five categories of calls have been printing and communications pre-checking—

Senator SMITH: What was the second one?

Mr Ford: That was the first one: printing and communications, the pre-check service that we offer.

Senator SMITH: Yes, I understand that.

Mr Ford: The six-monthly reporting certifications; six-monthly reporting general queries; queries about parliamentarians' travelling allowance; and staff final entitlements.

Senator SMITH: Regarding the six-monthly report certification, is that because members and senators are ringing with queries about the report that has been provided to them?

Ms McGregor: Yes, it usually would be.

Senator SMITH: And is that because they do not understand it or because there are inaccuracies in the report?

Ms McGregor: It could be a whole range of reasons why they are ringing—or wanting to confirm things in the report, as well.

Senator SMITH: Because their own document or record keeping is not up to scratch?

Ms McGregor: Yes.

Senator McKENZIE: Is this the area in which I ask electorate staff travel allowance questions?

Ms Huxtable: Yes.

Senator McKENZIE: It is my understanding that a certain senator, Senator Dastyari, made a claim that he would repay the \$1,670 that Top Education paid in terms of his electorate staff travel allowance. Can I get some clarification that that actually occurred?

Ms McGregor: Can you ask that question again?

Senator McKENZIE: In August or early September, Senator Dastyari claimed that he would repay money to the Department of Finance to the value of the personal payment he received from Top Education, and that was \$1,670.

Ms McGregor: We had an invoice that was paid by Top Education?

Senator McKENZIE: Yes. And then Senator Dastyari said that he would actually pay that, and I am wondering whether he has.

Ms McGregor: We had some correspondence with the senator, but I might have to take on notice whether we have actually received the payment.

Senator McKENZIE: Surely someone at the table has that? Do we have the correspondence?

Ms McGregor: I do not think I have it here.

Senator McKENZIE: Is it in someone's file? Surely that might have been an anticipated question.

Senator Ryan: I will say that normally we are reserved about clienting. There has been a public assertion by someone that something has been done by them. I understand that, as of late September, a payment had not been made. But I am not sure if anything has occurred since then.

Ms McGregor: I think that is correct, as of late September. I am not sure if we have looked in the last couple of days to see. That is all. So I would check.

Senator McKENZIE: On notice, can we check if he has? When?

Ms McGregor: Yes.

Senator McKENZIE: If he has not, what are you doing to chase it up?

Senator Ryan: To be fair to the department in this sense, the invoice they issued has been paid. Taking what you said at face value—I recall the media discussion around it—the claim was made that an additional amount had been paid or would be paid. At September, that has not been paid. I have the dates handy. But the department has discharged its obligations with respect to the invoice that was issued to Senator Dastyari. That was paid by the third party.

Senator McKENZIE: We are just not sure if Senator Dastyari has discharged—

Senator Ryan: That is not a legal obligation, it is a political one.

Senator McKENZIE: No, but if he is going to go out in the press and say he is going to do it, I would like to make sure that he actually has.

CHAIR: We will take a short break and return with the department for further questions.

Proceedings suspended from 21:16 to 21:29

CHAIR: The committee will resume questions on outcome 3.

Senator Ryan: I have some information from a previous question regarding the repayment by Senator Dastyari. On 10 April 2015 MaPS raised an invoice for \$1,670.82 to recover an electorate staff travel budget for the year 2013-14 overspend from Senator Dastyari. On 18 August a direct deposit was made by a third party, which has been the subject of media attention, against that invoice. On 31 August 2016—

Senator McALLISTER: A point of order: we had an extended discussion earlier this evening about how personal assets would not be raised, or dealt with.

CHAIR: I think it was staff. I think they were drawing a difference between staff and—

Senator McALLISTER: Well, we were not, in fact; we were—

Senator Ryan: The point I made was that there was an assertion made—and it has historically been considered this way—by a senator about their own expenses, which brought it into the public domain.

Senator McKENZIE: Yes, so if Senator Dastyari had kept his intention to repay this between himself and the Department of Finance, we would not actually be talking about it right now, because I would not know about it.

Senator FARRELL: I do not think that was the sequence of events.

Senator Ryan: On 31 August this year, the senator's office contacted the department and sought advice on making a payment on the debt that had been settled previously. On 2 September the department advised Senator Dastyari that if he wished to make a voluntary payment it would be received and returned to the Consolidated Revenue Fund. As of 29 September—and I will correct it if it has changed—there has been an additional payment received.

Senator McKENZIE: Right. So, Senator Dastyari had advice from the department about how to make good on his public promise and as of 29 September he has not made good on that promise.

Senator Ryan: To clarify, the invoice has been paid.

Senator McKENZIE: And I appreciate that. Thank you.

Senator FARRELL: I want to ask some questions about staff offices in Tasmania. I specifically refer to media reports regarding the offices of Tasmanian senators in particular and the potential moving of offices following the last election. The first question is—

CHAIR: Sorry, Senator Farrell, but this was actually raised earlier and we agreed we were going to provide media clippings for officials if we were going to discuss this issue, to prompt them.

Senator FARRELL: Yes. And have we not done that?

Senator McALLISTER: We can do this now.

Senator Ryan: If Senator Farrell is not referring to a particular clipping then I am happy for the officials to answer a question. The only issue before was that there was a reference to a particular article which I just wanted to ensure that the officials had before—

Senator FARRELL: Yes, I do have some specific questions. But thank you for the clarification, Chair.

Senator Ryan: Is the office vacated by the former senator Richard Colbeck currently leased to the government?

Ms McGregor: I think we still retain the lease on that office—yes.

Senator FARRELL: Is that in the north-west?

Ms McGregor: Devonport.

Ms Huxtable: That is the north—the far north.

Senator FARRELL: Can you tell us how much that is costing?

Ms McGregor: I do not think I have that information here. But we can get it on notice for you.

Senator FARRELL: Are there any plans at the moment to move any other Tasmanian senator into that office?

Ms McGregor: No, not at this stage.

Senator Ryan: Where we ask senators to take the office of a senator who vacated, I think in this case there was a distance involved.

Ms McGregor: Yes.

Senator FARRELL: I have had some personal experience of what happens in these circumstances, and I know that in my case, in 2014, Senator Day was invited to move into my office and chose not to. It does not really matter now, of course. Presumably—he was a losing senator—there was an incoming senator. Ordinarily would it be the case that—

Ms McGregor: It sort of depends. If it is a member of the House of Representatives, normally people move into the existing electorate office.

Senator FARRELL: That is correct, yes.

Ms McGregor: The Senate is a little different because obviously people sometimes are elected but live a fair distance away from the Senate office so it just depends on the situation.

Senator FARRELL: Can you remind me, obviously Senator Colbeck won. His position was taken by whom?

CHAIR: Is a senator's seat taken by any individual?

Senator FARRELL: Obviously a senator has lost his seat and then somebody has won that seat.

CHAIR: Not necessarily that seat. There were 12 seats up for election, which is unusual.

Senator McALLISTER: That is right.

Senator FARRELL: If a sitting senator loses their seat then there must be an incoming senator to replace that person.

CHAIR: How can you their seat opposed to any other seat? It is not like the House of Representatives.

Senator FARRELL: I disagree, Chair. It may not be the appropriate place to have a debate about that at the moment. All I am saying is obviously one senator lost. Generally speaking, the process is that they are at least invited to take up the office of the losing senator. Is that generally the practice?

Ms McGregor: In general but not always.

Senator FARRELL: But the indications here are none of the new senators or any of the other existing senators are going to be moving into Senator Colbeck's office.

Ms McGregor: I think that at this stage that is probably fair.

Senator FARRELL: It is our understanding that Senator Duniam plans to move into the same office in southern Tasmania currently used by Senator Bushby. Is that your understanding?

Senator Ryan: I will correct the record if I am incorrect because I do not want to get confused with media commentary. I am not certain as to that course of events at the moment.

Senator FARRELL: Is that under discussion?

Senator Ryan: I deal with senators and members on an individual basis about their offices; I do not deal with them collectively. I will take it on notice because I cannot recall where we are up to at the moment.

Senator FARRELL: So do we know if Senator Bushby will be moving to somewhere in Launceston?

Ms McGregor: Yes, I think he has requested that that occur and we have got in-principle approval.

Senator Ryan: That is quite right, yes.

Ms McGregor: So we are looking at a property now.

Senator FARRELL: Do we have any estimate of the cost of that move?

Ms McGregor: Not at this stage.

Senator FARRELL: So does that mean you do not actually have a premises for him at this stage?

Ms McGregor: We are in the very early stages of locating a suitable property.

Senator FARRELL: Can you tell us how long the lease is left on Senator Bushby's office in Rosny Park?

Ms McGregor: It is another year. We will check. I might take that on notice.

Senator FARRELL: Are there any plans for Senator Duniam to move to another office after his lease ends?

Ms McGregor: He is temporary. He is in the CPO at the moment and I think we are just finalising exactly what happens in relation to his location.

Senator FARRELL: So he may stay at the CPO or he may go somewhere else?

Ms McGregor: Yes.

Senator FARRELL: Do you have any estimate of what it typically costs to set up an office in southern Tasmania?

Ms McGregor: It varies. It would just depend on if you are talking about a fit-out. Some offices come and they are pretty well fitted out already so there is a huge variation in the cost.

Senator FARRELL: So there is no indicative figure.

Ms McGregor: There is no real average.

Senator FARRELL: I have a couple of other questions but I will put them on notice.

CHAIR: If there are no further questions for this group then we will move on to the AC. Thank you, officials.

Australian Electoral Commission

[21:40]

CHAIR: I welcome the Electoral Commissioner, Mr Tom Rogers, and officers from the Australian Electoral Commission. Mr Rogers, do you wish to make an opening statement?

Mr Rogers: No, thank you.

Senator RHIANNON: Thank you for waiting till this late hour. Is the AEC confident in the integrity of the latest round of CFMEU elections?

Senator McKENZIE: The conduct or the outcome? Sorry, Senator.

Mr Rogers: Senator, you might have to provide me with a little more detail so I can provide you with—

Senator RHIANNON: I understand that the AEC runs the CFMEU elections.

Mr Rogers: We run a whole range of elections. Last year we ran something like 1,600 either protected action ballots or fee-for-service elections. If we have run the election, I am very confident in the processes that we put in place to actually run the mechanics of the election. But, as you know, there are a whole range of issues around industrial elections that are not the purview of the AEC.

Senator RHIANNON: Minister Cash has claimed that the CFMEU had done a deal to hand senior leadership positions to Messrs Parker and Greenfield. Do you have any evidence that would point to a deal, considering you ran the election?

Senator Ryan: Sorry; I did not hear the question correctly.

Senator RHIANNON: I will start again. Minister Cash has claimed that the CFMEU had done—and I am quoting from Minister Cash—'a deal to hand senior leadership positions' to Messrs Parker and Greenfield. So my question is: does the AEC have any evidence that would point to a deal, considering you ran the election?

Mr Rogers: I have no evidence before me, and, if you are talking about an issue that may have occurred outside of the election itself but rather in terms of the preparation for an election, by a particular group within a union, I have no evidence before me of that.

Mr Pirani: If I might assist: the AEC is the valid ballot for the election of certain office bearers for unions under the Fair Work (Registered Organisations) Act. Yes, we do conduct those elections where we have been nominated as the valid ballot by the Fair Work Commission. In relation to the CFMEU, I am aware that there was an election over in Western Australia. The issue over there became the eligibility of particular candidates to be nominated. The Fair Work Commission recently issued some guidelines in relation to that, because under the Fair Work (Registered Organisations) Act there are certain persons who cannot be office bearers and eligible to stand for election. But, otherwise, if the AEC becomes aware of an irregularity in the conduct of one of those elections, we are required under section 190, I believe it is, of the Fair Work (Registered Organisations) Act to go to the Federal Court to seek orders in relation to that. But I am not aware of any specific irregularity that occurred in relation to an election that we have done under the Fair Work (Registered Organisations) Act. But we will take that on notice.

Mr Rogers: And, Senator, if you have any evidence you would like us to look at, I am more than prepared to look at that as well.

Senator Ryan: To be fair, the commission have outlined their role in the electoral process for a registered organisation, and I think, to be fair to the quote from Senator Cash—I am not aware of the full context of the quote, but that quote that you read out, or you referred to, I do not think is necessarily limited only to the fairness of the electoral process. I think that also alludes to—

Senator RHIANNON: With all due respect, Minister, a deal to hand senior leadership positions to Messrs Parker and Greenfield is virtually negating that there has been a fair election.

Senator Ryan: No, it is not.

Senator RHIANNON: Anyway, given the lateness of the hour—

Senator Ryan: There can be a deal about tickets formed, support for, fundraising for, slush funds used for elections.

Senator RHIANNON: You obviously have not listened to the response from the AEC. But, given the lateness of the hour, I want to get onto some of the issues about the definitions. I want to go back to this issue: is there a distinction between 'donations' or 'gift' and 'other receipts' in the actual legislation?

Mr Pirani: Senator, we have been over this before. In the legislation the definition is in section 287 of the Commonwealth Electoral Act. The definition in the act is 'gift'. To assist people going through the returns that are put on our website, we have 'donations' and 'other services'. In the act itself the only definition is the definition of 'gift', and that is what is required to be disclosed in parts of the act. In relation to the annual returns for political parties et cetera, they have to disclose all money that they receive, all debts that they incur, all expenditure that is incurred as well. To assist people in going through those returns we have on the form something that says 'donations' and something that says 'other'. That is to try to assist them. For example, one of the things you quite often see in an election year is a

payment of election funding by the AEC. So that it does not look like the Commonwealth is making a donation or the AEC is making a donation to the political party, that is always included as 'other' as opposed to being a donation.

Senator RHIANNON: My conclusion is that the parties, the people who fill in the returns, are not legally obliged to make the distinction on the disclosure form.

Mr Pirani: But most of the parties see it as in their interest to have that distinction on the return. There are things that are not regarded as a donation, but they still have to include them because it is money that they have received.

Senator RHIANNON: Are you aware that there are more moneys, which many would determine as donations, that are being put down as other receipts?

Mr Pirani: When these are issues—and we are aware that a couple have been raised with us—we will approach the relevant political party and seek their views, and normally we may come to an agreed conclusion that an amendment may be appropriate to have that published.

Mr Rogers: Senator, again, if you have some specific cases you would like us to look at we would be more than prepared to do that.

Senator RHIANNON: That is very good. But, given the lack of distinction, is it fair to say that we do not have transparency of donations, only transparency of payments, because the transparency of donations is not complete?

Mr Rogers: You are asking me to make a judgement call on that.

Senator Ryan: Mr Pirani outlined that all receipts are considered and within those all donations would be included. Regarding the construction you have put on that, I cannot think of a donation that is not included in the return, as Mr Pirani outlined it.

Senator RHIANNON: But some money received as a donation by political parties would be disclosed as 'other receipt' or even left blank. I think we have all seen some disclosure returns where it is just blank. It has the money but that part is not filled in.

Senator Ryan: It is disclosed as a gift, isn't it, Mr Pirani?

Mr Pirani: The classic example we have is when a person attends a dinner where members of a political party or government may be present. Quite often the person who attended might regard it as a donation while the recipient might regard it as 'other'. That is one of the areas where the act is not clear, and it has been a longstanding issue. Again, it is something we attempt to address in the various guidelines that we publish on our website. But it is an issue. It is one of the reasons it is impossible to accurately match a particular donation with a particular receipt because quite often there is not a meeting of minds between the person who is making the payment and the recipient of the payment.

Senator RHIANNON: Considering we are basically addressing transparency here and the public's right to know, is it fair to say that, if a member of the public goes to the AEC site and looks under the donation category, the figures that they see would be an underestimation, as some donations could have been listed as 'other receipts' or left blank? That is why I go back to my point that we do not have transparency of donations. It is not the full details. We have transparency of payments.

Senator Ryan: No, you have transparency of gifts as defined by the act, don't you?

Mr Pirani: That is correct.

Senator RHIANNON: No, because not all of them are defined. They do not have to call it a gift. They can call it another receipt.

Mr Pirani: Again, you are only talking about amounts that are above the disclosure threshold. If it is below that disclosure threshold, it will not be separately reported at all and will just be included in the total amount.

Senator RHIANNON: Yes, I am talking about \$1,300.

Mr Pirani: Part of the issue is: how much of the money that is received will be below the disclosure threshold? You will not see that anyway because it will not be separately reported. It will only be those larger amounts that are above the disclosure threshold that are required to be disclosed separately from the bulk amount that is actually received by the political party. It is an issue. It is in the act. All we can say is, 'It's there.'

Senator RHIANNON: Moving onto loans, if the AEC became aware, from viewing disclosure returns from a donor and the party that received the donation, of a discrepancy about loan arrangements, would that trigger further inquiries by the AEC?

Mr Pirani: In a general sense, yes.

Mr Rogers: Again, I am very conscious that you are asking a question that is requiring some speculation. If you have a specific example, we would be happy to take that and look at the detail of it.

Senator RHIANNON: The disclosure returns lodged with the AEC show that Family First received a \$1.47 million loan from Mr Bob Day and his companies. The Family First disclosure returns show only \$1.19 million in outgoing payments on this loan. Is that the sort of discrepancy that you would investigate?

Mr Rogers: The specific matter that you refer to is active at the moment, and we have done some work in that space. I would expect that there will be an amended return published on our website fairly shortly for the issue that you raise there.

Senator RHIANNON: In terms of how you manage this, will you determine if the requirements under section 306A(3) of the Commonwealth Electoral Act with regard to loans to political parties that require terms and conditions of the loan—and requirements you set out in your own documents such as amount of loan, interest payable on the loan, repayment schedule and any special conditions attached to the loan—were documented and retained by Family First? Are you looking at that?

Mr Rogers: As I mentioned, that matter is active at the moment. I am loath to talk about an active matter, but we are working on that issue at the moment.

Senator RHIANNON: Do you also investigate if loans were provided at the market rate?

Mr Rogers: I am not sure that would play into our space. I cannot see that that would be part of our investigation. I might have to take on notice and think about that a little more.

Senator RHIANNON: The reason I was asking is that, if the loan was provided at a concessional rate, would the difference be counted as a gift in kind and disclosed appropriately? Wouldn't you have to assess that if that happened?

Mr Rogers: I think I would like to consider my answer to that one. I will take that on notice.

Senator RHIANNON: Thank you.

Senator ABETZ: I have one very brief bracket of questions about an intriguing issue which saw the CFMEU reporting, in its annual disclosure, that a former Tasmanian television reporter Wendy Kennedy donated \$850,000 to the CFMEU. We are told in an article on 4 March 2016 in my local paper in Hobart, *The Mercury*:

[Ms Kennedy] has been informed that after initial inquiries and discussions with the Australian Electoral Commission, Tasmania Police are not conducting a criminal investigation ...

I am wondering whether the AEC is aware of this matter and whether it undertook any investigation as to how somebody's name and full address could have been put into such a document and, one assumes, signed.

Mr Rogers: I am not aware of the media report you refer to. I have not seen it.

Senator ABETZ: But you are aware of the issue?

Mr Rogers: I think I am aware of the issue. I think I remember it from earlier in the year. I am just trying to remember the outcome. I wonder if Mr Pirani might know.

Mr Pirani: I would prefer to take it on notice, but I certainly do have a recollection of the events.

Mr Rogers: I think, from memory, she denied it.

Senator ABETZ: Yes. I think the CFMEU have acknowledged that she was not the donor of \$850,000 to the CFMEU.

Mr Rogers: We will take that on notice. I do remember the case, and I think she totally denied any involvement in the issue, from memory.

Senator ABETZ: I do not think there is any suggestion that Ms Kennedy did. The reason I ask is: does the AEC look at some of these cases to see if the names that are presented are actually correct? I assume the document on which her name appeared must have been signed off by somebody—

Mr Rogers: And then submitted to us as a signed document. We will take it notice. I do remember the case, but I do not have the outcome in front of me.

Senator ABETZ: If you could then also answer just what penalties might apply to a person because it is either gross negligence or carelessness—

Mr Rogers: Or worse—

Senator ABETZ: As to how somebody's name could just mysteriously appear. Thank you very much.

Senator RICE: I am interested in finding out about the level of pre-planning that you may have undertaken in preparation for the proposed marriage equality plebiscite.

Mr Rogers: Specifically, Senator?

Senator RICE: Whether you have had staff doing work on preparations for it, how many staff and when they began.

Mr Rogers: I will make some general comments. Obviously, there is a proposal before the parliament to conduct a plebiscite. There is a proposed date and there is legislation before the House, so we are certainly undertaking planning for that process. Sometimes it is difficult for me to unstitch where work for that particular electoral event differs from work we would be

doing in any case to prepare for an election. We have a very brief period between electoral events. We run preparation during each electoral cycle. So we have staff that are involved in planning for every electoral event. They are also, obviously, doing work at the moment to prepare us for the plebiscite. I cannot give you an exact number because it is very difficult to unstitch, as I say, specific preparation for the plebiscite from general preparation. Yes, we are preparing for a plebiscite.

Senator RICE: Specifically, if you have staff that are preparing for the plebiscite at the same time as they are doing other work, how many staff would have a focus on ensuring that things are in place for the plebiscite?

Mr Rogers: I know this sounds like I am being incredibly difficult, Senator, and I do not mean to. We have an elections branch within the AEC that is preparing for the next election, whenever that may be. As part of that, they are also doing preparation for the plebiscite. So we are doing planning for that at the moment.

Senator RICE: How big is that elections branch?

Mr Rogers: Forty people.

Senator RICE: Are there specific extra things that would be being planned for the plebiscite that would not be happening if you did not have a potential plebiscite?

Mr Rogers: Following the by now well-documented issues with the 2013 election we introduced a staged planning process, including the Election Ready Road Map to prepare us for each electoral event. What it means is that we prepare a standard set of planning documents for each electoral event, and we do that in a staged way. An election, in some ways, is very like a plebiscite in any case, so that work that we are undertaking has a generic underpinning that is useful for either an election or a plebiscite. I know this sounds vague—I am not trying to be difficult—but that is the way we prepare, so I cannot tell you today that there are five people specifically working on a plebiscite. Some of the tasks they are working on are across electoral preparation. I guess that is about as detailed as I can get.

Senator RICE: Are there any tasks that have been brought forward because of the potential of having a plebiscite on 11 February?

Mr Rogers: Clearly, we are examining the issues of running a plebiscite on 11 February. There are some things we will need to do for that, if the legislation we see before the House goes forward, including procuring, premises, for example. We have not done that yet, but we have a time frame for when we need to do that by. We are working through those sorts of issues.

Senator RICE: Any other things that have been put forward?

Mr Rogers: I am conscious of procurement. I have given public evidence about this previously; in fact, I think it was last year before the Senate Legal and Constitutional Affairs Committee. We outlined the sort of preparation that we would go through—costs, figures and other issues at that point.

Senator RICE: \$160 million.

Mr Rogers: Whatever it was in that submission, and there are a range of things that we need to do. It would be the same if it was a plebiscite, an election, a referendum or some other

electoral event. They are always the same sorts of things—lots of paper, people, polling places, procurement.

Senator RICE: When would you start spending that \$160 million for a plebiscite on 11 February?

Mr Rogers: I will separate some forms of expenditure here. There are items that we would need to purchase for a plebiscite that are entirely usable for an election, and each electoral cycle we have adopted a slightly different approach for when we procure those items, in any case. Clearly, an election is one of Australia's largest peacetime, logistic events and we need to do some fairly detailed planning for when we procure items; even things like cardboard, for example, for the voting screens.

We do have an eye on the plebiscite. I have not made yet any large-scale procurement decisions as part of that plebiscite. Much of the equipment that we will purchase, if the plebiscite goes ahead, could be used at an election, in any case. I have made no large-scale procurement decisions yet for a plebiscite on the 11th.

Senator RICE: No large-scale procurement decisions. Have you made some smaller scale procurement decisions?

Mr Rogers: Yes. We have purchased some items. But in terms of the quantum for that, we would be looking at a very small amount.

Senator RICE: Can you give me an estimate?

Mr Rogers: Sure.

Mr Carpay: Things like counterfoil paper—that is the paper that's carbonated. We have purchased some of that in preparation for, at some point, producing dec vote envelopes. They are small items that are stock, essentially.

Mr Rogers: In terms of the quantum for that, it would be in the very low tens of thousands and, again, all of those items are reusable at election time, in any case.

Senator RICE: Are there any other costs, contracts or anything else that you have expended money on?

Mr Rogers: There will be.

Senator RICE: When?

Mr Rogers: We have a time frame and there are many different components that go to make-up an election. I have some key times by which we have to make some decisions.

Senator RICE: Can you outline what those key times are?

Mr Rogers: In aggregate, what I can tell you is if we do not make those purchasing decisions by, let us say, mid-December, that is going to make 11 February a very difficult date for us to meet.

Senator RICE: That is the critical day?

Mr Rogers: There are several critical dates along the way but—

Senator RICE: What are the other critical dates along the way?

Mr Rogers: They are all procurement dates for various items.

Senator RICE: As you have just said, if you procure stuff, it is not going to go to waste if it does not happen. What are those procurement dates?

Mr Rogers: An election is made up of about a million different parts and every single item has a different procurement date.

Senator RICE: Are you able to take that on notice? Could we get a timetable of those procurement dates for the plebiscite on notice?

Mr Rogers: I will take that on notice, yes. Again, is not just: turn up to a polling place and there is a bit of cardboard, there is a heap—

Senator RICE: I understand that. It is a big logistical exercise. There is a lot that you need to do.

Mr Rogers: Yes.

Senator FARRELL: You have probably answered this, Mr Rogers. Have you received, at any stage, any instructions from the government to halt or cease the preparation of the plebiscite?

Mr Rogers: No. In terms of the preparation for the plebiscite, again I will reinforce what I said to Senator Rice: we are just going through a process. I am not advancing or slowing anything down in particular as part of that process.

Senator FARRELL: No, but have you received an instruction from the government to, say, stop all preparations?

Mr Rogers: No.

Senator RICE: Have you put any activities on hold? Are there activities that you would have otherwise been doing that you are not doing because you are doing plebiscite preparation?

Mr Rogers: I think I would probably go back to my earlier answer about the fact that we do electoral preparation in each cycle. I am conscious that we need to be prepared to respond should there be a need to run not only a plebiscite but some other electoral event. Traditionally, there is normally a by-election or some other activity in the life of an electoral cycle, so we move fairly quickly to prepare ourselves for that. I stand to be corrected, but there is nothing we have put on hold or stopped doing as a result of the plebiscite activity.

Senator RICE: Thank you.

Senator McALLISTER: Mr Rogers, at the last estimates we discussed a series of issues around the Fadden Forum. I appreciate that you provided an answer to the question I place on notice around that. The matter was canvassed in an article from 4 May in *The Australian*, which goes to the Fadden Forum—a fundraising arm of the member for Fadden—and a donation that was made to the forum by Simone Holzapfel of the Gold Coast. That was a donation of \$114,000 made to the forum. I will circulate the article, because we have agreed with the Special Minister of State that that is how we will proceed.

Senator Ryan: Thank you. It makes it easier for the officials too.

Senator McALLISTER: The article raises a question about whether that series of payments genuinely originated from Ms Holzapfel or whether they in fact came from a third

party and were deliberately put through her to conceal the donor's true identity. Your answer says:

The AEC has looked into the matters raised in the article in *The Australian* on 4 May 2016. Overall the AEC considers the disclosure requirements of the *Commonwealth Electoral Act 1918* (Electoral Act) have been met in this case.

I will circulate the answer to the question on notice, too, so that we are all working from the same information. I was wondering if you could tell us about your investigation, how long it took, what was involved and how many people you spoke to.

Mr Rogers: There are few things about that particular issue, and I will make a generic comment first up. I have not seen the article yet, by the way—

Senator McALLISTER: It is actually the article on which my original question on notice was based. I am just circulating it so that we are all on the same page.

Mr Rogers: Firstly, I am very conscious that there can be some significant differences between state and federal laws. If I am looking, for example, at New South Wales, there are some prohibited donors under certain state legislation that are not prohibited under the Commonwealth, so there may well be a breach at state level and not at federal level. Secondly, I think the issue with the Fadden Forum is that—and I think we responded; I am just looking at the answer—as far as I am aware, the Fadden Forum is actually a party unit of the LNP Queensland and, as such, it reports as part of the Liberal Party in Queensland. It has no separate obligation because it is a party unit. The third issue is the specific matter you raise, and I think that was to do with the elections for the Gold Coast city council. I think that was what the article was referring to. My understanding is that that matter is being looked at separately by the Crime and Corruption Commission Queensland, so I am loathe to talk in detail about something that is subject to a judicial review. Once it is established that the Fadden Forum is a party unit of the Liberal Party, from our perspective—and the last time we reviewed that party most things seemed to be in order— there is no other obligation on the Fadden Forum.

Senator McALLISTER: It is true that all of those issues are canvassed in the media article. If you go back to the transcript, the thing I was specifically asking about was whether the series of payments genuinely originated with Simone Holzapfel or whether, in fact, they came from a third party. That, I think, was what you undertook to look into.

Mr Rogers: Again, I am conscious that the Crime and Corruption Commission Queensland is going to investigate this matter.

Senator McALLISTER: That specific matter?

Mr Rogers: As I understand it, yes, so I am loathe to talk about that. I am just using the same process that I went through with other similar matters that were subject to a judicial review. I am loathe to go too far in talking about that whilst that review is underway.

Senator McALLISTER: I will go back to my earlier question, which you are yet to answer, which was really just about the process of your investigation rather than the context and findings.

Mr Rogers: As I think I said, we frequently do reviews of issues that are raised with us in various forums, including this. Without having the detail of specifically what we have done here, once we have established that this is a party unit and part of the Liberal Party in

Queensland, and that the LNP in Queensland have lodged appropriately, essentially there is no further case to answer with this particular issue. And I have seen the article, yes.

Senator McALLISTER: Yet you have also made a judgement that this matter is simultaneously being considered by the Crime and Corruption Commission Queensland. How did you arrive at that? Was that through media reports or you have you made more direct inquiries?

Mr Rogers: I think, as we understand it, that was through media reports.

Senator McALLISTER: Have you spoken to Simone Holzapfel?

Mr Rogers: Absolutely not. I have not and I am presuming my staff have not either. I would almost guarantee you that that would not be the case.

Senator McALLISTER: Did you speak to Mr Stuart Robert?

Mr Rogers: Again, at the risk of frustrating you, I am going to come back, again, to the answer that, as a party unit of the LNP in Queensland, our view is that there is no further obligation for any other activity. We would not have spoken to Mr Stuart Robert about that. If, for example, the Fadden Forum had not been a part of the party—if it had been an associated entity or some other association—that may have had a different outcome.

Senator McALLISTER: Did you speak to the Queensland electoral commission?

Mr Rogers: I do not have that detail in front of me, but I would think that we would not have spoken to the Queensland electoral commission. But I do not have that in front of me. It would not be our normal practice to do so.

Senator McALLISTER: Did you speak to the Liberal National Party in Queensland?

Mr Rogers: I think we probably did speak to the LNP in Queensland. Again, I am talking about something that is the subject of a judicial review.

Senator McALLISTER: I am not really asking about the process of the judicial review; I am asking about your processes. I am not asking about the content of those conversations. I am simply asking about the process you undertook to fulfil the commitment you made in this forum to look into the matters raised in the article in *The Australian*.

Mr Rogers: As I said, we established that this was a party unit of the LNP in Queensland. We conducted an examination of disclosures that were lodged with us. In fact, we may have actually—I might have to correct my evidence—also looked at information lodged with Electoral Commission Queensland. We looked at returns lodged by LNP Queensland with us. We then came to the conclusion that the sum under discussion had been disclosed and therefore there was no further action required.

Senator McALLISTER: Except that the question that you undertook to examine was around whether or not the donations did in fact originate from Ms Simone Holzapfel, and I am wondering how the investigation that you described established that.

Mr Rogers: As I just said, we examined disclosures lodged with the Electoral Commission Queensland and disclosures lodged with us by LNP Queensland. I also point out that we undertook a compliance review of LNP Queensland's annual returns, I think back in 2010-11, and receipts and payments associated with the Fadden Forum were incorporated in the party's return back then. From my perspective we have completed our due diligence on that matter. The fact that the Fadden Forum is a party in with the LNP Queensland means

there is no further action to be undertaken. I know that you are asking a question about Simone Holzapfel. From my perspective, as I said to you in the answer that we provided on notice, there is no further activity that we will undertake in that space at the moment, unless there is some additional information that you have.

Senator McALLISTER: You have mentioned that the Queensland Crime and Corruption Commission is currently investigating the 2016 Gold Coast City Council elections. You have observed that there is a focus on the member for Fadden's donations as part of that investigation—the donations to the so-called independent candidates who ran in the election. Have they contacted you about their investigation?

Mr Rogers: I certainly will not comment on that.

Senator McALLISTER: Why?

Mr Rogers: It would be inappropriate. It is an ongoing investigation by the Crime and Corruption Commission. I certainly would not comment on any activities that were undertaken with the Crime and Corruption Commission. It would be inappropriate to do so.

Senator McALLISTER: I refer you to another article from around the same time, in May. I will table it for the same reason. It is headlined 'Sacked minister Stuart Robert in cash scandal'. There is a line in that report which says that the funnelling of at least \$70,000 out of the Fadden Forum has already led to the demotion of LNP state director Lincoln Folo. Did you ever speak to Mr Folo about the Fadden Forum? Could you tell us about that?

Mr Rogers: I have not seen the article.

Senator McALLISTER: We will just wait.

Senator Ryan: We need estimates hold music, someone suggested to me.

Senator McALLISTER: I am sure that could be arranged.

Mr Rogers: Senator, I can tell you while we are waiting for that article that I have never spoken to the individual you just mentioned. Whether one of my staff has or not, I will have to take on notice.

Mr Pirani: Our normal practice would be to deal with the party agent. So whoever was the relevant party agent at that time for the LNP would have been the person who the AEC would have spoken to.

Mr Rogers: But we will have to confirm that, and we will have to take that on notice.

Mr Pirani: But that is our normal practice.

Senator McALLISTER: Do you want me to wait for the article?

Mr Rogers: I am not sure that I am going to be able to expand on it this evening but I am happy to take on notice who we may or may not have spoken to. It would be useful to get the article at some point in any case.

Senator McALLISTER: It will take a moment, so we might keep going. A further newspaper article, published in the *Sydney Morning Herald* on 28 September, is headlined 'Property developer donated to LNP after controversial Stuart Robert speech'. We will table that one also. I will wait for this to be circulated, because it seems unreasonable to ask you questions about it until you have it in front of you.

CHAIR: If you would like to wait, Senator Smith can ask some questions in the meantime.

Senator McALLISTER: I am a little perturbed that that might disrupt the flow.

CHAIR: Fair enough. We can wait.

Senator McALLISTER: I do not think it will be terribly long.

Senator SMITH: Perhaps I can tempt you with the topic. I was just going to ask the commissioner if there was anything he might be able to share about multiple voting at the last federal election.

Senator McALLISTER: It does not tempt me that much, Senator Smith.

Senator McKENZIE: You have not heard the answer yet.

Senator McALLISTER: If the articles are here, I will try to get through them quickly and then we can come to multiple voting at the election. The first sentence of that article—and I am referring to the *Sydney Morning Herald* one—

Mr Rogers: Just to confirm, I am now looking at the Michael McKenna article.

Senator McALLISTER: No, I have moved on to the Adam Gartrell article on 28 September.

CHAIR: I do not think it has been circulated just yet.

Senator McALLISTER: It is still on its way.

Mr Rogers: I now have the article by Adam Gartrell.

Senator McALLISTER: Thank you. Sorry for the delay. The first sentence of that article says:

Property developer Sunland donated thousands of dollars to the Coalition in the months after government MP Stuart Robert delivered a controversial speech to Parliament largely written by the company's lobbyist - herself a major Liberal National Party donor.

That lobbyist was Ms Simone Holzappel. In a speech given in November 2012, the member for Fadden defended someone's role in a contentious property dispute in the Middle East that saw two Australian men jailed in Dubai. I take it you were not aware of this article previously to this?

Senator Ryan: Can I say something at the outset. I know that Mr Robert put out a statement in response to this article that contradicted a number of assertions in the article. I should say at the outset that I do not think it is fair to describe the facts as outlined in that article or the interpretation upon them as uncontested. So, just before the commissioner responds, Mr Robert vigorously disagreed with the interpretation of that article.

Senator McALLISTER: I take the points made by Senator Ryan, but the issues it raises are issues around cash-for-comment type donations. Have you ever, in any context, looked at the issue of cash for comment in relation to electoral donations?

Mr Rogers: The broad answer is no. You said before that I was not aware of the article. I have not read the article, but I am aware of the article. I have not read it, but I am aware of it. In terms of cash for comment, it has nothing to do with AEC as such. It may not disclose a breach of the electoral law, Mr Pirani—unless I am incorrect?

Mr Pirani: You are right.

Mr Rogers: You are asking for a generic comment about cash for comment. It is not something that the AEC would normally become involved with.

Senator McALLISTER: Could you explain why that is?

Mr Rogers: It is not under the Electoral Act.

Senator Ryan: I do not think they have looked into the cash that goes from the CFMEU to the Labor Party with cash for votes in the Senate. That might be another issue we could start discussing, Senator McAllister. That is an assertion about a newspaper article that is unfounded.

Senator McALLISTER: No, I was just asking a general question about the policy framework within which the AEC is operating. There is another article that has been provided to you, which was in *The Australian* on 30 September 2016, headlined 'Lobbyist gave money to Robert as firm collapsed' which says:

It has now been confirmed that at the time of making the donations—

To the Fadden Forum—

—between July and September 2013—Ms Holzapfel's company was in external administration, with \$437,000 in debt.

Mr Rogers: Are you looking at the one by Michael McKenna and Geoff Chambers?

Senator McALLISTER: It is dated 30 September and headlined 'Lobbyist gave money to Robert as firm collapsed'. You undertook, on notice, to consider the question about Ms Holzapfel and her donations. Were you aware of that article?

Mr Rogers: I do not think I am aware of that specific article. But, to be helpful, I am aware of the broad issue that was raised in the media. I do not think I am aware of this particular article—not that I can remember—but I am aware of the broad issue. Was there a further question you want to ask me about that?

Senator McALLISTER: Do you think it is unusual for someone who is running a company in dire financial straits to make a donation to a political party of \$114,000?

Mr Rogers: You are asking me to speculate there, but there is a part of the act that does provide for—and Mr Pirani will assist me here with his photographic memory. If someone makes a donation from a company that is then formally wound up, within a 12-month period after that event, I think, they are required to pay that money back to the liquidator. I am not sure of the issues around this—whether it was in formal administration and what the dates were, but the act does provide for that. I would have to look at the specific issue to see whether or not it fell within that.

Mr Pirani: It is section 306B.

Senator McALLISTER: What is the role of the Electoral Commission in enlivening that provision in the act?

Mr Rogers: When it comes to our attention that someone did make a donation, where that donation occurred—I do not have the act in front of me. Mr Pirani might helpfully read that.

Mr Pirani: It is recovered by the liquidator. It is an action that we would expect that the liquidator would be pursuing, relying upon the power that is in our act. It is not a function or anything that is given specifically to the AEC. It is a provision that says:

Where:

(a) a political party, a candidate or a member of a group receives a gift from a corporation being a gift the amount of which exceeds \$10,000; and

(b) the corporation within a period concluding one year after making the gift has been wound up in insolvency or wound up by the court on other grounds;

an amount equal to the amount of the gift is payable by the political party to the liquidator and may be recovered by the liquidator as a debt due to the liquidator ...

It is a provision that is there that enables a liquidator to be able to pursue amounts that have been paid out as a gift to a political party candidate or a member of a group.

Senator Ryan: The way I am quickly reading this article, Senator McAllister—and I stand to be corrected—it actually asserts it was a personal contribution rather than a corporate one and, therefore, would presumably not be covered by the provision that Mr Pirani just read out.

Senator McALLISTER: Can a person who is bankrupt, or is about to be, donate to a political party? The provisions you describe relate to a corporation. Are there no provisions for individuals?

Mr Pirani: There is no provision in the act that would prevent an undischarged bankrupt from making a gift to a political party, but I assume the trustee in a bankruptcy would be extremely interested.

Mr Rogers: There is no provision in our legislation, but there may be other—

Senator McALLISTER: There may be other provisions elsewhere.

Mr Rogers: Yes.

Senator McALLISTER: I understand. I provided to you a big wad of electoral returns to the Electoral Commission Queensland. The total figure of \$114,000 was made up, in fact, of 12 separate donations. You would see donor returns, of course, all the time at the AEC. Is it usual for people to donate in tranches like that, or do people usually make a single deposit?

Mr Rogers: There are so many different ways in which people donate. It would be difficult for me to say what is usual or unusual. People donate in different ways. They donate different amounts at different times, and that is across the political spectrum. Additionally, pretty much every political party also does amendments to those returns at various times. So, in terms of it being 'usual' or 'unusual', I could not give you a useful answer on that.

Senator McALLISTER: Separate to the question of how many different donations there are, you are aware that there are certain classes of transaction that are reported to AUSTRAC. They are usually bank transactions of \$10,000 and above. That information is available to law enforcement and other government agencies. A number of Ms Holzapfel donations were over the \$10,000 threshold. Have you had any contact with AUSTRAC about the Fadden Forum?

Mr Rogers: I have not, obviously. I am not sure—I would have to take that on notice—

Mr Pirani: As far as I am aware, the answer is no.

Mr Rogers: but I think we might check that, Senator, to be perfectly accurate for you.

Senator McALLISTER: Have you had any contact as part of your investigations—as you undertook at the last estimates, really—is the context for my question.

Mr Pirani: In relation to the amounts of \$10,000 or whatever the case may be, the issue that we have and that we are faced with is that we have a provision in the act that says amounts that are less than the disclosure threshold do not have to be separately disclosed by the recipient, a political party or an associated entity but merely need to be disclosed as a cumulative total. It is section 314AC. So that, in itself, would appear to encourage people, if they do not want their names to be disclosed as a donor in a return, to make donations—sorry, gifts—that are less than the disclosure threshold. It is a provision that is in the act. It has been in there since 2006, and it is a provision that people are obviously able to use if they do not want to have their identity as a donor disclosed.

CHAIR: Senator McAllister, I think we agreed that we would give Senator Smith the call.

Senator McALLISTER: I am happy to cede to Senator Smith at this point.

Senator SMITH: On multiple voting or on this issue?

Senator McALLISTER: On either.

Senator SMITH: Just to be clear, Mr Robert's statement of 29 September does make it clear. It says:

Disclosure returns indicate an executive from Sunland, like many other people concerned about the future of our nation, made a donation to the Queensland Liberal National Party ...

Of course. That is what we have been talking about. It goes on to say:

This information has been on the public record for years, as have Sunland's extensive donations to the Queensland Labor Party.

My questions go to the issue of multiple voting, Mr Rogers. Have you got any information that you can share with us about the 2016 election and the incidence of multiple voting? You will remember that we did this exercise following the 2013 election.

Mr Rogers: Certainly, Senator. Maybe I could talk generally about a couple of things that might assist. We took the unusual step before the 2016 election, the first time we have ever done it—and I am phrasing this very carefully—of writing to a select group of people who we thought may be at risk of not understanding their obligations under the Commonwealth Electoral Act.

We wrote to 4,627 people before the election—we had never done that before—to remind them of their obligations and to explain the voting process. That was an attempt, again, to demonstrate the seriousness with which we treat this particular issue. I am going back to 2013 but, from memory, we originally sent out something like 16,000 letters—

Senator SMITH: I think it was 19,000.

Mr Rogers: For 2013, we sent out about 18,000 letters for multiple voting. That is about what I remember. This time around, we sent out almost the same number of letters for multiple marks, and that was 18,343. I can even give you a state breakdown on that, if you would like—

Senator SMITH: Yes.

Mr Rogers: just out of interest. I am very conscious though, in this first round of letters, there may be entirely innocent explanations—

Senator SMITH: Absolutely. Just to give you a sense, I want to know why people multiple vote and to see whether or not the reasons for multiple voting are consistent with the

reasons you gave following the last federal election. I am keen to understand whether someone has multiple marked three times, four times or six times. We will get to that a little bit later. The state breakdown would be—

CHAIR: Before you get into the state background, I am interested in following up on a comment that you made, Mr Rogers, about your careful choice of language and the 4,000-odd people who you were concerned might not understand their obligations under the Electoral Act. What led you to form the view that these people may not understand their obligations?

Mr Rogers: Prior history. Again, there is no accusation here at all, in any way, shape or form. This was just us trying to be helpful by pointing out what the obligations are under the Electoral Act. There was absolutely no accusation in the letters that we sent out, which is why I am being very careful with my language.

CHAIR: Understood.

Mr Rogers: But we wanted to treat this seriously.

CHAIR: Of course, and I will hand you back to Senator Smith in a moment. But when you say 'prior history' what do you mean by that?

Mr Rogers: My helpful colleague has told me that the category we used is two marks or more marked off a roll two times in the last two electoral events. These are, for whatever reason, individuals we thought may have had a lack of understanding of the process.

CHAIR: Without making any judgement as to why there were two marks, just to clarify, these 4,000 people had multiple votes cast in their names at a previous election?

Mr Rogers: I think I am going to categorise that slightly differently. Instead of saying there were multiple votes, there were multiple marks against their names on the electoral roll at the previous two electoral events.

Senator McKENZIE: So they could have voted informally.

CHAIR: But a mark is only made against the name of someone on the electoral roll if they are given ballot papers, so presumably that would mean that these people had, for whatever reason—

Mr Rogers: Not necessarily. I might explain. At the end of the last election, we scanned 12 million papers—certified list papers—and we then did a huge cross-matching exercise with a certified list from each different polling place. It could well be that there are administrative errors that led to someone having their name marked off more than once.

CHAIR: One final question, and then we will get back to Senator Smith. I am sorry for interrupting. Is it possible—and are you planning to check now, after this election—if any of those 4,000 people have again had multiple marks against their names?

Mr Rogers: We will check that, yes.

CHAIR: When will you be able to do that by?

Mr Rogers: Fairly shortly. There is a process that we go through at the end of each election. We write to people, we give them time to comment and we might write a second time. We do a range of activities, and we are in the middle of that at the moment. It is too early for me to tell you what happened with our friends, the 4,627 people that we wrote to, but there will be a time when we have that information.

CHAIR: When you do have that information, will you propose to make it public in any way—not the names of people, necessarily, but how many were affected by these multiple instances?

Mr Rogers: I am pretty sure that is going to form part of our submission. There would be no reason why we would not do that to the joint standing committee. That information will ultimately be public.

Senator SMITH: I do want to come back to the 4,627, because it sounds like it was a mitigation strategy, but you still had 18,343—

Mr Rogers: That is correct, but I am also conscious that the roll grew during the period.

Senator SMITH: I will come to what proportion. Let's go back to the state-by-state breakdown of that 18,343.

Mr Rogers: Okay. Again, our language is important here, as you know, with the history of this. These are apparent multiple voters, not multiple voters.

Senator SMITH: Agreed. That is right.

Mr Rogers: For New South Wales, 6,760; for Victoria, 4,800; for Queensland, 2,792; for Western Australia, 1,776; for South Australia, 1,414; for Tasmania, 359; for the ACT, 264; and, for the Northern Territory, 178.

Senator SMITH: Thank you.

Mr Rogers: As you know from previous questions about this, that is the very start of a process that will be quite complex and involved and will take some time for us to work through.

Senator SMITH: Which brings me to my second question: of the 18,343 that you have written to, how many responses have you had back thus far?

Mr Rogers: I think that is going to be hard for me to answer, because that is also done on a state-by-state basis, and we are in the middle of that process as we speak.

Senator SMITH: The deadline or the return date by which people are asked to provide a response has passed.

Mr Rogers: I am just seeing if my colleague can provide some information. We have had responses from many of those, and we have now sent out a second notice to 7,141 individuals who did not respond to the first letter. We are still awaiting responses for those.

Senator SMITH: So 11,000 people have responded.

Mr Rogers: Yes.

Senator SMITH: And about 7,100 did not respond, and you have written back to those in a second batch.

Mr Rogers: Yes.

Senator SMITH: What were the 11,000 that responded? Have you been able to do any analysis on those?

Mr Rogers: We are still in the process of doing that right now, so it is still a little early for us to give you that. But, as I think you know, last time, in 2013, was the first time we worked extremely closely with the AFP and referred a very large number of those matters to the AFP

for their further investigation. We referred something like 7,743 instances in 2013 to the AFP, and again we have established a good working relationship with the AFP this time round, and we are working out how best to proceed with the AFP at the moment.

Senator SMITH: For the 7,141 that have not responded, do you have a state-by-state breakdown on that?

Mr Rogers: Yes, I do: for New South Wales, 2,621; for Victoria, 1,908; for Queensland, 1,038; for Western Australia, 682; for South Australia, 561; for Tasmania, 123; for the ACT, 101; and, for the Northern Territory, 107.

Senator SMITH: Are you able to give us any information about the numbers of people that might have voted more than twice?

Mr Rogers: Yes, I think we can.

Senator SMITH: I recall that at the last election there were 128, I think.

Mr Rogers: Yes. I will start at the top and perhaps work my way down. You will remember that last time I think the maximum alleged number—

Senator SMITH: It was 15, if I recall.

Mr Rogers: It was 15, and I think what we have this time is a maximum of 11, from what I am reading here. I think at the last election one person had allegedly voted 15 times; this time it is two. Then two people have five marks recorded against their name.

Senator SMITH: And one person has 11?

Mr Rogers: Two people have 11. Then there is a gap. Two people then have five marks recorded, four people have four, and 51 people have three marks against their name.

Senator SMITH: That is interesting.

Mr Rogers: Then the remainder of those are two marks.

Senator SMITH: Can you tell us in which states or territories those multiple marks occurred? Of the two that had 11 marks—

Mr Rogers: I am going to have to take that on notice to be accurate. I will be able to provide that detail, but I do not have it here at the moment.

Senator SMITH: Can you give us a state and territory breakdown in terms of the 4,627 people?

Mr Rogers: I will be able to provide that. I will take that on notice and provide that to you.

Senator SMITH: Thanks very much.

Senator FARRELL: I would like to deal with some issues relating to the reduction in the number of polling places at the last election. I refer to the reduction in polling places across the country, including in my home state of South Australia, which, I think you would agree, Mr Rogers, resulted in lengthy queues experienced by many voters on election day when attempting to cast their vote. Is that a nod?

Mr Rogers: No, I disagree, Senator.

Senator FARRELL: Was the decision made to reduce polling places? Was this a directive from the government?

Mr Rogers: First of all, there were queues at a number of polling places around Australia.

Senator FARRELL: Long queues—longer than we have ever seen before.

CHAIR: Senator Farrell, please allow the witness to answer the question.

Mr Rogers: As I have publicly said, there were long queues—mercifully not everywhere but there were long queues and there were certainly queues longer than I would have liked at the election. There are many reasons for that, but we do not think that the closure of the polling places was part of that reason.

Senator FARRELL: Why not?

Mr Rogers: I was about to provide you that answer, Senator.

Senator FARRELL: Well, go ahead.

Mr Rogers: First of all, the change to the legislation and the way in which people marked their Senate ballot paper created significant queues at each of the polling places. The queues occurred at two points: first of all at the issuing point. The information that we have from our own staff is that people asked a lot of questions at the issuing point about how to accurately mark their vote. You may or may not be aware that there was significant interest, particularly in New South Wales, about how to vote accurately. There was a lot of interest, particularly on Sydney radio, about whether you only needed to vote one above the line or six above the line. So, at the point of receiving the ballot paper, people were asking significant questions.

Secondly, when people went into vote, they were taking significantly longer to mark their ballot paper. And, as you know, a large number of people previously voted one above the line and this time they needed to find six candidates or six parties to vote for. Interestingly, where there are queues normally, those queues are at the issuing point and when you go into the polling place many of the booths are free. This time around there were queues at the issuing point and, when you went into the polling place, all of the individual booths were actually full; thus indicating that people were taking a longer period of time to vote.

During the last electoral period we had three major redistributions—two particularly large ones—which meant that people were turning up to their old polling place but that might have been out of division; thus causing additional work for the staff and creating more confusion at the polling place.

Senator FARRELL: But that was only in two states, wasn't it?

Mr Rogers: Yes, but New South Wales is fully a third of the divisions. They are two major redistributions. and the ACT—

Senator FARRELL: But—

Mr Rogers: I am providing a series of answers for you as best I understand.

Senator FARRELL: Sure. Keep going.

Mr Rogers: The next part of your question was: did we close those polling places as part of a government recommendation? The answer to that is no. After the 2013 election, the Australian National Audit Office did a review of our use of our own data and they made the recommendation that we had too many polling places open. In fact, let me be very accurate about what they said. They said that in their view we had made inaccurate use of our data and that we had not reflected the increase in pre-poll voting with a commensurate reduction in the

number of ordinary polling places that we had. We undertook a process, based on that ANAO recommendation, where we wrote to members and senators and we proposed a number of abolitions. In fact, the ANAO recommendation was 'that the AEC abolish, replace or consolidate as appropriate static polling places that are expected to receive relatively few votes or where the premises have been assessed as not suitable for voters and/or electoral officials.' So we wrote to members and senators. Many members and senators were actively engaged in that process and provided feedback on our proposal to close down various sites. Where we received that detailed feedback or objection we did not proceed with the closure. Where local members or senators agreed with that or provided no feedback, we went ahead. I would just point out that we undertook a very thorough process. We did not close down large-scale booths. So, again, we are fairly sure that that decision did not contribute to the queues, but we are still unstitching that at the moment and having a look at that analysis.

Senator FARRELL: How are you doing that, Mr Rogers?

Mr Rogers: At the end of every election, as you probably know, Senator, we go through the entire election and examine each issue. We do an evaluation and we ask all of our staff for their feedback, right down to local levels. That is what we are doing at the moment.

Senator FARRELL: Have you had any feedback?

Mr Rogers: The feedback I have just given you is the original feedback we got. That will also form part of our submission to the joint standing committee—the detail of what we feel happened.

Senator FARRELL: It seems to me it is like night follows day that, if you have reduce the number of polling stations without a commensurate increase in resources at the other polling stations, you are going to get longer queues. I am not disagreeing with any of the things that you have said that have contributed to the long queues. I think everything you say is correct. I am not disputing any of those things. But surely reducing the number of polling stations is going to be a contributing factor to those queues.

Mr Rogers: Not necessarily, which is why I said I disagreed to start, because people access other means of voting—they might do early voting or they might do postal voting. Again, the reduction was to reflect the overall increase in pre-poll voting that we are seeing at each election and the decrease in ordinary static polling. I felt that the ANAO recommendation was actually quite accurate. I do not think we had used our data particularly well before that event. Some of the polling places were closed down because we needed to close them down as they no longer met basic work health and safety requirements either for us or the elector. They may have been places that we had been using for a particularly long period of time in an isolated area and they simply do not meet the standards required for a polling place. So there were a whole range of reasons behind the closures.

I might also say that—unless Mr Carpay is going to correct me—in the other polling places we actually allocated more resources than we have ever done previously. So there was a commensurate increase in resources in those other polling places. I tell you all of that not to obscure but to assist in letting you know that there are multiple factors that led to queues on election day.

Senator FARRELL: Be clear on this, Mr Roger: I was not putting to you that it was the sole reason. I just say that it was a contributing factor.

Mr Rogers: Certainly I do not want to conduct another election with the queues that we have just had, and that is what we are looking at at the moment.

Senator FARRELL: Thank you.

Senator McALLISTER: In my haste to see to Senator Smith about multiple voting, I forgot to ask you about the final article that was distributed. It is the one on 21 May in the *Gold Coast Bulletin* by Paul Weston entitled 'Gold Coast fundraising MPs Stuart Robert and Steve Ciobo are our "million-dollar men"'. It is a long article but it asserts at the beginning:

So hidden are the donations to the Fadden and Moncrieff MPs it is impossible for the entire money trail to be traced through party disclosure returns to the Australian and State electoral commissions.

But interviews with party insiders, along with searches of transactions, explain how the donations and the donor cannot be traced.

The article then goes on to say:

The party insider said the transfer of funding between accounts ensured MPs did not have to declare the money.

This party insider is quoted as saying:

The money is given to (party) headquarters ... Then it is segmented. It will go back to the MP (or electorate). With those interparty transfers, you don't have to declare them.

The funds would be distributed to help the election fight in marginal seats like Forde where party members would prepare a campaign budget of up to \$500,000.

Another former senior party member said money from the Fadden Forum had been used in state seats in Logan and Waterford: "They would say that Stuart Robert has money in his account, that he'd be willing to put money in my account. We would discuss it and say you have to be clear about what he wants."

Those are reasonably disturbing allegations. I accept they are unsourced allegations, but this journalist says he has these party insiders in Queensland saying these things.

Senator Ryan: What is the allegation you are making? There is no allegation in what you have just read out that the money, the donations, are not being disclosed.

Senator McALLISTER: The allegation is that it is being hidden so that the identity of donors and—

Senator Ryan: But it is disclosed by the LNP.

Senator McALLISTER: The words of the insider are:

With those interparty transfers, you don't have to declare them.

Senator Ryan: Hang on. With all due respect, there is no allegation there that the disclosure is not happening. As the previous evidence outlined, the disclosure is covered by the LNP as this is a party unit and not an associated entity. So there is no allegation of nondisclosure at all.

Senator McALLISTER: I am raising the question, really, about whether—your response may well be that there is nothing to see here. I am saying—

Senator Ryan: No, I am asking what the allegation is.

Senator McALLISTER: that there are Queensland LNP insiders who are sufficiently concerned to make these remarks, and I am wondering if they are of concern to the AEC.

Senator Ryan: I have sat in this parliament and heard about union slush funds for years, with names attached and evidence provided under oath at a royal commission, and you are seriously asking us about an unsourced insider who makes no allegation of a legal breach whatsoever? There is no allegation of a breach in the law there.

Senator McALLISTER: If that is your answer, Senator Ryan?

Mr Rogers: I have not seen this article in the *Gold Coast Bulletin*. Again, like many, many media articles, most of the things that are put in articles are contested. There is a second side to this story. I have not seen the other side to the story, and I am loathe to comment on allegations of this matter in the media. I am happy to look at it, but I think we would end up in the same spot that I started off at with the Fadden Forum, which is: if it is a party unit of the LNP and if the matter has been disclosed—

Senator McALLISTER: All right. There are a range of issues that are in here. I will leave it with you. I would appreciate it if you would examine the allegations in the newspaper articles that I have provided and come back to us on notice as to whether there are any issues there that concern you at the AEC. Thank you.

Mr Rogers: Certainly.

CHAIR: As there are no further questions, the committee will return on Friday for Indigenous cross-portfolio matters. Thank you witnesses.

Committee adjourned at 22:58