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SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE

Tuesday, 22 October 2019

FINANCE PORTFOLIO

In Attendance

Senator Cormann, Minister for Finance
Senator Seselja, Assistant Minister for Finance, Charities and Electoral Matters

Department of Finance

Ms Rosemary Huxtable PSM, Secretary
Mr David Fredericks, Deputy Secretary, Budget and Financial Reporting
Ms Katherine Jones PSM, Deputy Secretary, Business Enabling Services
Ms Amanda Lee, First Assistant Secretary, Budget and Financial Reporting
Dr Arthur Camilleri, Assistant Secretary, Budget and Financial Reporting
Ms Elicia Rudnicki, Acting Assistant Secretary, Budget and Financial Reporting
Ms Donna Degen, Acting Assistant Secretary, Budget and Financial Reporting
Mr Geoff Painton, Assistant Secretary, Budget and Financial Reporting
Mr Scott Austin, Assistant Secretary, Budget and Financial Reporting
Mr Paul Hupalo, Assistant Secretary, Budget and Financial Reporting
Ms Rachael Spalding, First Assistant Secretary, Budget and Financial Reporting
Mr Martin Graham, First Assistant Secretary, Budget and Financial Reporting
Mr Mark Richardson, Assistant Secretary, Budget and Financial Reporting
Mr Nick McClintock, Assistant Secretary, Budget and Financial Reporting
Ms Jen Stace, Acting Assistant Secretary, Budget and Financial Reporting
Mr Libor Pelecky, First Assistant Secretary, Budget and Financial Reporting
Ms Chris Schweizer, Assistant Secretary, Budget and Financial Reporting
Mr Scott Austin, Assistant Secretary, Budget and Financial Reporting
Ms Donna Valenti, Assistant Secretary, Budget and Financial Reporting
Dr Stein Helgeby, Deputy Secretary, Governance and Resource Management
Ms Tracey Carroll, First Assistant Secretary, Governance and Resource Management
Ms Chi Tran, Acting Assistant Secretary, Governance and Resource Management
Ms Katherine Cheng, Acting Assistant Secretary, Governance and Resource Management
Mr Marc Vickers, Assistant Secretary, Governance and Resource Management
Mr Peter Gibson, Assistant Secretary, Governance and Resource Management
Mr Neil Robertson, Acting First Assistant Secretary, Governance and Resource Management
Ms Anita Haider, Acting Assistant Secretary, Governance and Resource Management
Mr Ian Nicholas, Assistant Secretary, Governance and Resource Management
Mr Gareth Hall, Acting First Assistant Secretary, Governance and Resource Management
Mr Rod Schreiber, Assistant Secretary, Governance and Resource Management
Ms Rhianne Jory, Acting Assistant Secretary, Governance and Resource Management
Mr Andrew Jaggers, Deputy Secretary, Commercial and Government Services
Ms Stacie Hall, First Assistant Secretary, Commercial and Government Services
Mr Nicholas Hunt, First Assistant Secretary, Commercial and Government Services
Ms Vivianne Johnson, First Assistant Secretary, Commercial and Government Services
Mr Andrew Bourne, Assistant Secretary, Commercial and Government Services
Ms Anne Collins, Assistant Secretary, Commercial and Government Services
Mr Gareth Sebar, Assistant Secretary, Commercial and Government Services
Ms Tiffany Karlsson, Assistant Secretary, Commercial and Government Services
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Mr Matthew Whitfort, Assistant Secretary, Commercial and Government Services
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Mr Craig Donovan, Director, Governance and Resource Management
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Mr Ian Nicholas, Assistant Secretary, Governance and Resource Management
Ms Kim Baker, Assistant Secretary, Governance and Resource Management
Mr Brad Cook, Assistant Secretary, Governance and Resource Management
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Mr Grant Stevens, Chief Financial Officer, Business Enabling Services
Ms Cassie Alexander, Assistant Secretary, Human Resources Branch, Business Enabling Services
Ms Carolyn Driessen, Assistant Secretary, Parliamentary and Corporate Engagement, Business Enabling Services
Ms Georgia Weichert, Acting Assistant Secretary, Legal and Assurance Branch, Business Enabling Services
Mr Dean Edwards, Assistant Secretary, Facilities Management Branch, Business Enabling Services
Ms Emma Funnell, Acting Assistant Secretary, Finance Transformation, Business Enabling Services

Independent Parliamentary Expenses Authority
Ms Annwyn Godwin, Chief Executive Officer
Mr Michael Frost, Branch Manager
Ms Petra Gartmann, Branch Manager
Ms Christina Grant, Branch Manager

Australian Electoral Commission
Mr Tom Rogers, Electoral Commissioner
Mr Jeff Pope, Deputy Electoral Commissioner
Mr Tim Courtney, First Assistant Commissioner
Mr Paul Pirani, Chief Legal Officer
Ms Lynn White, Assistant Commissioner

Future Fund Management Agency
Mr David Neal, Chief Executive Officer
Dr Raphael Arndt, Chief Investment Officer

Commonwealth Superannuation Corporation
Mr Peter Carrigy-Ryan, Chief Executive Officer
Mr Andrew Young, Chief Operating Officer

Australian Naval Infrastructure Pty Ltd
Mr David Knox, Chief Executive Officer

ASC Pty Ltd
Mr Stuart Whiley, Chief Executive Officer and Managing Director
Mr Ashley Menadue, Chief Financial Officer

Committee met at 09:01
CHAIR (Senator Paterson): Good morning. I open this meeting of the Finance and Public Administration Legislation Committee. Today the committee will continue its supplementary budget estimates 2019-20 hearings. I'll hear from the departments and agencies of the Finance portfolio, as listed on today's program. The committee may also examine the annual reports of the departments and agencies appearing for us.

The committee has fixed 6 December 2019 as the date for the return of answers to questions taken on notice. The committee has also scheduled hearings on Friday 25 of October for the cross portfolio Indigenous matters and, at a later date, we'll also hear from some additional agencies in the PM&C portfolio who weren't able to attend this week due to witness availability.

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 in estimates hearings. Any questions going to the operations or financial positions of the department and agencies which are seeking funds in the estimates are relevant questions for the purposes 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.

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, which will be incorporated in Hansard:

*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)

CHAIR: Witnesses are specifically reminded that a statement of information or a document that 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.

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.

Witnesses are requested to keep opening statements brief, or seek to incorporate longer statements into the Hansard.
ASC Pty Ltd
Australian Naval Infrastructure Pty Ltd

[09:04]

CHAIR: I welcome the Minister for Finance, Senator the Hon. Mathias Cormann and Ms Rosemary Huxtable, the Secretary of the Department of Finance. We've had a request from Senator Patrick for ANI and ASC to appear together. In a previous round of estimates we did have ASC and ANI appearing together. I understand the government doesn't have any objection to that occurring. Minister, do you wish to make an opening statement.

Senator Cormann: No, but I believe that both ASC and ANI have opening statements, and so if we are taking them together perhaps we might hear both of those opening statements upfront.

CHAIR: Yes, of course. Ms Huxtable, do you wish to make a statement?

Ms Huxtable: No, Senator

CHAIR: Mr Whiley, I might ask you to kick off with your opening statements, and when you've concluded I'll invite ANI to make their opening statements.

Mr Whiley: Thank you for inviting me here today. I'd like to take this opportunity to outline how ASC is performing on its current submarine sustainment and shipbuilding programs, and share with you what we are focusing on to successfully play our part in the national shipbuilding endeavour.

Starting with our shipbuilding programs, we're on track to successfully complete the Air Warfare Destroyer program in Q1 2020. We're also meeting all contract milestones for the construction of the first two offshore patrol vessels, working closely with the prime contractor Lurrsen. These vessels are scheduled to be completed in Osborne by September 2022.

Turning to Collins, ASC continues to perform above international benchmarks for submarine sustainment and availability. This performance also includes preparation for Collins life-of-type extension program. As the Defence minister Linda Reynolds recently said in the Senate, the Royal Australian Navy has never before enjoyed this level of Collins class availability, which is a great result for the nation.

The high performance of our program is a testament to our people: Australia's most experienced and capable submarine and shipbuilding professionals, and tradespeople. ASC's future success will be reliant on retaining these people so, as to ensure this, we are improving our value to our staff by implementing a comprehensive employing and engagement view to ensure our people are appropriately recognised; and implementing a plan of actions based on feedback of employees, following a comprehensive consultation process. We're also looking to provide a much wider range of training and industry exchange options across other programs, exposing more people to a range of professional opportunities.

ASC is also working with other industry participants and major equipment suppliers to increase the certainty of our future roles and programs, including Collins life of type, Attack class and other maritime related projects. In regards to Attack submarines, ASC and Naval Group Australia have recently signed a framework agreement underpinning ASC's initial role in the Attack class submarine program. At PACIFIC 2019 both organisations confirmed the training scheme which will see ASC train Naval Group Australia's first fabrication
apprentices. Under this initial framework agreement, ASC will also collaborate through separate commercial arrangements for a provision of suppliers and services, including workforce development, OHS training and services, and supply chain service.

ASC's also contributed approximately 27 submarine technical staff to the Commonwealth C1000 project office. Many of this team are deep specialists in this field whose experience and knowledge are world-class. From ASC's point of view, as Australia's sovereign submarine sustain capability, we believe we have much to offer the Commonwealth if selected as the Attack class submarine sustainment organisation.

With regard to the future location of full cycle docking, ASC is part of a joint working group, along with the Royal Australian Navy, Defence Capability Acquisition Sustainment Group and Department of Finance. The group is gathering all pertinent information relating to this issue in order to develop a number of feasible options for government to consider.

ASC recognises it is for federal government to decide the long-term arrangements for Collins full cycle dockings and ASC will support that decision. Irrespective of the outcome of the government's decision, ASC has the experience and capability to put in place the necessary plans to meet Navy's requirements for Collins class submarine availability over the remaining life of the fleet well into the 2040s. As a government business enterprise, ASC will continue to work with government, Navy and Defence, and other shipbuilding clients to deliver a best-for-nation outcome as part of Australia's $90 billion national shipbuilding endeavour.

CHAIR: I welcome Mr David Knox. Mr Knox, do you wish to make an opening statement?

Mr Knox: Yes, please, Chair. Thank you for the opportunity to provide a further progress update on ANI's activities. The Osborne South development project is approximately 75 per cent complete and it remains on target for the completion of the main works by the end of Q1 2020 in readiness for handover to ASC Shipbuilding for the Hunter class program.

Expected costs remain as previously advised with the estimated cost at handover to ASC Shipbuilding being $505 million and the estimated total cost of the project after completion of the modernisation works in the existing Osborne South shipyard being $560 million. Design is underway for those modernisation works, and they will be progressed in due course once the OPV program vacates the relevant buildings.

The key milestones for the Osborne South development project remain as previously advised in our response to Senator Patrick's question on notice No. 3 from the 4 April Senate estimates. Our recent success with the roof lift on the block outfitting and erection hall, which we call building 22, and all major equipment now having been either delivered or on its way to Osborne has de-risked the project schedule. ANI and its managing contractor, Lendlease, are continuing to work closely with BAE, ASC Shipbuilding and CASG in preparing for the commissioning and handover of the yard to ASC Shipbuilding.

The construction and engineering workforce undertaking this project has now peaked at more than 450 persons on site, with a further off-site workforce of approximately 150 persons. The Australian steel content, by tonnage, remains at 89 per cent, and 58 Australian contractors out of a total of 60 have been engaged by Lendlease. At Osborne North, ANI has been working with its managing contractor, Laing O'Rourke, to progress design activities on
the phase 1 buildings for the future submarine yard. These are two test facilities known as the combat system physical integration facility and the platform land-based test facility. The CSPIF has been designed to meet Lockheed Martin's functional requirements and has reached its 90 per cent design stage; preliminary construction works for that facility will start this year. The PLBTF is being designed to Naval Group's functional requirements and is currently at a 60 per cent design stage, with construction anticipated to commence in the first half of 2020.

The design and layout of the remainder of the yard, or the main works, as we call it, is continuing in development with Naval Group and the Commonwealth. ANI will progress detailed planning on that phase of the works in due course. ANI has also progressed some precinct-wide utility relocation works, benefiting both the new Osborne South yard and the future submarine yard, and has taken delivery of the first fleet of self-propelled modular transporters, which will transport the movement of blocks and vessels. ANI currently directly employs 34 people, which includes four undergrad students, and we also have one apprentice engaged through a group training provider.

CHAIR: Thank you, Mr Knox. Before I give the call to Senator Ayres to kick off questioning for the opposition, Senator Patrick has flagged with me that he would like to table a document, which he assures me he has obtained through FOI, so it is already on the public record. It's an image of the submarine construction yard. Just as a courtesy to witnesses, I might provide you with a copy before the committee tables it. Senator Patrick has helpfully made sufficient copies for everyone.

Senator AYRES: I've got a series of questions for you, Mr Whiley, in the first instance, and then I will come to ANI. I know there have been a long series of questions around workforce and capability over the course of several Senate estimates. I wasn't here for those, so I have a series of questions that might double back a little bit. Mr Whiley, thank you for your introduction, which I think touched on some of those issues at a higher level, but I've got some questions of detail. What's the current workforce for each of the major constituent parts of ASC: Submarines, Corporate, Maritime Services Group, and working on shipbuilding?

Senator Cormann: We will be able to provide those answers. The first point to make is that, when it comes to shipbuilding, there are about 800-odd staff that have been transferred to BAE as part of our commitment to build the next generation of frigates, the Hunter class. You made reference to the fact that you weren't here in previous estimates. When Senator Gallagher was asking these sorts of questions in the past, I have always been clear to point out, as you may or may not be aware, that the coalition government committed to a $90 billion naval shipbuilding program of 57 vessels from Australian yards, including 12 submarines, 12 offshore patrol vessels, nine future frigates, 21 Pacific patrol boats, two—

Senator AYRES: I've just got a series of questions—

Senator Cormann: support vessels and one hydrographic vessel. And, of course, over the six years of Labor government there were—

Senator AYRES: I'm not sure reading the press release is really going to help the committee get to the bottom of this—

Senator Cormann: Zero vessels were committed to by the previous Labor government, which is—
Senator AYRES: Chair, are you really going to let him drone on with this?

CHAIR: Senator Ayres, droning or otherwise the minister is entitled to answer the question in any way he chooses—

Senator AYRES: Well, I have a specific question about workforce numbers and this guy is reading a press release in an effort to suck up time—

CHAIR: Order! Minister and Senator Ayres, it is literally 15 minutes past nine. We are barely into—

Senator AYRES: It is literally 15 minutes past nine and this character—

CHAIR: Order, Senator Ayres—

Senator AYRES: is already embarking on—

CHAIR: Senator Ayres, it is disorderly to speak over the chair when I'm trying to restore order to the committee. As frustrating as you may find the minister's answers, it's not up to you or me to dictate how the minister answers questions. You are entitled to ask any follow-up questions you like if you are dissatisfied with the answers that you receive, but you do need to allow the minister to answer the questions.

Senator Cormann: Thank you very much, Chair. As I was about to point out, any job losses at ASC and elsewhere in the naval shipbuilding industry are a direct result of Labor's valley of death. Labor's failure to commit to building a single naval vessel from an Australian yard over a six year period in government, unfortunately, impacted on the stability of shipbuilding jobs, as well as the capability of our Navy. Under Labor, the third air warfare destroyer would have been the last vessel built at Osborne. Whereas under the coalition we have committed to 11 new ships at Osborne, nine frigates, two offshore patrol vessels and 12 new submarines. Over the next 20 years the government will invest over $90 billion in ships and submarines, but not every job at ASC can be maintained in the short-term as the Air Warfare Destroyer Program nears completion. That was very important context. I now invite Mr Whiley to provide—

CHAIR: Deputy Chair, I'm not quite sure if you are trying to make observations through the microphone or not. It's loud enough for me to hear but not quite loud enough for the microphone to pick it up. If you'd like to ask a question please do, but I don't think commentary to your colleagues on the committee while the question is being answered is helpful.

Senator AYRES: Chair, there was quite some time between when I asked my question and when Mr Whiley had an opportunity to answer. Do you need me to repeat the question?

Mr Whiley: I think you asked me to break down the workforce numbers by organisations or category?

Senator AYRES: Yes.

Mr Whiley: I going to break it down to four different categories: Collins, what we call our maintenance support group, AWD and OPV and corporate. I'm going to give you numbers for labour hire and permanent for each category.

Senator AYRES: Thank you.
Mr Whiley: In Collins today, as of 30 September, we have 197 labour hire and 1,103 permanent employees. In our maintenance support group today we have 24. We have 29 in the future submarine program office. In the AWD and OPV we have 14 permanent ASC employees, 357 labour hire in AWD and 195 labour hire in OPV. And then in our corporate office we've got 174 permanent and 11 labour hire. In total 760 labour hire and 1,344 permanent employees.

Senator AYRES: Thank you. Earlier this year you, Mr Whiley, said in the budget estimates, I think, in April that there are approximately 300 people we need to keep for Collins. There are some trades but primarily engineers. Then you went on to say, 'Then we've got another 300 who have skills and capabilities that are really important to Collins.' If I can paraphrase you by saying there are 300 workers who are essential for the Collins program and 300 whose skills are really important to the Collins program, if that's a way of describing it. Since April have any of the 300 workers in the essential cohort departed ASC?

Mr Whiley: I think I'd have to take that question on notice.

Senator AYRES: What about the really important cohort?

Mr Whiley: Again, I'm not sure I could give that answer today. I haven't got the data and I haven't cut it that way, so I'm sorry. It's quite possible we could have lost some one or two people inside those categories, yes.

Senator AYRES: Over the past 12 months how many people have left?

Senator Cormann: I think he said he's taking that on notice. This is now a very vibrant industry, given the significant commitments we've made to invest $90 billion into our naval shipbuilding capability. Indeed, BAE is getting underway to build our next generation of Hunter class future frigates. That $35 billion program will create 4,000 Australian jobs right around the country. That's getting underway. There will be approximately 1,500 direct jobs and 2½ thousand indirect jobs, with the ramp-up commencing in 2020 and the peak workforce expected in the mid- to late-2020s. All around the country there are exciting opportunities as a result of the decisions that we've made. I make the point again: if Labor had made a decision to commission the building of a single naval ship then we would not be in the position that we're currently in. We are working as fast as we can to ensure we've got the right capability and the right workforce.

Senator AYRES: I expect I'll get another three or four minutes before Senator Cormann interrupts with another editorial.

Senator Cormann: Hang on. Chair, I object to that observation. I am the minister at the table. I am responsible for this program. I'm responsible for the ASC and I will answer questions that are asked as I see fit. That is my role in this committee.

CHAIR: Thank you, Minister.

Senator AYRES: I'd be delighted—absolutely delighted if you did.

Senator Cormann: I'm also making sure that I properly address your questions and the implications of the questions that you're putting forward.

Senator AYRES: The questions that I've put forward, Mr Whiley, I can assure you, go to the facts here—and I think there is a common interest around the place of establishing the facts. We've all got a common interest in having this program go very well—
**Senator Cormann:** The fact is that Labor did not commit a single—

**CHAIR:** Minister, please allow Senator Ayres to finish his question.

**Senator Ayres:** Would you be able to provide on notice a breakdown of workforce levels for each of those cohorts over the past three years?

**Senator Cormann:** Yes, we can do that.

**Senator Ayres:** In Senate budget estimates on 9 April, Mr Whiley said:

... we've seen a significant rise in attrition of our resources.

You then went on to say, in terms of overall workforce numbers:

... The numbers have been pretty static—

but that—

... we've seen higher levels of attrition inside the engineering areas. So, we've managed to retain numbers, total numbers, but we've lost skills and capability.

Does it remain the case that, while the overall workforce number remains stable, there is still a significant issue with attrition in the engineering and trades areas?

**Mr Whiley:** In terms of our trades, our attrition numbers are very low, at around about 3½ to four per cent. In engineering we have about 10½ per cent attrition at this point in time, but we've managed to retain or recruit engineers to deal with that. The issue is that obviously the market is lacking experience, and we don't get the same experience back.

**Senator Ayres:** On 9 April you said that the attrition rate had doubled over the last two years. Has that trend continued to go up, or is it stable at about that 10 per cent?

**Mr Whiley:** Overall attrition has gone from I think 10.2 at last estimates to 10.5, so it has increased slightly.

**Senator Ayres:** How many engineers have left since January 2018?

**Mr Whiley:** Thirty-seven.

**Senator Ayres:** Out of how many engineers?

**Mr Whiley:** It would be in the order of approximately 250.

**Senator Ayres:** So it's approximately 250, but you can come back to us with that figure.

**Mr Whiley:** It's about 10½ per cent attrition.

**Senator Patrick:** That's 400 years of experience lost. You said in evidence that it was an average of 11.2 years per employee.

**Mr Whiley:** Yes. We get some gain when we bring people in, and there is ongoing development. As the years go by, we are gaining too, so it's not a net loss of 400. We're keen to build up resources and capabilities.

**Senator Patrick:** In terms of experience on Collins—

**Senator Cormann:** All of this could have been avoided if only the Rudd or Gillard governments had committed to a naval shipbuilding—

**Senator Patrick:** But, to be fair—and we always do this—had you built the supply ships and the ice breaker in South Australia it wouldn't be a problem.

**Senator Cormann:** We've committed to 57.
Senator PATRICK: I understand.

Senator Cormann: Under Labor it was zero.

Senator PATRICK: I'm not taking anything away from that, but had you built the supply ships and the ice breakers in Adelaide there would not have been any retrenchments.

Senator AYRES: At the last hearing you said that this group of workers had been lost to competitors and to other industries. Does that remain the case?

Mr Whiley: We are currently losing a large proportion of the engineers and professionals to other defence-related companies, as growth is happening in the market, but we are actually losing one or two to different markets altogether as well.

Senator AYRES: Losing them to what sort of markets?

Mr Whiley: I think we've lost a few to mining and bits and pieces. Primarily, we lose most of them—they are actually staying in the community; they are just moving to different companies.

Senator AYRES: So they're staying in South Australia—

Mr Whiley: They're staying in South Australia—

Senator AYRES: But they're going to other participants in the program?

Mr Whiley: Yes, they're moving to other companies. From an engineer's perspective, it's a new career opportunity. They're exploring their options.

Senator AYRES: Are there any other factors at play?

Mr Whiley: As I said in my opening statement, we've got to improve our value proposition, and we're looking to see what we can do as a company to retain those workers. We've got to improve our conditions of employment. We're looking to how we can diversify and give career opportunities inside the company. We have to lift our game to make sure we continue to improve and make ASC an attractive place to work.

Senator AYRES: I assume you have a process of feedback, talking to workers as they are leaving the program. Have any of them expressed concerns about Collins moving to Osborne or work drying up compared with opportunities on the Future Submarines and frigates?

Mr Whiley: We go through an exit process. As I said, we've gone through a consultation process with a large proportion of the workforce. There is some concern about ASC's future, uncertainty, inside the workforce, yes.

Senator AYRES: I refer to the retention program you mentioned at previous estimates, when you said:

… we've got a retention program that is aimed at focusing on those people and how we can protect those people and keep them focusing on Collins.

What impact has the retention program had?

Senator Cormann: I assume you are talking about the $29.4 million package that the federal government put in place, which was announced in December 2017, to provide skill retention and training opportunities for up to 200 positions within the ASC. I just want to clarify that that's what you're asking about?

Senator AYRES: Is that what you were referring to in April, Mr Whiley?
Mr Whiley: I was actually referring to a much broader retention scheme, as I outlined in my opening statement.

Senator AYRES: I would have thought so, yes.

Mr Whiley: That is one of the things we've done on retention, but that was primarily focused on shipbuilding resources.

Senator AYRES: How would you describe the impact of the retention program?

Mr Whiley: It's very hard to know what you haven't lost, but, as I said, the attrition number hasn't significantly increased from April. As I said, it's gone up 0.2, so that's a positive. If we can hold it there, that's very much a positive. We're continuing to perform on Collins and deliver great outcomes. We've been having good feedback from consultations with the workforce. They want to stay at ASC. The engagement is all positive. Certainly that's the feedback we've had from the workforce.

Senator AYRES: If you can't maintain that group, though, will you need to recruit from overseas?

Mr Whiley: We have historically supplemented Collins with overseas resources over a period of time. Overseas is an option for bringing highly skilled submarine capability to help supplement and grow resources, so that is an option we're currently looking at.

Senator AYRES: How many of your current workforce are on working visas?

Mr Whiley: I'll have to take that question on notice. I don't know.

Senator AYRES: I've got some questions about the sustainment of the Collins class submarines and the life-of-type extension. Can you provide an update about where the life-of-type extension plan is up to?

Mr Whiley: We're currently preparing a costed feasibility proposal that will go to Defence in March next year, and that will then go into the gate 2 process. That is for a number of life-of-type capability upgrades inside of Collins.

Senator AYRES: What steps or phases will ASC progress through until the first Collins class requires this fit-out?

Senator AYRES: So the concept, development, detailed design, implementation—I think there was a midstep there somewhere.

Mr Whiley: There is supply. We have to go and buy the equipment.

Senator AYRES: A procurement stage?

Mr Whiley: Yes.

Senator AYRES: Would you be able to provide us with when it is planned? What are the dates for each of those phases to commence?

Mr Whiley: I can take it on notice, but I think that's maybe a question for Defence in terms of some of that. It's obviously dependent on their process. I can give you what I've got.

Senator AYRES: And that's part of the process that you're going through in preparing this proposition for Defence in March—is that right?

Mr Whiley: Yes.
Senator AYRES: Are those dates locked in, as far as you're concerned, subject to Defence's approval?

Mr Whiley: I can see whether they are exact dates. Certainly the phases are locked in if we're going to deliver on the FCD—

Senator AYRES: Yes.

Mr Whiley: We have a plan. I have exact dates—

Senator AYRES: Would you be able to provide us with those on notice?

Mr Whiley: Yes, I can provide you a breakdown of what those phases are and the approximate milestone dates.

Senator AYRES: How many people are currently in the life-of-type extension team?

Mr Whiley: We've got 33 currently working.

Senator AYRES: I think you referred to that earlier. In estimates earlier this year you said that there'd be 60 in the LOTE team late this year. Has there been any delay in the ramp-up of the concept phase?

Mr Whiley: There has been no delay. The scope of work we're looking at is being ratcheted back a little bit. That's why that number hasn't reached those numbers.

Senator AYRES: Can you explain what that means, that the scope of work has been 'ratcheted back'?

Mr Whiley: I think there were five major tasks that we were looking at. I think we're now looking at three of those five packages.

Senator AYRES: Can you explain that to me? There are five packages and the 33 parts are subsets of the five?

Mr Whiley: Originally in the concept for LOTE there were five major packages of work we were looking at. We're currently looking at three of those packages for the March deadline.

Senator AYRES: I see. What is the rationale for that?

Mr Whiley: Defence has changed the phasing of some of that work. I think it has been pushed out to a later date.

Senator AYRES: Could you describe what the original five were and what the three are that you've been asked to look at—or retreat to, if that's the right term?

Mr Whiley: Can I take that question on notice? I think I can guess. Degaussing and firefighting are the two, I think, that dropped out. We have main motor, diesel and control equipment. They are the three that are in.

Senator AYRES: What's the reason that Defence has asked you to put those aside?

Mr Whiley: I think they want to change the phasing or timing of that work.

Senator AYRES: Does that have any implications for the progress of the overall work?

Mr Whiley: Not for the overall package. The numbers we were going to recruit to haven't reached those peaks, so we're staying stable at the numbers we've got.

Senator AYRES: And that's why earlier in the year you signalled 60 staff. There are still 30. It's down to that change in the scope of work, is it? There are no other factors?
Mr Whiley: I think the scope is still there; it's just that the timing of when that's going to occur has now been pushed back.

Senator AYRES: So 100 per cent of not stepping up to 60 is attributable to that reduction in scope?

Mr Whiley: To the timing and phasing of that work, yes.

Senator AYRES: At the last estimates hearing you referred to ramping up the LOTE team to around 200 people once the detailed design phase commences, but it was unclear whether that could be done from within the existing ASC workforce or whether it would require new hires. Do you have a better understanding of this workforce requirement now and how and when it will be met?

Mr Whiley: Again, it's dependent on the phasing and timing of the work packages and when they come in. If the work scope remains as reduced, the numbers will obviously reduce until the implementation phase as well. Again, I think it's a matter for future speculation by ASC.

Senator AYRES: Does the change in scope that we talked about earlier have an impact on the timing of that?

Mr Whiley: Yes, it does.

Senator AYRES: In terms of the implementation phase, you said that ASC would grow our capability and would then need to, you said, go to market to acquire additional skilled staff. Have you got a clearer sense of what the workforce requirement might be for the implementation phase and how and when ASC will start to acquire additional skilled staff?

Mr Whiley: Obviously the various phases require different types of skills. As part of this concept phase we're looking at what those packages were and what those skill sets are. Yes, we do have a better understanding. That's part of the costed proposal we're going to put in in March.

Senator AYRES: So there will be a costed proposal in relation to—

Mr Whiley: The future phases.

Senator AYRES: Do you have any concerns about getting skilled staff for that stage?

Mr Whiley: The future stages?

Senator AYRES: Where will they come from?

Mr Whiley: Again, it depends. You're asking me to speculate on what the phases may be at this point. It's very hard for me to speculate.

Senator AYRES: It's a big step up, though, up to 200 people for the design phase. You don't have a number for the implementation phase?

Mr Whiley: No. Again, we haven't done the detailed work that sits behind the implementation at this point in time.

Senator AYRES: Is it scores of people?

Mr Whiley: No. I think in the implementation—it is going to be somewhat offset by the fact that we won't be doing other capability insertion work inside the FCD. There will be some swings and roundabouts regarding skills and capabilities.
Senator AYRES: So some of it will be internal?

Mr Whiley: Some of it will be. Currently, when we go into a full-cycle docking today, we do what we call capability insertion type work. There is an allowance in the package of work for doing that work. When we go into the LOTE full-cycle dockings, that package of work won't be there; it will be replaced by the LOTE work scope. There is already a credit, if you like, from a capability and workforce perspective going into the full-cycle docking. What the scope is depends on how much credit or debit we are in in terms of capability going in. That's the work that will occur over the next two to three years as the detail comes on to the plans required to put the LOTE scope of work in.

Senator AYRES: Have you worked out the staff cost?

Mr Whiley: Not at this point in time, no.

Senator AYRES: But that will form part of the submission to Defence?

Mr Whiley: That will all form the detailed work scope going forward.

Senator AYRES: After March you will be in a position to provide much more detailed information about a range of these questions?

Mr Whiley: I think that's maybe a question for Defence, because we're providing that information to them for their costings.

Senator AYRES: Is there any risk that ASC won't have the people it needs to conduct the life-of-type extension work?

Mr Whiley: Today? Obviously attrition is an issue we've talked about, but I think it's manageable and we can mitigate today, so our performance is delivering on the requirements. We have capacities and capabilities of other people that we've managed to hide away that we can draw back upon in terms of helping in the Collins space. I don't think there's an issue today.

Senator AYRES: Are there any other factors that might negatively impact retention—for example, would relocating the full-cycle docking and the LOTE work from Osborne to another state increase the retention challenge?

Mr Whiley: You're asking me to talk about a hypothetical here.

Senator AYRES: Is it really hypothetical? There haven't been discussions about—

Senator Cormann: You're asking for an opinion about a hypothetical scenario. If you listened to the opening remarks from the chair, that is not something that officers should be asked to do.

Senator AYRES: In the discussions that you would have had about the risks to the program, has there been any discussion about relocation risks?

Mr Whiley: The analysis is not complete. The work is ongoing. It's not really appropriate that I give you an opinion on work that is incomplete at this point in time.

Senator AYRES: So there is some discussion but you're not, at this stage, prepared to—

Senator Cormann: If I may, I might be able to assist for a moment. It's a matter of public record, and I think it's well understood, and it has been reported on many occasions, that there is obviously some work going on within government as part of the deliberative processes of government through the NSC that ASC, Finance and various parts of Defence, like Navy and
the capability group, are involved in. They will be making recommendations to the NSC about the best way forward. At this point, no decision has been made. As these matters are feeding into deliberative processes of cabinet, I guess it's going to be difficult for Mr Whiley, as the CEO and managing director of ASC, to give you conclusive advice in relation to a process that he is only one component of.

What I can assure you and the committee is that the decision that is ultimately made is going to be a decision that is made in the national interest, and there are a whole range of factors to take into account. Obviously some of the issues that you're raising are going to be part of the consideration, and there are going to be other matters. In the end, we will await the advice on options, and benefits and downside risks with each option will of course be carefully considered. In the end we'll make a decision and you'll be able to scrutinise and ask us questions on why we have reached the decision that we have. But I think it's premature to expect Mr Whiley to give you a blow-by-blow description on hypotheticals that are yet to be considered by the cabinet.

Senator AYRES: I'm just asking a question of fact. The question is: has there been a discussion about relocation risk in terms of retention? Has that been part of the scenario planning that Minister Cormann's already referred to? It's a matter of fact that it's occurring.

Senator Cormann: I'll answer that on behalf of the government. We will be considering a whole range of opportunities and risks in the context of different potential options, and it's self-evident—you are assuming that there is a decision to go a particular way, but there is no such decision. No decision has been made. So, you're making a hypothetical proposition: if a decision is made that hasn't been made, what would that mean for X, Y and Z? Well, these are obviously all the things that are yet to be considered by the government, through a deliberative process of cabinet. And, as Mr Whiley said, the work ASC is doing, together with Finance and various parts of Defence, hasn't been finalised, and it is to feed into a cabinet process. So, just bear that in mind as you are pursuing that line of questioning.

Senator AYRES: Thank you. I accept that all those processes will be going on in government. My question is really to ASC, about whether the work has been done on the impact—I'm not asking for an outline of the conclusion of the work at this stage; I'm just asking: has that work occurred, about the impact of both a shift in the location of the work upon staff retention?

Mr Whiley: There has been consideration of staff retention in the decision to either move or stay. It's been one of the considerations.

Senator AYRES: Thank you—and a move wouldn't be a positive effect on retention, would it?

Senator Cormann: I think you're now asking him to provide content advice in relation to matters that are going to be subject to the deliberative processes of cabinet, and I think you'll find that that is not something we'll be able to assist you with. Rest assured that all the risks will be properly weighed up, in the first instance, by ASC, Finance and Defence as they put their advice together to the government and of course will be properly weighed up by the NSC and the cabinet.

Senator AYRES: In estimates on 9 April you said that the LOTE work will be conducted during the FCDs commencing in 2026. You said:
... the majority of the work—certainly the major work—will be done in that major FCD in 2026—and then following it with the other platforms. If the FCDs move, then surely the life-of-type extension moves with it, doesn’t it?

Mr Whiley: That's correct.

Senator AYRES: Have ASC and Defence worked out how much additional charge there'll be, given that your contract is with Defence, for the LOTE program?

Mr Whiley: Sorry—I’m not sure I understand—

Senator AYRES: On 9 April you said, ‘Some of the work we're doing is in its conceptual phase.’ Has there been an assessment of the cost of the life-of-type extension program?

Mr Whiley: That's, as I referred to, the work we're currently doing, to be delivered in March—that costed proposal.

Senator AYRES: In April you said that's funded at approximately $15 million, covering the current and next financial years?

Mr Whiley: Yes, that's correct.

Senator AYRES: Is that still the case?

Mr Whiley: Yes, that's correct.

Senator AYRES: At this point in time are there any contractual arrangements between the government and ASC with respect to life-of-type extension work, beyond the initial scoping studies?

Mr Whiley: No, but in our proposal we do it at PP4, which is our next version of the ISSC, which gets released in July next year. It is a line item in that contract.

Senator AYRES: It is?

Mr Whiley: Yes.

Senator AYRES: To assist the committee, would you be able to provide the scheduled or anticipated time frames for intermediate docking, mid-cycle docking and full-cycle docking for each of the submarines across the Collins fleet until they're withdrawn from service?

Mr Whiley: I can do that.

Senator AYRES: When will the final Collins submarine have finished its life-of-type extension?

Mr Whiley: It depends how many life-of-type boats there are. Five is currently the plan and the assumption is it could be six, so it could be 2036 or 2038.

Senator AYRES: Could you provide the schedule, or anticipated dates, for life-of-type extension activity in the full-cycle docking for each of the Collins class submarines?

Mr Whiley: Life of type will be full-cycle docking, effectively.

Senator AYRES: So the previous question will cover that?

Mr Whiley: Yes.

Senator AYRES: No problem. I have some questions about the ongoing build of the OPVs. How many staff from ASC are working on this build?

Mr Whiley: I think it's about 10.
**Senator AYRES:** Ten permanents?

**Mr Whiley:** Ten permanents, yes.

**Senator AYRES:** When is BAE required to sell ASC Shipbuilding back to the Commonwealth?

**Mr Whiley:** That's not a question for me.

**Senator Cormann:** That's an entirely a matter of public record. The Commonwealth, of course, owns a sovereign share in ASC Shipbuilding, giving the Commonwealth rights in relation to proposed decisions or actions which have national security implications and also making sure that, at the end of the future frigate build program, ASC Shipbuilding, which is currently placed with BAE, comes back to the Commonwealth, which guarantees the return of intellectual property, a highly skilled workforce and associated equipment. That is at the end of the program. We will give you the specific expected date on notice. It's obviously over a number of decades.

**Senator AYRES:** Is it based on a certain date or is it based on an event?

**Senator Cormann:** It's based on the completion of a $35 billion build program and the delivery of the nine frigates.

**Senator AYRES:** So you'll be able to provide the details?

**Senator Cormann:** There is an estimated completion date and we'll provide that to you on notice.

**Senator AYRES:** Thank you. I'm happy to hand over to Senator Patrick.

**Senator PATRICK:** In relation to the engineers that you're losing, in your evidence to this committee in October 2018 you said:

The concern for me is that we have a number of core capabilities who have unique knowledge inside Collins. The Collins is a very complex asset. It has multiple systems and multiple disciplines and technical bases. We haven't got the massive depth of capability that other nations potentially have. If I start losing core skills or capabilities in unique systems, it definitely does put Collins at risk.

I asked that in the context of the potential shift—on which you are doing option studies—of ASC full-cycle docking work to Western Australia. So it's highly relevant to understand the risk profile of a shift—and you've clearly studied it, because you're doing a study. Can you expand on the risks that you see in respect of the workforce?

**Mr Whiley:** Again, as I said to the previous senator, it's not appropriate I comment on risks in analysis that's half—

**Senator PATRICK:** You don't get to decide what's appropriate, Mr Whiley. On record, there is an FOI in the public domain where you have done an interim study and you have talked about this. So it's not a matter, as Senator Cormann said, where we 'just get to ask questions after a decision is made'. The oversight responsibilities of the Senate extend to all of the actions you're performing throughout all of your job. So I'd like an answer to the question, please.

**Mr Whiley:** Again, as I said, retention of capability is one of the analysis points that has been considered in the study but, again, the study's not complete so it's inappropriate for me to make comment at this point in time.
Senator PATRICK: Let's talk about the study that you have delivered already to the government, or to Navy. You identified risks in respect of workforce. Can you explain to the committee—

Mr Whiley: So that study was only related to two of the options, and it was an interim study. We did identify—there are risks, and I'm not going to pretend there aren't, but, again, the mitigations and where we stand on those risks—the analysis isn't complete so it's inappropriate for me to talk to it.

Senator PATRICK: So we know, on record, that there is a significant risk—you've said that already—if you lose personnel. I seem to recall there was a concern that you might only get something like 10 per cent of your workforce to shift to Western Australia if that decision is made. Have you done the numbers on that?

Mr Whiley: I think I might have said that that was one of the assumptions that we had underpinning in that study at that time.

Senator PATRICK: So just putting those two pieces of information together: if it's 10 per cent of your workforce moving, and the fact that even when we were talking about 27 engineers leaving over a period of time, that had significant consequence: enough for you to say that 'this definitely puts Collins at risk'. I think if you talked about the loss of several hundred people, the risk factor must rise significantly. That's the only thing you could reasonably draw from that.

Mr Whiley: I understand your question, Senator, but I'm actually not following your logic of the question. I said I acknowledge there's risks in both decisions, and the mitigations to be put in place will be different. The analysis is not complete and government have not made a decision. You're asking me again to speculate on an outcome that—

Senator PATRICK: No; I'm asking you what work you have done to date. That is not outside the purview of this committee, even if Minister Cormann doesn't want that to be talked about.

Senator Cormann: I'm sitting here quietly! Honestly.

Senator PATRICK: No, I'm just responding—I can see a claim of cabinet-in-confidence.

CHAIR: Minister, I think you smiled provocatively at Senator Patrick and he can't bear it.

Senator Cormann: I am just gently sitting here listening to the information.

Senator PATRICK: Senator Cormann, you've already set me up with two Western Australians flanking me on this.

Senator Cormann: I think it was you who picked that spot: take responsibility for your own decisions, Senator Patrick!

Senator PATRICK: No, actually, this is—unusually—the first time I've walked into that room and my nameplate was sitting there, and I didn't do that.

CHAIR: I think that was from last night, Senator, to be fair to the secretariat. Let's go to, I think in your opening statement, Mr Whiley, you called it the joint capability group, discussing full-cycle dockings. Is that right? I'm sorry, I might not have picked up the name.

Mr Whiley: A working group.

Senator PATRICK: A joint working group, was it?
Mr Whiley: Yes, a joint working group.
Senator PATRICK: Can you describe to me who that group consists of? I think you said it included CASG.
Mr Whiley: CASG, Department of Finance, ourselves, Royal Australian Navy, and I think there's been some consultation with Naval Group in that.
Senator PATRICK: ANI?
Mr Knox: No.
Senator PATRICK: When did that joint working group commence? When was it formed?
Mr Whiley: I might have to ask—was it at the beginning of July? I can't remember.
Mr Jaggers: It was formed in June, Senator.
Senator PATRICK: So, in effect, that was the first time you became aware, I think based on testimony provided by you in the past and also by Senator Cormann in response to an answer to a question in the Senate.
Senator Cormann: That first time he became aware of what?
Senator PATRICK: Of the full-cycle docking assumptions that were being used in the development in the shipyard. There's a letter from then Rear Admiral Sammut to the head of Naval Group in September 2017 saying: 'In relation to the design of the shipyard, assume full-cycle dockings will be in WA from 2024.'
Senator Cormann: Let me be very clear: the government is not making any assumptions, because the government has not made any decision. This is a very important point, because I don't want people to be left with a false impression. The other point to make is that, if you ask them the question, I'm sure ANI will tell you that the site that they are developing would be able to accommodate either decision. Whatever communication might have happened between Defence and Naval Group is not based on an assumption put forward by the government, and it is not put forward based on a decision by the government. The government will make a decision based on the advice coming out of this process, we expect, later this year. All options remain on the table, and we will ultimately make a decision based on what is in the national interest.
Senator PATRICK: I'm not suggesting the government has made this decision, but there is—
Senator Cormann: There's no assumption.
Senator PATRICK: As a matter of fact, Senator Cormann, there is a letter that goes from then Rear Admiral Sammut to the head of Naval Group saying: 'In the design of the shipyard, make the assumption that the full-cycle dockings are shifting from 2024.'
Senator Cormann: Sorry, this is a really important point, and it's very important that we've got the right information on the record here. Naval Group is not responsible for the design of the infrastructure at Osborne; ANI has the overall responsibility for the design and the delivery of the infrastructure at Osborne.
**Senator PATRICK:** But in evidence before this committee ANI have advised us that it is in fact Naval Group that are responsible for the design concept. That's correct, isn't it? Naval Group are actually responsible for the design concept.

**Senator Cormann:** For their bit.

**Senator PATRICK:** Yes.

**Mr Knox:** As I said in my opening remarks, and I'll give you an example, the combat system physical integration facility is designed to the Lockheed Martin functional requirements. The main shipyard on which the submarines will be constructed—we don't design them; we'll build them and construct them to the functional requirements that are agreed between the Commonwealth and the Naval Group. That process is still ongoing, including those functional requirements.

**Senator PATRICK:** That's the burden of the line of questioning that I was having—it is a decision not of ANI; it is a decision between Navy and Naval Group as to the design concept for the shipyard.

**Mr Knox:** Yes. Once the functional requirements are agreed between the Commonwealth and Naval Group, what we will then do—and you call that the 30 per cent design, just to use the language—is take that 30 per cent design and convert it into a reality on the ground. We construct to the functional requirements that are given to us. In this case, those functional requirements have to be agreed by the Commonwealth and Naval Group.

**Senator PATRICK:** All I'm saying is that back in September 2017, as part of that dialogue between Naval Group and the Navy—

**Mr Knox:** And the Commonwealth.

**Senator PATRICK:** there was a letter that went to Naval Group to say: 'Just assume that the full-cycle dockings wouldn't be there.'

**Senator Cormann:** Naval Group is only responsible for the design of its sub yard, if you like. ANI is responsible for the broader yard at Osborne. Again, whatever communication there may have been from someone in Defence to someone at Naval Group, the government has not made a decision—

**Senator PATRICK:** Yes, I accept that.

**Senator Cormann:** and there is no assumption underpinning any of our planning at this point that there will be a shift.

**Senator PATRICK:** I understand that. But for the purposes of producing the diagram that I have tabled, clearly, assumptions needed to be made, and those assumptions may have been communicated to Naval Group, and that's why we've ended up with the picture that we have before us. Mr Knox, you're familiar with that plan layout?

**Mr Knox:** I am.

**Senator PATRICK:** When was the first time you saw any plan layout, in draft or any other form, that basically overlaid Naval Group and Defence's proposed design over the top of ASC North?

**Mr Knox:** I'm familiar with this diagram. In this and other forums, it's been on the table for some time. But let me just be very—
Senator PATRICK: What's the time that you're aware of?

Mr Knox: I can confirm when I first saw it, but I don't know the exact date.

Senator PATRICK: Approximately? Was it a year ago?

Mr Knox: Twelve months. This is the design as conceived by Naval Group, as it says on the diagram. ANI is ultimately responsible for building this infrastructure. We have been strongly advised by the Commonwealth that no decision has been made on Collins, and therefore we have to keep options open for whatever decision is made on Collins. But that is not incorporated into this Naval Group design document. In our work, those are our instructions. We're keeping that optionality.

CHAIR: Before we ask your next question, Senator Patrick, we are now at the scheduled time to move to our next witness, which is the Future Fund Management Agency. For the committee's planning purposes, how much longer do you anticipate you'll need with these witnesses?

Senator PATRICK: About 20 minutes.

CHAIR: That will put us significantly behind time on a packed schedule.

Senator GALLAGHER: Do you have some you can put on notice to keep it kicking?

Senator PATRICK: No, I would like to traverse these questions. They're very important to South Australia.

CHAIR: I'd ask you to do it in as quick a fashion as possible.

Senator PATRICK: Sure.

CHAIR: I'd also ask the witnesses to assist in that.

Senator PATRICK: In a speed-dating mode! Twelve months ago, you were aware of the shipyard concept being in this form. What work has been done in respect of this particular option in terms of site surveys and activities? Is it Laing O'Rourke that you've had engaged in doing it?

Mr Knox: Yes, 12 months ago we engaged Laing O'Rourke to do the construction of the submarine construction yard. As I mentioned, the top two buildings in this diagram—the one on the right is the combat system, No. 17—

Senator PATRICK: I'm not going to those buildings.

Mr Knox: I'll just explain.

Senator PATRICK: I'm mindful of the chair. I just want to know the level of effort that has gone into developing this particular option, in terms of surveys being done.

Mr Knox: I'll shorten my answer. We've been working on everything to the west of Mersey Road, so everything on the left-hand side of the picture, which are the main halls. We've been working on the design of that in conjunction with CASG and Naval Group.

Senator PATRICK: How much money has been spent on that?

Mr Knox: I can take that on notice, but it's about $14 million. I will get the real number to you on notice.

Senator PATRICK: So $14 million has been spent developing the western side of Mersey Road.
Mr Knox: That's correct.

Senator PATRICK: But, of course, that left-hand side makes some assumptions about the right-hand side. So the walkway or the area to get the submarines to the Port River is fundamental in that.

Mr Knox: Yes. As you can see in this diagram, area 314, as marked on the diagram, gives access to the wharfs, and, as I've said, we've bought the self-propelled modular transporters, the SPMTs, to move the submarines. We have access under this design to the wharfs. But, as I say, my focus has been to the west of Mersey Road, and we've progressed the CS-PIF and the PLBTF through the design phase.

Senator PATRICK: And about $14 million has been spent?

Mr Knox: Something like that. I'll give you the exact number.

Senator PATRICK: There's another option in play, which is to stay. That's on the record. Where's the diagram for that particular option?

Mr Knox: We don't have a diagram. We basically have a series of options, as I've said before, that would enable the works that would take place in the Collins shed to take place elsewhere.

Senator PATRICK: Where is that? You've spent $14 million on this particular diagram. I know there are multiple options at play, because that's been the response from Navy and from the minister, but where's the effort that would evidence the other options?

Mr Knox: I'll give you two examples. One is where Laing O'Rourke have set up their site, which is to the north of buildings 17 and 13. We have access to a significant piece of land there which could become an option if we wished it to be so. You also see the railway line, which is on the left-hand side of this diagram, and a very large car park area, which is 319. That is another option available to us. So we have a lot of land which provides options should the Commonwealth choose to leave Collins where it is.

Senator PATRICK: But just in the way the projects work—and we all know how projects work—

Mr Knox: Yes, we do

Senator PATRICK: There is a level of effort, both in time and, in this case, $14 million worth of effort that's been expended, focused around this option. I'm concerned about getting to a cabinet decision in December. If my reading of all the information is right—and I have a copy of the interim report, which is in the public domain, the Collins class full-cycle docking location study—then I'm confident, just when looking at it objectively, that there are significant risks and significant costs in moving it to the west. No-one in their right mind takes a billion dollars just to shift something; you build something or you grow something if you're using taxpayers' money.

My concern is that there's a period of time—you've described that as 12 months to me—that has been expended, and $14 million has been expended, on this particular option. That will introduce a schedule delay and a cost impact—in fact, wasted cost—

Mr Knox: No, it won't.

Senator PATRICK: Okay? So help me out.
Mr Knox: Just to be clear: in the last 12 months we've been working with Laing O'Rourke, obviously, and their designers, KBR. We've brought the CS-PIF, which is the top right-hand building here to full construction. We're going to start constructing that this year. That's been a big design effort with Lockheed Martin.

Senator PATRICK: Sorry, which building? Oh, that's 13 and 17?

Mr Knox: That's 17. We've brought 13 to the 60 per cent design level right now; it's a very important land-based test facility. They're going to test the propulsion systems. That's been a lot of effort as well. We're going to bring that to full construction by the beginning of next year—the first half of next year. That's principally where the engineers have spent their time. But in conjunction with that, they've been working on the design of the main halls. Obviously, that work has been at a much earlier stage because the functional requirements for the main halls are not fixed yet; they depend to an extent on a number of other factors. Once those functional requirements are really locked down then we will engage the full engineering team to design those main halls to Naval Group's and the Commonwealth's specifications. I'm looking forward to that work starting very soon.

Senator PATRICK: I'm still struggling as to why, when there are multiple options on the table, only one of them has a diagram of any use, okay?

Mr Knox: This is a Naval Group Australia diagram—

Senator PATRICK: Okay. Are you aware of any diagram that exists which explains the options—

Mr Knox: As I said, we've progressed some options in a gentle manner. Should they be required—

Senator PATRICK: Who has done the work for that? Laing O'Rourke?

Mr Knox: ANI has.

Senator PATRICK: ANI has done the work.

Mr Knox: Yes, we've done the work.

Senator PATRICK: Can you please table the documents, on notice, of the other options that are available—

Mr Knox: I can show you a diagram with the areas where, in the event that the Collins shed remains being used by Collins, we would do the functions that are in that shed on this diagram elsewhere. As you can see, there is plenty of space to do that.

Senator PATRICK: I understand that, and that's always been your evidence—that there's plenty of space. I'm just concerned about the level of effort that has gone into this particular solution out of multiple solutions. My FOI was not constrained simply to one diagram and yet this is the only diagram that appears to have come out of Naval Group in respect of plans for ASC. Did you want to say something, Ms Huxtable?

Ms Huxtable: You referenced an FOI?

Senator PATRICK: Yes.

Ms Huxtable: It's not an FOI to ANI, or to finance, so I wasn't sure of the provenance of this document—
Senator PATRICK: No, I'm just putting on the record that I have FOIed the plans for the future submarine construction yard and this is the only thing that got returned, which is odd in the context of there being multiple options on the table.

Senator Cormann: Yes, but this is a Naval Group document—

Senator PATRICK: Yes, but—

Senator Cormann: This is not an ANI document and it's not a government document. This is a Naval Group document, so obviously they are assessing this from their perspective. I'll say it again: the government has not made a decision. All of the options are on the table and ANI has full flexibility. They were asked by the government not to pre-empt any future government decision in respect of Collins sustainment activities and to retain full flexibility in respect of the use of land in the Osborne North area.

I went to visit not so long ago and inspected the site to satisfy myself that all options were still absolutely feasible—

Senator PATRICK: When did you visit the site, Minister?

Senator Cormann: It was three weeks ago?

Mr Knox: Three weeks ago, yes.

Senator PATRICK: You were in Adelaide and you didn't call me, Minister!

Senator Cormann: I often call you, but I thought that people might get worried about us spending too much time together!

Mr Knox: Can I just make the point: the two facilities to the north, which we are starting to construct very soon—we're going to get a piling rig out before we break for Christmas. We are going to construct 17 and 13 now. So we're keeping the schedule of construction—

Senator PATRICK: I'm not concerned about those two buildings, Mr Knox. To assist the committee and so I can drop this topic, can you please undertake to table those diagrams today.

Mr Knox: I will show you where the land is.

Senator PATRICK: No, the process is to table the documents before the close of business today. Is that possible?

Mr Knox: I can get you a diagram which shows you the areas which we are contemplating, in the event that the function that will take place in the Collins shed has to move elsewhere, as to where we would do that.

Senator PATRICK: And you can do that today?

Mr Knox: If you give me a little bit longer than a day—perhaps 48 hours—I can definitely do it, yes.

Senator PATRICK: That would be great. I'll be watching out for that. Mr Whiley, the $27 million that Senator Cormann referred to—that was, for a long time, sitting in a number on a spreadsheet in Canberra, with no money being transferred to you. Can you tell me how much money of that $27 million announced at MYEFO in 2018, I think it was, has been spent with ASC?

Senator Cormann: It was $29.4.

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE
Mr Whiley: I'll have to take that question on notice to give you the breakdown of all of those.

Senator PATRICK: Is there any—

Senator Cormann: I can give you a bit of an update. Under this initiative, to date $22.2 million of work has been approved by Defence, and a further $8.3 million of work is being prepared for consideration by Defence. So that is slightly more than the $29.4. But there's $8.3 that has been put forward and that is currently being considered.

Senator PATRICK: So that's being considered. There's still no money transferred?

Senator Cormann: No—$22.2 million of work has been approved by Defence.

Senator PATRICK: And there's a work order associated with that?

Senator Cormann: In terms of the specifics on where that is in the administrative process, you might want to ask Defence. We'll provide you with that information on notice. I was just trying to be additionally helpful, beyond what Mr Whiley just told you.

Senator PATRICK: Mr Whiley, on notice—I'm trying to work out what work orders you actually have, and whether that $22.9 million has turned into a work order in respect of that MYEFO announcement.

Mr Whiley: I'll take that question on notice.

Senator PATRICK: Ms Huxtable, I read in the paper that you were at a cabinet meeting where ship construction was being talked about, and the Chief of Navy was very impressed with your level of knowledge.

Senator Cormann: You asked me about this yesterday.

Senator PATRICK: No, that was a slightly different question. I'm just letting you know that you've impressed the Chief of Navy with your knowledge. But, in relation to that, at what point in time did you become aware that the Navy had told ASC to make the assumption in their planning that ASC full-cycle dockings would shift to WA?

Senator Cormann: No, hang on. I've got to correct your question there. You just suggested that the Navy had told ASC to make that assumption.

Senator PATRICK: No, sorry—my apologies. I withdraw that.

Senator Cormann: That's what you just said. What you're referring to—

Senator PATRICK: Is the letter.

Senator Cormann: is what Defence has said to Naval Group, which is, of course, the private contractor for the building of the next generation of submarines.

Senator PATRICK: I apologise. I withdraw.

Senator Cormann: But that's an important clarification, I think.

Senator PATRICK: Thank you, Minister.

Ms Huxtable: I'll have to take on notice exactly when I became aware of that letter. I really can't recall.

Senator PATRICK: You can't recall?
Ms Huxtable: No. But I can assure you that we have very regular engagement with Defence in respect of our ANI and ASC responsibilities, so we work through these issues very regularly.

Senator PATRICK: Given your considerable knowledge of submarine construction yards, in terms of the diagram that you see now versus the other options that are being considered, how developed do you say this proposal is versus the other options?

Ms Huxtable: I'd just make the point that's already been made that this is a Naval Group diagram, and Mr Knox has obviously taken on notice the other construction designs.

Senator Cormann: It's not a government diagram.

Ms Huxtable: However, I would say in respect of shed 17 and 13 that they remain a constant across those designs, so the work that's being done now in respect of those two facilities remains relevant regardless of what decision government takes.

Senator PATRICK: I'm making the distinction between what ANI knows, what ASC knows—we know on record that they didn't know about the letter and necessarily—

Senator Cormann: Well, I didn't know about the letter either.

Senator PATRICK: I accept that. And what Finance knows—

Ms Huxtable: We've taken the letter on notice. But in respect of informing the government decision-making process—and I think it's very clearly on the record—we are working with Defence, with ASC and with ANI, as relevant, on ensuring that all the information is in front of government to inform that decision.

Senator PATRICK: Have you been provided with any numbers, in terms of the options that are being talked about—so shifting full cycle dockings to Western Australia? Retaining them in South Australia? I presume that's an important part of any consideration that you'd make?

Ms Huxtable: So the work is on foot. There aren't numbers in that sense. The work is continuing and it hasn't been finalised.

Senator PATRICK: Are there estimates?

Ms Huxtable: It's work that's on foot.

Senator PATRICK: Normally when work is on foot, people talk about this option and they don't talk in isolation of cost. So cost will be in there?

Ms Huxtable: Clearly cost is one of the issues—one of a number of factors.

Senator PATRICK: In the context of the options being explored, and I'm not going to ask for detailed numbers, just order of magnitude associated with retaining full cycle docking in Western Australia versus—and that might involve, I presume—

Senator Cormann: Did you just say retaining it in Western Australia?

Senator PATRICK: Sorry, retaining it in South Australia.

Senator Cormann: I feel like I'm protecting you from yourself!

Senator PATRICK: Of course they do do some work in Western Australia, and they do a lot of good work. In relation to rough order of magnitudes of retaining the capability in South Australia, whether that involves a shifting of assets to do that or whether that's retained in the
same place and the cost of shifting across to WA, what are the rough order magnitudes associated with those sorts of options?

Ms Huxtable: Those numbers just aren't available at this point, because we're still working through those options with ASC and with Defence.

Senator PATRICK: How do you advance things without an estimate of cost? That seems perverse and unprofessional?

Ms Huxtable: No. As I said, it's part of the overall consideration, but the work is not complete.

Senator PATRICK: I'm just asking you—

Ms Huxtable: You're asking me—

Senator PATRICK: I'm happy for you to take it on notice.

Ms Huxtable: You're asking me to inform a number that is not—the work is not complete.

Senator PATRICK: You're seriously telling me there are no estimates of numbers?

Ms Huxtable: I don't think—

Senator PATRICK: Seriously, you expect me to believe that?

Ms Huxtable: The work is incomplete.

Senator PATRICK: Are there estimates of those numbers available? I am not asking you for the numbers. Have you been made privy to estimates of numbers?

Senator Cormann: We might take that on notice and we'll—

Senator PATRICK: No. It's a question of knowledge.

CHAIR: Order, Senator Patrick—

Senator PATRICK: You can't take the fact that you know something or don't know something on notice. You either do or you don't—that's not something you can take on notice.

Senator Cormann: The secretary has given you—

CHAIR: Order. Believe it or not, witnesses are entitled to take anything they like on notice, and you're entitled to take issue with that but they're within their rights to do so. What I would ask Senator Patrick, given the committee has been generous with its time and letting us go over, is that you allow the minister and officials to answer your questions once you ask them and not badger them.

Senator Cormann: The secretary has given you her best answer right now, but on notice we ensure we will give you our best possible answer having considered the question that you have asked on notice to make sure—as I said to colleagues of ours yesterday—that it's entirely accurate based upon our best available information.

CHAIR: If there are no further questions for ASC and ANI, I thank you for your attendance here this morning and your evidence. We will have a break and start with the Future Fund when we resume.

Proceedings suspended from 10:19 to 10:35
Future Fund Management Agency
Department of Finance

CHAIR: I welcome Mr David Neal, Chief Executive Officer, and Dr Raphel Arndt, Chief Investment Officer, of the Future Fund Management Agency and I welcome officers from the Department of Finance covering program 2.8, Australian government investment funds. Mr Neal, do you wish to make an opening statement?

Mr Neal: I do.

CHAIR: Please.

Mr Neal: On Thursday 17 October we tabled our 2018-19 annual report in parliament. The report provides a comprehensive overview of the performance of the Future Fund and the five other public asset funds, and the operation of our organisation in the 2018-19 financial year. We've made good progress in the pursuit of our objective to strengthen the Commonwealth's long-term financial position. In 2018-19 the Future Fund returned 11.5 per cent, adding $16.8 billion to the value of the fund. Yesterday we released our portfolio update for the first quarter of this financial year. As at 30 September 2019 the Future Fund had generated a 10-year return of 10 per cent per annum, exceeding its target return of 6.5 per cent per annum. The Future Fund now stands at $165.7 billion. Since the fund was established in 2006, with capital contributions of $60.5 billion, it has earned over $105 billion for the Australian government.

We also have responsibility for investing the Medical Research Future Fund, which received a $7.8 billion contribution in July 2019; the Aboriginal and Torres Strait Islander Land and Sea Future Fund; the DisabilityCare Australia Fund; the Future Drought Fund; and the Education Investment Fund. I note that the Emergency Response Fund Bill was passed by the parliament last week. As the necessary legislative arrangements are finalised, we will be well prepared to take on the management of this fund. In total across the six funds the Future Fund Board of Guardians now invests $210 billion for the benefit of future generations of Australians. I welcome your questions.

CHAIR: Thank you, Mr Neal. Senator Gallagher, I'll come to you first, but I want to flag that Senator Whish-Wilson has some questions in this area and has to get to another committee, so, if need be, I may have to interrupt you to go to him so that he can do that.

Senator GALLAGHER: How long are you going to be?

Senator WHISH-WILSON: About 15 minutes.

Senator GALLAGHER: Well, you can wait then.

CHAIR: Okay. Senator Gallagher.

Senator GALLAGHER: Are the figures quoted in the front-page article in The Australian today from the analysis that you just alluded to in your opening statement—your update report?

Mr Neal: Yes.

Senator Cormann: It's actually more a question for us though because you're talking about the outstanding public sector superannuation liability. Is that what you're referring to?
Senator GALLAGHER: That's right, but I'm trying to work out where the story came from. Are you saying I should ask this in CSC rather than—

Senator Cormann: No. You should probably ask Dr Helgeby, who is responsible for all of the calculations that are to do with the future outstanding public sector superannuation liability.

Senator GALLAGHER: Dr Helgeby, where did this report emanate from?

Dr Helgeby: I understand it came from the annual report. Page 123 has the administered schedule of assets and liabilities. Under the liabilities section there are the superannuation provisions.

Senator GALLAGHER: Jeez. That would have had to have been drawn to someone's attention, wouldn't it? How would they have come across that?

Senator Cormann: The journalist approached us with a very specific question. From time to time we do get questions around the valuation of the public sector superannuation liability because the discount rates that you apply, given it is over an extended period, can have seemingly in nominal terms significant implications for the valuation of the outstanding public sector liability. A range of things impact on this. Depending whether it is a budget or a final budget outcome, different accounting standards apply, which means that different discount rates apply. Also from 30 June 2018 to 30 June 2019 the discount rate lowered somewhat because of movements in interest rates essentially.

Senator GALLAGHER: I think, now, it's probably relevant to go to the Future Fund. When you see a report like that in terms of federal super blowout at $50 million, is that something you go back to the board with? Does it make you change your investment decisions?

Senator Cormann: No. I can assist with this. The Future Fund invests consistent with its mandate and the job of the Future Fund is to maximise return within the confines of the investment mandate that the government has issued. The government has made a policy decision, again, which is separate from the Future Fund, not to draw down on the Future Fund investments. Under the act, we could have started to draw down from 1 July 2020 or at the time when the government actually determines that the outstanding public sector superannuation liabilities are fully covered. We have made a decision not to do that. I guess what's happened with the valuation of the outstanding public sector superannuation liability is because of the adjustments in discount rates, in our view, re-enforces the need for the decision that we've made—that is, to let the Future Fund continue to invest, achieve very high returns against the very low interest rate that is paid on public debt interest.

Senator GALLAGHER: From my hearing of your answers there, Minister, and the very low profile that the issue took in the annual report, because I don't think it's mentioned in other parts of the annual report, you're not overly concerned about it at this point?

Senator Cormann: No. The valuations of the outstanding public sector superannuation liability move around, depending on what assumptions are used. In the end, it's not something that the government will have to pay today; it is something that will continue to be dealt with in a phased approach. I think it's fair to say that over the next few decades, it will continue to move around.

Senator GALLAGHER: So business as usual?
Senator Cormann: From our point of view, business as usual. We rely on the Future Fund to continue to do its job to the best of its ability, so we can ultimately bridge that gap.

Senator Gallagher: Which it sounds like it's doing from your opening statement, Mr Neal. You listed a number of the funds that now fall under your responsibility. How many are there in total?

Mr Neal: We have six funds in total.

Senator Gallagher: Does that include the Emergency Response Fund?

Mr Neal: That replaces the Education Investment fund. Yes, the number of funds stays the same.

Senator Gallagher: It's the nil sum game. Do they all operate in the same way? Do they have the same parameters around them, rates of return?

Mr Neal: No. They all have their own investment mandate that's obviously given to us by the government, so they would reflect the risk and return parameters that the government sets. For example, the Medical Research Future Fund has a lower risk mandate than the Future Fund because it does pay out cash flows every year and the stability of those cash flows to the medical research community is important and, therefore, there is a lower risk profile—accepting a lower return to have that lower risk profile.

Senator Cormann: And to have increased liquidity, obviously, when required.

Senator Gallagher: Yes, sure.

Mr Neal: Each mandate is set for its own fund. So, no, they're often different.

Senator Gallagher: Do you report that in your annual report?

Mr Neal: Yes. The specific mandate for each is described in the annual report.

Senator Gallagher: Can you confirm when you took responsibility for the management of the Future Drought Fund?

Mr Neal: 1 September this year.

Senator Gallagher: Was that the same date—was that the same as the Building Australia Fund closed?

Mr Neal: Correct.

Senator Gallagher: They closed on the same date. How much was in the Building Australia Fund at the time of its closure?

Mr Neal: $4 billion.

Senator Gallagher: The entire amount was credited to the Future Drought Fund?

Mr Neal: It was.

Senator Gallagher: What's the target rate of return for the—do we call it the FDF or has it got a shorter name?

Mr Neal: We call it the FDF.

Senator Gallagher: I'll go with that.

Mr Neal: That has not yet been declared by the government, so we don't have that number yet.
Senator GALLAGHER: When will that happen?

Senator Cormann: Soon.

Senator GALLAGHER: We're not going to get something more?

Senator Cormann: We have to obviously comply with all of the accountability and transparency arrangements when that happens and we'll do that—

Senator GALLAGHER: You're taking advice on that now?

Senator Cormann: We're taking advice on that now and we are dealing with it as swiftly as we can.

Senator GALLAGHER: Was there a budgeted rate of return for the drought fund in the budget?

Senator Cormann: When the budget measure was announced, there was $3.9 billion in the fund. The projection is that, over the medium term, the capital value in the fund will increase to about $5 billion. That is after regular drawdowns of $100 million every year, from 1 July 2020, to be invested in drought resilience projects. These projections will be updated at the Mid-Year Economic and Fiscal Outlook, but the most recent fiscal projection in relation to this is that the capital value would increase to $5 billion over the decade at the same time as making regular withdrawals of $100 million a year.

Senator GALLAGHER: So I could work it out if I project forward when you are going to be at $5 billion—where you are now, minus $100 million from 2020 from earnings—or you could just tell me.

Senator Cormann: I will tell you as soon as we are in a position to do that.

Senator GALLAGHER: But didn't you have one for the budget?

Senator Cormann: Sure, we did have some underlying assumptions underpinning the budget, and I could provide those to you on notice if you would like us to.

Senator GALLAGHER: All right. This is probably linked to that. Based on your investment strategy, when will the Future Drought Fund meet its budgeted revenue levels?

Senator Cormann: Obviously we will be providing a target investment rate of return, which will be higher than that which applied to the Building Australia Fund. Based on the assumptions and projections that are included in the budget the expectation is that we will reach $5 billion by the end of the medium term, having disbursed $100 million every year from 1 July 2020.

Senator GALLAGHER: All right. So stand by on that. According to the MYEFO measure, in 2018-19, Finance, along with Agriculture, was given a fair bit of money. I think it was given $8 million to establish and deliver the fund over four years. However, when you go to that table—I don't have the table number with me—it has the measure showing that Finance starts at $8.9 million and then increases to $18.3 million and $19.4 million by the final out-year. What is that for?

Senator Cormann: Can you give us a page number?

Senator GALLAGHER: I can't. I've got the table. 'Future Drought Fund establishment' is the title of the table. Basically, Finance seems to get a lot of money—unless it's being spent
for something else—to establish the Future Drought Fund and it is over four years. Sorry, I don't even have MYEFO with me.

**Senator Cormann:** This is not for the Department of Finance as such. This would be the administrative expenses of investing the $3.9 billion ongoing. I am advised it is the component of Future Fund expenses associated with the investment.

**Senator GALLAGHER:** Okay, but they get attributed to Finance?

**Senator Cormann:** That's what I've been told.

**Senator GALLAGHER:** So your people are Finance, are they?

**Senator Cormann:** I'm the lead minister responsible for the administration of the Future Fund. From that point of view, it is allocated to the Finance portfolio—that's right.

**Senator GALLAGHER:** So they're costs that you haven't had because the BAF's been—

**Senator Cormann:** Essentially the BAF was invested fundamentally on cash equivalent. Obviously this is going to be somewhat more involved—the level of investment activity required—but the net return is there to warrant the additional investment in investment capability. Over the medium term, we are expecting the capital size of the fund to increase to $5 billion while we are disbursing $100 million a year. In net terms, that is obviously a very attractive measure.

**Senator GALLAGHER:** Yes. If you are a drought fund beneficiary, it looks like there is $100 million coming out every year. But $20 million of that is to deliver that $100 million—about 20 per cent.

**Senator Cormann:** I will put it into perspective: $100 million a year, over 10 years, is $1 billion. In fact, the medium term is 11 years if you include the budget years. So that is $1.1 billion in money paid out. And there is an additional $1.1 billion in additional capital, so there is $2.2 billion worth of value being created, half of which is released to the community, for a comparatively small fee. If you invest this sort of money and you want to secure a higher return, you do have to make some investment in the funds management and investment management side of it.

**Senator GALLAGHER:** But you could say the same about the fees associated with managing it. Over 11 years, it would be $220 million to disburse $1 billion. It is still a fair bit of money. I don't know how it lines up with other things. It is just that when this drought fund is only giving out $100 million but you're spending $20 million delivering that $100 million—

**Senator Cormann:** The returns are net of those costs. That is a very important point.

**Senator GALLAGHER:** I'm not saying you're taking the $20 million from the $100 million. I'm just saying $20 million seems like quite a lot to deliver $100 million through the Future Drought Fund.

**Dr Helgeby:** Senator, can I clarify that table. There are two things going on there. There is the expense line, which is what you are looking at, and down below is the revenue line. So the way to read this table is to read the expense line—which is the cost of running the $4 billion growing to $5 million, which is the number that goes to 19.4—against the revenue line, which is down the bottom.

**Senator GALLAGHER:** Which is what you expect to make—
Dr Helgeby: Yes, that's right.
Senator GALLAGHER: with your rate of return that no-one will tell me about.
Senator Cormann: We will be providing information about this.
Senator GALLAGHER: I'm sure you've got it. I don't know why you don't just give it to us.
Senator Cormann: Honestly, if I had it at my fingertips, I would just give it to you.
Senator Cormann: It's the sort of thing that we give on notice in order to be accurate.
Senator GALLAGHER: It sort of underpins all these figures, though; it's just odd. Anyway.
Senator Cormann: To be fair, we didn't expect questions on the 2018-19 MYEFO. Since we last met, obviously we had the budget and then the final budget outcome. We have already dealt with the 2018-19 MYEFO additional estimates in February this year. But we are happy to help.
Senator GALLAGHER: I've been burning to ask these questions!
Senator Cormann: You must have been holding these questions in reserve in the lead-up to the election!
Senator GALLAGHER: I was! Did Finance provide to you any advice on the reappointment of Mr Costello as the chair of the Future Fund for another five-year term in February this year, or was that a decision—
Senator Cormann: It was a decision of government. It was recommended to the cabinet by the Treasurer and me. It followed the normal processes of cabinet. I am sure that, as part of the cabinet process, Finance would have provided advice to me as they always do.
Senator GALLAGHER: Once this five-year term is completed, how long will Mr Costello have been chair of the Future Fund?
Senator Cormann: This is his second five-year term. That would make it a 10-year term as chair. I hasten to add that Mr Costello was appointed to the Future Fund board of guardians by a Labor government.
Senator GALLAGHER: Yes, I know that.
Senator Cormann: So I know that the Labor Party agrees with us that he is a highly distinguished former leader in the economic policy space here in Australia—a giant of Australian politics. He is doing an outstanding job as the chair of the Future Fund. He was appointed by you.
Senator GALLAGHER: I understand that he was appointed to the board by us. I'm not having a go at the appointment. I'm having some general questions around whether Finance, with its key role in governance and accountability standards across the service, has a view on long-term appointments. What is best practice when it comes to turnover of senior appointments in government?
Senator Cormann: That's a fair question.
**Senator GALLAGHER:** Was there any consideration given to whether these positions should go to an application process?

**Senator Cormann:** When you have an incumbent in their first term, renewal is not unusual. But the broader point you make is right—and I'm sure Ms Huxtable will be able to assist you with this. There is obviously a good governance practice where, after a number of terms, you need to consider the need to refresh and make sure that you continue to develop the board for the future.

**Ms Huxtable:** That's right. I think there are issues in terms of the construction of boards. Certainly our expectation is that boards do an annual review and engage with government around the skills mix, where there may be skills gaps, so that all those things are taken account of in constructing a board. I think with the chair positions, especially in areas where there's a degree of specialisation, it's important also to have that continuity in the chair. While I certainly wouldn't be advocating many terms for chairs, I think two terms is a quite common practice and quite sensible, in that it does enable the board to get on a very solid footing and also the chair to manage any transition issues on the board as you look to renew and refresh the board.

**Senator GALLAGHER:** But there wasn't an application process for this appointment. It was just a straight reappointment.

**Senator Cormann:** We had an incumbent who was doing a great job and who had only served one term as the chair. It was considered appropriate to renew his appointment.

**Senator GALLAGHER:** We might come back to the general governance principle later. I'll hand over to Senator Whish-Wilson.

**Senator WHISH-WILSON:** Mr Neal, I've asked you questions in previous estimates around carbon risk and the approach that your Future Fund has taken to that. You've probably seen that there's been a bit of momentum in this field in recent times. The Reserve Bank, APRA and ASIC have all made some pretty strong statements about the need to assess and better report on carbon risk. Some of their statements have been quite robust. They've called climate changes risk 'all-pervading' and 'legally foreseeable', and they've stressed the distinctly financial nature of climate risk. What actions have you taken to better understand your exposure to carbon risk in your investments?

**Mr Neal:** We agree with those statements. We've said here a number of times I think over the years that we think the appropriate response is to understand the nature of the risk that climate change and many other risks pose to our portfolio, to understand the nature of that on the potential impairment of the cash flows that come from our investments. That can come in a whole variety of different ways—regulatory change, physical impacts, transition, all those sorts of things. We seek to make sure that those things are understood and factored into the prices we pay for the assets, so it's integrated into our investment decision-making.

**Senator WHISH-WILSON:** How have you done that? Have you done that through internal resources or have you hired external consultants that specialise in this area?

**Mr Neal:** We do it in a variety of ways, depending on the nature—because our portfolio is managed in a variety of ways. The vast bulk of our portfolio is invested through external fund managers. That's the model look we have and the government anticipated when the Future Fund was set up. Given that, obviously the vast bulk of our activity is to explain to our fund
managers what our policy is and our approach is and to expect them to manage their portfolios accordingly. We seek to understand the processes and techniques that they use to understand those risks and to make sure they are factored in.

Senator WHISH-WILSON: In terms of those techniques and approaches and seeking to get them to understand your policy approach, have you asked any of those companies specifically for disclosure from the companies they're investing in about their material carbon risk?

Dr Arndt: It depends on the situation, as in the nature of the mandate, but in terms of carbon disclosure—for example, TCFD principles and so on—we support companies that the public is able to invest in being open about their exposure to those types of risks, so we do ask our fund managers, where it's appropriate, for their strategy to get that type of information and take it into account.

Senator WHISH-WILSON: What do you mean by 'where it's appropriate'?

Dr Arndt: Some of our investment strategies wouldn't hold positions for very long. They would be seeking to take advantage of arbitrages in markets over short time frames. But where there are investment strategies that are held for a long time, like an infrastructure mandate or an equities mandate that's looking at holding companies over the long run, then we think it's appropriate.

Senator WHISH-WILSON: That makes sense. In August, ASIC updated its regulatory guidance on disclosure to investors, urging them to make their carbon risk clear and to disclose that. Indeed, Senator McAllister might be interested to know that they did that based on the Senate Economics References Committee report into carbon risk, which the Greens initiated and Senator McAllister chaired. Have you given any specific guidance to those fund managers to disclose the risks in your investment and how have you communicated this?

Dr Arndt: The way we approach it is that the future path of carbon pricing and the market reaction to that is a long-run risk that we have to take into account, just like many other long-run risks. So, as our team sits down and works with the fund managers to understand their performance or their current portfolio, it's one of the issues that would be on the agenda when we're assessing their performance. We've not thought it appropriate to have a template, for example, for them to fill in because we think you lose the nuance of the story by just asking people to fill numbers into a form.

Senator WHISH-WILSON: That's interesting. My next question was going to be about whether you're considering adopting a consolidated approach across all those various investment mandates to disclose your own carbon risk across your investment portfolio. You obviously wouldn't be able to do that if you didn't have a template approach with individual fund managers or if they didn't have an existing approach.

Dr Arndt: At the moment, we wouldn't be able to do that, but we do look at each individual investment and assess whether it's appropriate or not.

Senator WHISH-WILSON: I understand some of these fund managers are international and there are differences in accounting standards right across the board and across different countries. The Reserve Bank, APRA and ASIC have all endorsed the framework developed by the task force on climate related financial disclosure, TCFD. Have you considered adopting the recommendations of the TCFD in terms of a future model or disclosure regime
for both the Future Fund and your clients? And, if so, have you communicated that to your clients?

Mr Neal: The important thing about those disclosures—the rationale, I think, for those disclosures is to make sure that the risks are known so that they can be properly priced. As Dr Arndt said, we support companies making those sorts of disclosures so that the markets price risks as efficiently as possible. That's good for the system, it's good for us and it's good for all investors. So we absolutely support going down that path. Nobody buys and sells the Future Fund, so those sorts of disclosures—from our perspective, that's not contributing to market efficiency and is a considerable overhead.

Senator WHISH-WILSON: Could you say that again?

Mr Neal: All the investments we make, we would support them making appropriate disclosures. I should say that we think it needs to be done efficiently as well. The market needs to find a way of making appropriate disclosures that isn't overly onerous on the corporate world, because, obviously, there are significant costs that come with that. So standardised approaches like the task force, I think, we support. That's good. That's where the value add is created—disclosures at that level. That's where that value is created because that enables the market to price climate risk and to have regard to climate risk appropriately.

Senator WHISH-WILSON: I might come back later, if I have a chance, to a response to what you said about market efficiency, but probably the most important recommendation of the TCFD, particularly for financial organisations like investment companies, is to undertake stress testing of the impact of climate related scenarios—sensitivity analyses. Are you aware whether any of your clients have undertaken those kinds of stress testing scenario analyses with their investments?

Mr Neal: I'm sure that they do. I would very much hope they do, and perhaps Raph can talk about the details of that; I'm not sure. One of the challenges for us is that we invest across all of the different asset classes and across many different fund managers and across different types of structures where you get access to information at different levels. It's actually quite a challenge. It would be a very significant challenge for us to try and bring all that together into a single set of scenarios—

Senator WHISH-WILSON: Indeed, I accept that it would—

Mr Neal: but we do expect our fund managers to be undertaking that type of analysis, because, as I said before—

Senator WHISH-WILSON: The simple way that I would describe it is that I understand it would be challenging but you'd be taking the lead on a very important issue that's continuing to build in importance and momentum and be recognised around the world, especially by financial regulators as a very material risk to investments and companies themselves. Wouldn't you agree that, in your relationships across all these contractors—let's call them contractors—and with the subcontracting of your funds management, you would have a lot of sway in asking for these kinds of disclosures and leading on this issue?

Mr Neal: As I said, the value add comes from expecting them to manage their risks in the most effective and efficient way they see, given their context: the type of investments they are making over the types of time horizons they're making them and in the style that they're making them and whether they're equities or credit or real estate or infrastructure and so on.
We would prefer them to manage that in the very best way they possibly can rather than us dictate the way that they should manage that risk in their context from our position. But that's—

Senator WHISH-WILSON: That then gets us into the territory of investment strategies. I presume you would run diversified investment strategy across the board. But you don't have any say in their investment strategies—

Mr Neal: No, that's not right.

Senator WHISH-WILSON: You just say, 'Here's some money, go away and do the best you can with it.'

Mr Neal: No, we feel like we own the investment strategy that our managers deploy. We've hired that manager to do a particular job. But this is one risk alongside dozens of risks that all of our managers are managing all the time. For us to dictate to the manager how they should manage every single one of those risks and what processes they should use to manage every single one of those risks would end up with us basically doing that job. They're tasked with doing that job, and doing it—

Senator WHISH-WILSON: Do you at least ask them for information about how they're managing those risks?

Mr Neal: We absolutely do ask them for information. We monitor them closely on that.

Senator WHISH-WILSON: For example, under the TCFD stress tests, the most important aspect, I understand, is around actions to succeed under the current Paris Agreement in terms of meeting our long-term commitments. Have you determined how many stranded assets you may be investing in as a fund or they may be investing in individually? I think Senator Cormann sees where I'm going with this, but—

Senator Cormann: I'm confident that the Future Fund would not be investing in stranded assets.

Senator WHISH-WILSON: Fossil fuels are very likely to be stranded assets.

Senator Cormann: I completely reject that proposition, and you can continue to campaign on that assertion, and we'll continue to pursue our more sensible plan at the centre of Australian politics, and we'll see how we go.

Senator WHISH-WILSON: I'm sure history will be on my side, Senator Cormann. Could you answer that, Mr Neal?

Mr Neal: Personally, I don't think there's such a thing as a stranded asset or a not stranded asset. There's a whole spectrum of likelihoods that certain assets—and not just fossil fuel assets, but any asset that a corporate owns—when the world changes, become assets whose value goes down or up as the world is changing. I come back to the point that there are dozens of risks that a manager has to manage in relation to any single investment and the value of the assets on a balance sheet going up and down is just a normal part of life as those risks change, as regulation changes, or as the future changes and as new technology comes along, the value of any asset on a corporate balance sheet changes. The managers are tasked with managing all of those variables all of the time.

Senator WHISH-WILSON: If I could put it another way, do you do any social impact screening of your investments for any particular investment category or class?
Mr Neal: Our ESG policy is very clear that we expect all the investments that we make and the governance of the investments that we make to be managed in an appropriate, ethical and social way, with all the regard that you'd expect to human rights, child labour—

Senator WHISH-WILSON: So you would no longer invest in tobacco, for example; would that be correct?

Mr Neal: We don't invest in tobacco; that's correct.

Senator WHISH-WILSON: Have you done any social impact investment analysis on energy investments, like fossil fuels?

Mr Neal: As I've said, for every investment we make, the whole range of risks that that investment is exposed to is taken into account when we make that investment. If your question is, 'Have we excluded fossil fuels?', absolutely not.

Senator Cormann: It would be entirely inappropriate to do so.

Mr Neal: We don't think that's—

Senator WHISH-WILSON: You don't accept that there's a social cost of carbon in this day and age, with climate change and all the evidence that we've got about—

Senator Cormann: The world continues to rely, to a large degree, on fossil fuels across a whole range of areas, and will continue to do so for the foreseeable future.

Senator WHISH-WILSON: I'm not disputing that, I'm saying there's a social cost to that.

Senator Cormann: It's absolutely an appropriate economic activity for the Future Fund to be invested in.

Senator WHISH-WILSON: So you don't believe there's a social cost to burning fossil fuels?

Senator Cormann: I believe that fossil fuels continue to be very important in terms of—

Senator WHISH-WILSON: Do you believe they have a social cost?

Senator Cormann: There's a significant social benefit in fossil fuels and it's helped to lift—

Senator WHISH-WILSON: You can weigh that benefit against—

Senator Cormann: millions and millions people around the world out of poverty. Indeed, it's a legitimate, legal and appropriate commercial activity that's entirely appropriate for the Future Fund to be invested in.

Senator WHISH-WILSON: I'm prepared to accept there's a social benefit to investing in fossil fuels; I'm not going to deny that. But I'm asking you on the flip side: do you also accept there's a social cost for investing in fossil fuels?

Senator Cormann: The net social benefit is very much on the positive side.

Senator WHISH-WILSON: That's where you and I, I'm sure, would fundamentally disagree, and that wouldn't be a surprise to a lot of people. But I'm asking: do you accept there's a social cost of investing in fossil fuels through the Future Fund?

Senator Cormann: I think you might be asking him for an opinion. If you listened to people—
Senator WHISH-WILSON: I'm asking if they have put a social impact investment strategy in place for energy investments—

Senator Cormann: I think Mr Neal has answered all of that.

Senator WHISH-WILSON: and is it something you will consider, Mr Neal?

Mr Neal: We don't invest for a social impact purpose. Our job is very clear. Our job is to generate a financial return for the government and for the nation.

Senator WHISH-WILSON: But you don't invest in tobacco companies?

Senator Cormann: That was a specific decision which was well publicised and discussed at the time.

Senator WHISH-WILSON: I agree with it, by the way. I'm wondering why we're not doing the same thing for fossil fuels.

Senator Cormann: Because it would be entirely inappropriate.

Senator WHISH-WILSON: That is your philosophy and your opinion.

Senator Cormann: No, it's not a philosophy.

Senator WHISH-WILSON: We're talking about analytical, hard, quantitative data around the impacts of fossil fuel—

Senator Cormann: I think that Mr Neal has really taken to you the limit of how much he can assist you on this. You're essentially trying to badger him into your view of the world, and that is not something you will succeed in doing today.

Senator WHISH-WILSON: No, it's going to take many years, but we're not giving up on it—and thank God for that! Mr Neal, are you able to look across your subcontractors and their mandates and can you give us an idea of the percentage of your assets that are in fossil fuel companies across those mandates, and the balance between renewable energy investments and fossil fuel investments?

Mr Neal: I certainly can't give you a number here; that's a very complex question. Exposure to fossil fuels is not an easy answer by any means.

Senator WHISH-WILSON: That's coming back to what carbon accounting is, right? That's what carbon risk disclosure is all about.

Mr Neal: There would be dozens of ways that people may choose to go about doing that on lots of different bases. I'm happy to give you an estimate.

Senator WHISH-WILSON: We've all agreed there's one particular disclosure regime here that the climate task force has worked on—

Mr Neal: I'm happy to give you an estimate, but I'm going to have to take that on notice.

Senator WHISH-WILSON: If you could give us, on notice, an estimate and whether it's been changing over time, and a balance across your investments on renewable investment that would be great.

Senator GALLAGHER: That's like 10 questions.

Senator WHISH-WILSON: I'm asking him to take them on notice.

Senator GALLAGHER: But you look like you're going to keep going. That's all.

Senator WHISH-WILSON: I'd love to keep going—
Senator GALLAGHER: I can sense that!

Senator WHISH-WILSON: but I know there's a time limit and all good things must come to an end.

Senator GALLAGHER: I think you're needed somewhere else, aren't you?

Senator WHISH-WILSON: I am, yes!

Senator GALLAGHER: Going back to where we talked about the six funds, the investment mandate and how they're all slightly different, I'm wondering if you could take on notice to provide a small table about what that looks like for us or against us—

Senator Cormann: We can do that. We're probably best placed to do that through Finance.

Senator GALLAGHER: That would be very useful. On the ESG policy, has there been any update to the list of companies excluded from the Future Fund's portfolio under the board's policy recently, or has that just remained the same?

Mr Neal: To give you a precise answer, I'd have to take that on notice. My strong expectation is that there will have been some changes, because there are always companies coming in and out.

Senator GALLAGHER: Do you publish those exclusions?

Mr Neal: We do.

Senator GALLAGHER: Is that a board decision, a government decision or both?

Mr Neal: It's the board's. The board defines a policy as to the rules around its exclusion, and then we obviously administer that policy. So no, it's the board; it's nothing to do with the government.

Senator GALLAGHER: But if the government wanted to exclude something, they could issue a direction to the fund. Is that correct?

Mr Neal: I'm not sure they could, actually, no—

Senator GALLAGHER: What do you think?

Mr Neal: I don't think the act allows that, and it's never been done.

Senator GALLAGHER: No—it couldn't be done, Dr Helgeby?

Dr Helgeby: My understanding is you'd need a change in the act.

Senator GALLAGHER: In order for the minister to direct the fund?

Dr Helgeby: That's right, yes.

CHAIR: If there are no further questions for the Future Fund Management Agency, I thank you very much for your attendance and your evidence here this morning.

**Commonwealth Superannuation Corporation**

[11:15]

CHAIR: I now welcome Mr Peter Carrigy-Ryan, Chief Executive Officer of the Commonwealth Superannuation Corporation and Mr Andrew Young, Chief Operating Officer, and officers of the Department of Finance to discuss program 2.7, public sector superannuation. Mr Carrigy-Ryan, do you wish to make an opening statement?
**Mr Carrigy-Ryan:** I do not wish to make an opening statement, thank you, Chair.

**Senator GALLAGHER:** There was an issue that was reported in our local paper, the highly esteemed *Canberra Times*, on 23 September 2019, warning about unpaid super. I think I've had a bit of correspondence from constituents about this as well. It may be a question for Finance.

**Senator Cormann:** It's Finance.

**Senator GALLAGHER:** Yes. The article talks about agencies, including the Department of Home Affairs, seeking advice from Finance about the issue. My questions are: can you provide an update on where this is at? Do you think there's an issue, how big is the issue, and have you calculated any potential liability? It's that sort of thing. I could ask them as 10 questions or you could just try and give me the information.

**Senator Cormann:** We'll be as helpful as we can be. I agree with you: it's important to provide reassurance on this issue, which has been raised a few times. But Finance would be best equipped.

**Dr Helgeby:** As a matter of hygiene, departments routinely look at how they've calculated various components of individuals' benefits. And the issue that's been raised here, as reported in that article, is in relation to a very specific, mechanical part of how superannuation salary is calculated.

**Senator GALLAGHER:** Yes, that's right.

**Dr Helgeby:** It really goes back to 1922—

**Senator GALLAGHER:** That's good news for you!

**Senator Cormann:** I'm not sure how many public servants from back then are still in our superannuation system.

**Senator GALLAGHER:** They'll be watching, don't worry.

**Dr Helgeby:** And it continues forward where there have been provisions in various regulations. The most recent regulation is a 1978 regulation under the CSS Act, where certain things are ruled to be in superannuation salary unless excluded otherwise. In particular, there's an issue that's been raised, and it's discussed in that article, which goes to rent-free accommodation when people are posted to different places. Now the word 'rent-free' is really important in this context. It doesn't mean subsidised, it means rent-free. That's one consideration. The other consideration is that those provisions can be superseded by enterprise agreements or individual agreements or other kinds of arrangements that can be put in place from time to time. And so the question that's being put is, effectively, whether or not, for particular individuals in particular organisations, the mechanical arrangements overrode—at a particular point in time—the provisions of the regulation. That's an issue that has to be tackled deep inside individual organisations, because it actually goes to understanding the employment history of an individual.

**Senator GALLAGHER:** So it's a legal question in part, is it?

**Dr Helgeby:** It's got a legal dimension to it, but it's more a question about what the practice was. What actually happened way back when? What was in place at that point in time? The only way you can really get to the bottom of that is by doing the archival work, pretty much.
Ms Huxtable: To add to Dr Helgeby's comments—and to do that on an entity basis, because every entity is going to have different practices. And even a small contribution to rental accommodation would override the 1922 arrangements.

Senator GALLAGHER: So it's, essentially, a pretty in-depth, manual, laborious process that is going to have to be undertaken.

Senator Cormann: By the relevant entity.

Ms Huxtable: By the relevant entity, sure, and noting that a large number of entities across the Commonwealth would not be impacted by this because they under no circumstances would have provided rent-free accommodation.

Senator GALLAGHER: Yes, because they don't have overseas postings. Finance would have some role in providing some advice on this going forward, is that correct?

Dr Helgeby: We work with all the agencies on a very regular basis. Some of them have approached us about this and we talk to them about it. Often what we do is we put them in touch with other people who are also working through these issues. But that's really the nature of the role we've been playing so far.

Senator GALLAGHER: Considering there may be a number of agencies, does Finance — there's probably some efficiency to come from someone having the lead on it, if it's going to have a similar impact on different agencies. If the problem identified is similar, you're not going to want five different agencies each responding in their own way. Does Finance play a coordinating role in that? Or is there some sense in pulling that together under someone to lead the work, acknowledging that the agencies themselves will have to deal—

Senator Cormann: It's a pretty isolated issue, I've got to say. It's not a systemic issue. Let me hasten to add here that from the government's point of view, and I'm sure it's an entirely bipartisan proposition, we are 100 per cent committed to every public servant and former public servant getting 100 per cent of their entitlements when it comes to superannuation, but there are some technical issues that have arisen that have to be properly sorted out.

Ms Huxtable: From an overarching perspective, apart from the information that Dr Helgeby has provided, that is the information that we would be providing to agencies when they engage with us. But I would say that individual agencies are well and truly the experts on their own employment practices over time, and what conditions applied and whether they've been overtaken by later agreements et cetera.

Senator GALLAGHER: Is there any idea on the scope? For example, how many people are affected at this point? What's the size of the problem?

Dr Helgeby: No.

Senator GALLAGHER: We might keep an eye on it, because you'll know more at the next hearing. My dealings with issues of super like this suggest that they can become quite significant issues to manage, including from a budgetary point of view if it is a large problem and agencies don't have the resourcing to go back and make the payments.

Senator Cormann: I might provide a bit of a historical context here too, because Dr Helgeby has referred to 1922. It really does go to the origins of Canberra as our capital and I know that, as a senator for the ACT, you'd be interested in this, Senator Gallagher. It used to
be common practice at the beginning of the Commonwealth for many public servants to be housed in cheap public housing when Canberra was first established, including hostels—

Senator GALLAGHER: Yes, we're still dealing with the legacy of that.

Senator Cormann: or, alternatively, to be provided with a living allowance as part of a benefit of employment. This living support was in lieu of salary, so it was reasonable to factor these arrangements into superannuation calculations. The practice in recent decades, when Commonwealth public servants have been provided housing benefits overseas, as Dr Helgeby indicated, has been somewhat different, where free accommodation has been provided and there's a question under the various rules—enterprise agreements and the like—about what the status of that support is vis-a-vis salary, for the purposes of superannuation calculations. That is the historical context to it, but, again, we don't want anybody to be out of pocket as a result of this.

Senator GALLAGHER: We might just check in on that later.

Senator McALLISTER: Was the CSC consulted in relation to the announcement of the terms of reference for the government's review of the retirement income system?

Mr Carrigy-Ryan: No—do you mean the announcement by the Treasurer, Senator? No, we weren't consulted in relation to that.

Senator McALLISTER: Or the composition of the review panel?

Mr Carrigy-Ryan: No.

Senator McALLISTER: I'll ask Finance: Ms Huxtable, was that something Finance was involved in?

Senator Cormann: It was a decision of the government, and so Finance was involved in the deliberative processes of cabinet in the usual way.

Senator McALLISTER: Through the cabinet process but not as a core element of your—

Senator Cormann: The lead portfolio responsibility is with Treasury, but it was ultimately a matter that was obviously a government decision, and Finance, as one of the central agencies of government, and with its particular role advising me, played its usual role as part of that process.

Senator McALLISTER: I am really asking about whether or not you consider that you have a line agency responsibility in relation to retirement incomes, particularly because organisations like CSC sit within the Finance portfolio.

Senator Cormann: Finance doesn't have a policy responsibility for the superannuation system or the retirement income system overall. Finance does have a role in relation to the administration of public sector superannuation and policy around public sector superannuation. The Commonwealth Superannuation Corporation is effectively a service delivery organisation which administers the investments and provides services to Commonwealth public servants or former Commonwealth public servants. But the policy responsibility for superannuation generally is very much with Treasury.

Senator McALLISTER: Noting that answer, has the CSC been involved in any discussions, preliminary work or communication with other departments or agencies in relation to the currently legislated timetable for increasing the superannuation guarantee or making superannuation voluntary for those on low incomes?
Mr Carrigy-Ryan: I would again refer to the minister. That's really a government policy issue. We are a service provider of a particular sector. We do have conversations from time to time about different things, but typically on government policy decisions around regulation, system structure, those sorts of things, we would not be consulted.

Senator Cormann: But the CSC administers the law, of course—the legislated increase in compulsory super, or the superannuation guarantee, obviously ultimately flows through by way of increased contributions if applicable.

Senator McALLISTER: I understand. Ms Huxtable, in the same vein, has the Department of Finance been involved in any preliminary work about changes to the legislated timetable for increasing the superannuation guarantee?

Senator Cormann: Changes to the legislated timetable? What do you mean? The government has made very clear that it's the policy of the government not to make any changes to the legislated timetable, so I'm not quite sure where that question is coming from.

Senator McALLISTER: Thanks for the confirmation. I wasn't clear that that was the government policy.

Senator Cormann: I've made that confirmation on the public record on several occasions over the last few weeks and months. I'm bemused by the fact that people still think that there somehow is a proposition of change. There is no change.

Senator McALLISTER: It's simply that Senator Hume was musing positively about 10 per cent being a nice round number. So you're saying that you're not contemplating 10 per cent?

Senator Cormann: The government's policy is reflected in the legislated timetable to increase the current rate of 9½ per cent to 12 per cent, as legislated. There's been no change to the government's position.

Senator McALLISTER: I have no further questions. I think Senator Sheldon has some questions.

Senator SHELDON: I understand that Garry Hounsell was reappointed to the board of the Commonwealth Superannuation Corporation for a term starting on 1 July this year.

Senator Cormann: That's right.

Senator SHELDON: Can you advise when his appointment was announced and made public?

Senator Cormann: From memory, he's a longstanding member of the board.

Dr Helgeby: It's his second term.

Senator Cormann: It's his second term, yes.

Ms Huxtable: We don't actually have the date. We could take that on notice. The first of July 2019 is the date of appointment.

Senator Cormann: I think it happened after the election that he was reappointed.

Ms Huxtable: We can take it on notice.

Senator Cormann: We'll take that on notice, yes.
Senator SHELDON: He took the second role. He was reappointed, you're saying, from 1 July—

Senator Cormann: Twenty nineteen. His initial term started on 1 July 2016. He was reappointed effective 1 July 2019, and he also, of course, is the chair of the Audit Committee within CSC.

Senator SHELDON: When would his consideration for being reappointed have commenced?

Senator Cormann: After the election.

Senator SHELDON: So the process determining his reappointment was after the election, and you're saying his appointment was from the 1st. Were there other people considered for that position?

Senator Cormann: He was an incumbent. As I said in response to Senator Gallagher's question in relation to Peter Costello as chair of Future Fund, given it was his first term and he did have the advice from the chair was that he was performing very well on the board—and he was indeed the chair of the audit committee—the government decided to reappoint him for a second term, as we also reappointed Mrs Ariane Barker, with effect from 13 September 2019 to 30 June 2022. This is a board whose composition is governed by legislation which was passed by the previous government. There are a number of ACTU representatives on that board who also have been renewed on a number of occasions. In relation to the employer representatives, these are obviously judgements that the elected government of the day makes on behalf the taxpayers.

Senator SHELDON: So there was a recommendation from one person for him to be reappointed. Was that—

Senator Cormann: When you say 'one person', certainly the chair of the Commonwealth Superannuation Corporation very strongly recommended his reappointment based on his performance on the board and given the skill set that he brought to the board, yes.

Senator SHELDON: Does the minister play a role within that appointment—

Senator Cormann: Across all relevant appointments, I make recommendations to the cabinet. The cabinet ultimately either accepts or doesn't accept those recommendation. This recommendation was accepted.

Senator SHELDON: I gather you, the minister, then made a recommendation that he be reappointed to board?

Senator Cormann: I made a recommendation to reappoint Mr Hounsell and Mrs Barker, both incumbent directors, for a further term. That's right.

Senator SHELDON: Did you take into consideration that Mr Hounsell attended a $12,000 fundraiser in Melbourne on 13 March 2019?

Senator Cormann: No, I was not aware of that. It played absolutely no role in any consideration whatsoever. But, by the same token, participation in the democratic process should not exclude anyone from consideration for appointment to relevant boards. That is, I think, self-evident. If we were to establish the principle that people were not allowed to be appointed to positions, even though they've got the skills, the expertise and the track record of performance, because they decide to support one side or the other of politics, I think we...
would be significantly shrinking the pool of talent from which we could draw. I think you will find that, under the previous government, there would have been a whole range of people who were strong supporters of the Labor Party in government at various levels. That is not something that I have ever been critical of because, to be frank, we cannot possibly try to run this argument that people should be excluded from consideration because they support one side of politics or the other. Across my boards, you'll find that there are a number of former Labor politicians and a number of Labor supporters who are performing very strongly on various boards. From my point of view, that is completely irrelevant. It's not a consideration when we make decisions of this nature.

Senator SHELDON: Mr Hounsell is chairman of Hello World. Hello World has been embroiled in a series of controversies. On 21 February there were reports about communications of Hello World meeting with the then ambassador in Washington, Mr Hockey, where urgent requests were made to have a meeting and comments were made that, 'Hockey owes me.' There was controversy, Minister Cormann, as you are aware—

Senator Cormann: I—

Senator SHELDON: No, I haven't finished. Minister Cormann, as you are aware, there was controversy regarding trips that applied. I appreciate that you've answered those questions in a number of places. But also, when you're making an assessment in light of all those considerations and recommendation for Mr Hounsell to be reappointed, also in a report in the AFR on 19 February 2018, Solomon Lew described Mr Hounsell as—I'll quote from the paper:

Mr Lew said Mr Hounsell's track record at Myer since becoming chairman on November 24 was "woeful" and he had demonstrated a "total lack of judgment" in the way he had acquitted himself in the role. Myer has a disgraced chairman for a CEO—

Senator Cormann: Chair—

Senator SHELDON: These are legitimate questions—

Senator Cormann: You are reading out a smear, to be frank.

Senator SHELDON: These are legitimate questions about—

CHAIR: Senator Sheldon, before you proceed on this matter, it has been the case in other committees in the past that individuals have been mentioned in a way that, if the words were repeated outside this context, it would amount to defamation, and subsequently exonerated. I would just ask you to think very carefully about how you are using the parliamentary privilege that you have to name individuals and to raise allegations about individuals.

Senator GALLAGHER: On that point, Senator Sheldon is reading a quote of what another person said about an individual to provide context around some issues he is raising about the appointment to the CSC board.

CHAIR: On that very point, it was with the assistance of a media article in another committee that allegations were put on the Hansard record, which were subsequently proven in defamation proceedings against that media entity to be false. So senators should be very careful in not using the special powers that they have under parliamentary privilege to aid a defamation of an individual, because we have a protection that the media do not. That's a general note of caution, and I ask, Senator Sheldon, that you proceed carefully on this.
Senator SHELDON: I'm mindful of what you're raised. I'm referring to an AFR article. I'm not aware that there was in this article some consideration whether there was to be defamation action. There has been no suggestion that a defamation action has occurred regarding these comments were reported to Solomon Lew from this article. These are comments about performance of a person with a very important position and role and goes to the heart of what considerations were given to the appointment of this individual. What weight the minister relies on it or what weight anyone else that recommended him relies on it is a matter for them.

CHAIR: Just to close this out, I am not aware of any specific allegations of defamation around this commentary either. All I'm noting is that I think we have an obligation to exercise the exemptions that we have from those laws carefully.

Senator Cormann: Let me assist the committee. Mr Hounsell is a former senior partner at Ernst & Young and chief executive officer and managing partner Australia at Arthur Andersen. He has extensive audit and risk skills. He has previously been the chairman and non-executive director of Spotless Group, the chairman of Emitch Limited and PanAust Limited. He has also previously been an advisory board member of PanAust Limited, Rothschild Australia Limited and Investec Global Aircraft Fund. He was a director at Orica Limited, Nufarm Limited, Qantas Airways Limited, Mitchell Communication Group Limited, Integral Diagnostics Limited, Dulux Group Limited and Investec Aircraft Syndicate Limited. He was an incumbent director on the board. The chair of the board recommended strongly his reappointment and the government, after the election, decided to accept that recommendation. I think that Mr Hounsell is eminently qualified and, like all of the directors on that board, makes an outstanding contribution.

Senator SHELDON: I'm not quite sure if you include that Mr Hounsell is an advisory board member of Charter Keck Cramer since 2013.

Senator Cormann: That's right. Mr Hounsell is an advisory board member at Charter Keck Cramer since 2013.

Senator SHELDON: Which is also involved in property developments.

Senator Cormann: What's the point?

Senator SHELDON: I'm just making a point that that's also the role they play. Further in this article, Solomon Lew is quoted as saying:

The man who has now decided to pay himself an additional salary to be executive chairman of this mess— referring to Myer—

Garry Hounsell, has demonstrated a total lack of judgment in the way he has acquitted himself in the role of chairman, and deserves neither to be appointed nor paid as executive chairman.

It goes on to say:

Mr Hounsell had backed Mr Umbers' "New Myer" strategy—

which we know failed and subsequently led to Mr Umbers leaving Myer—

before properly reviewing the strategy, had wound back management performance targets, overseen two significant profit downgrades, and repeatedly "lied to and misled shareholders," Mr Lew claimed.

It further went on to say:
You might remember Mr Hounsell—

**Senator Cormann:** Are you going to read out the entire article or are you asking a question? This is a question time.

**Senator SHELDON:** I'm happy to ask a question. I am putting it in context.

**CHAIR:** Senator Sheldon, given that you have so extensively quoted from this article, it might benefit the committee if you either make a copy available to the witnesses or that you seek to table it.

**Senator Cormann:** And then maybe just ask a question.

**Senator SHELDON:** I'm happy to ask the question. The question is, in light of those examples that were given by Solomon Lew, how much weight did Solomon Lew's comments have in this? These are critical questions when you're weighing up the appropriateness of someone being reappointed.

**Senator Cormann:** Individual Australians are entitled to their opinions. I, as the minister responsible for the CSC, put very much weight on the advice from the chair of the Commonwealth Superannuation Corporation, Mrs Patricia Cross, a very experienced company director. Indeed, the recommendation from the chair to the government was to reappoint Mr Hounsell because of his strong contribution to the board, including as chair of the audit committee. The government accepted that recommendation.

**Senator SHELDON:** It's a recommendation that seems inappropriate to me in light of the comments from Solomon Lew.

**Senator Cormann:** I disagree with you. Mr Lew, like every individual Australian, is entitled to his opinion. We are not forced to agree with his opinion. He obviously has very strong views in the context of matters related to Myer and he is entitled to those views. The government has assessed the performance of the CSC board, including the advice that came from the chair of the CSC board, and acted accordingly.

**Senator SHELDON:** I have no further questions.

**CHAIR:** If there are no further questions to the Commonwealth Superannuation Corporation, I thank you very much for your attendance here this morning and your evidence. The committee will now move to the Department of Finance.

**Proceedings suspended from 11:43 to 11:47**

**Department of Finance**

**CHAIR:** I want to outline the planned approach the committee has agreed to take between the opposition and the chair to get us through the program today. It's been necessary to manage this for two reasons. One, to manage the new division of responsibilities under Outcome 2 between Senator Cormann and Senator Seselja, and two, to manage ministerial availability and for the smooth and orderly operation of the committee today. So what has been agreed is that the opposition will prioritise their questions under Outcome 1 this morning and then, when questions have largely been exhausted there, they plan to move to Outcome 3 and then on to the Independent Parliamentary Expenses Authority, stepping briefly over Outcome 2. We then plan to return to Outcome 2 when questions are exhausted in those other areas. It may well be, depending on how the time goes today, that it will be Senator Seselja who will be at the table to answer the majority of questions in Outcome 2, but of course the
committee will expect that the necessary officials to assist him to do so will be here for that time and no officials will be dismissed except by agreement of the committee and announced by me as chair. Senator McAllister, is that a fair rendering of our discussion?

**Senator McALLISTER:** I have points of clarification. We'd hope to be able to get through our Outcome 1 questions by the time we go to Outcome 3. If not, we would seek agreement to come back to some of those issues in Outcome 1 after we've finished with IPEA.

**Senator Cormann:** Let's go for best endeavours. Obviously if we can release the officials that would be preferable, but we will work constructively with you to get to it.

**Senator McALLISTER:** The second item, and I don't think this is in conflict with your statement, but I think Senator Seselja is not responsible for 2.2 and 2.6. We'd expect that all of Outcome 2 was available for examination in the periods allocated to Outcome 2.

**CHAIR:** Exactly. Regardless of which minister is at the table, any questions under Outcome 2 can be asked to Senator Seselja, and officials who are necessary to assist will be here to assist for that part of it.

**Senator McALLISTER:** Thank you.

**CHAIR:** I should also just place on the record the standing request of the committee, reiterated to me by the opposition, for the ministerial staffing documents that are usually tabled to assist questions under outcome 3.

**Senator Cormann:** I think we've agreed to table that now. We can make that available now.

**CHAIR:** Great. Thank you.

**Senator GALLAGHER:** Just to clarify—because, as I said when we were having this discussion, we've got a few issues on a subject matter, general finance, that may move between 1 and 2 in a general sense—

**CHAIR:** Please proceed with those now.

**Senator GALLAGHER:** Thank you. I just wanted to make sure that we don't get into one of those games of, 'Well, that's 2, and therefore'—

**CHAIR:** No.

**Senator Cormann:** As long as you're not asking Treasury questions, of course.

**Senator GALLAGHER:** Then you'll flick us off to Treasury tomorrow to ask you the same thing. Perhaps I'll seek some direction here. I have some questions around the efficiency dividend, the ASL cap, and consultants and contractors as a general theme.

**Senator Cormann:** Yes.

**Senator GALLAGHER:** Thank you. On the efficiency dividend, to begin with, are you in a position to advise the committee on the cumulative impact of the efficiency dividend since the 2013-14 budget—was that your first budget?

**Senator Cormann:** No, the first budget was the 2014-15 budget. How could you forget?

**Senator GALLAGHER:** Was I there then?

**Senator Cormann:** I think you were.
Senator GALLAGHER: Let's not talk about me coming and going. Have you got a figure? I've tried to put it together. I've got a cumulative figure in the order of $10 billion. Is that a figure that you would agree with? That would be the cumulative impact of announcements made from 2014-15 and 2016-17 onwards.

Senator Cormann: To provide you with a cumulative number since 2014-15, we might have to take that on notice. We, of course, inherited an efficiency dividend, and we've made some adjustments to it along the way which were documented at the time. We had another one in the lead-up to the election, of course.

Senator GALLAGHER: Yes, that's right. I'll come to that. I've done a back-of-the-envelope calculation, but I would appreciate it if you would be able to take on notice that figure, which would incorporate the efficiency dividends in the period from 2014-15 to 2019-20. My figure is in the order of nearly $10 billion. If you take that on notice, that's great. In terms of the announcement of the additional efficiency dividend, when did Finance first become aware of this commitment?

Senator Cormann: It was an election commitment which was announced by the government as an election commitment, and we obviously got it costed in the usual pre-election costings process. But I might let Ms Huxtable answer that.

Ms Huxtable: We received a costing request in the election period. I could give you the exact date with a bit of assistance, I think.

Senator Cormann: While that assistance is coming forward, it's a matter of public record, of course, that the Labor efficiency dividend was $600 million higher in the election period, although you specified where the efficiencies had to be found. Our efficiency dividend had a value of $1.5 billion. Yours was $2.1 billion. We made a decision to leave it up to the departmental secretaries.

Senator GALLAGHER: Was yours in the order of $1.9 billion?

Senator Cormann: No, $1.5 billion, and we left it to departmental secretaries to determine where the efficiencies were most appropriately found, whereas you were somewhat more prescriptive.

Senator GALLAGHER: Let's concentrate on your one, because you're in government.

Senator Cormann: Over the forward estimates, departmental funding will reduce from $288.6 billion to $287.1 billion.

Senator GALLAGHER: I was sure it was $1.9 billion.

Senator Cormann: It's definitely $1.5 billion. I think Ms Huxtable has the timing for you.

Ms Huxtable: I've got a copy of the election commitment costing, which was received on 16 May, and the costing was completed that day.

Senator GALLAGHER: Wow. That's very efficient. So you received the costing request the day it was announced, effectively? It was announced two days before the election, I believe.

Senator Cormann: Yes.

Senator GALLAGHER: You were able to provide advice in that time?

Ms Huxtable: Yes, we were.
Senator Cormann: It's not a very complicated calculation.

Ms Huxtable: Basically, the proposal was to extend the additional ED rate to shift it to the right a year. It continued the profile. We already had a profile that was coming down, so it pushed that profile to the right, more or less. But we have a model that calculates efficiency dividends.

Senator GALLAGHER: So you got the request on 16 May. You provided advice, or ticked it off, on the same day. It was announced that day. But, prior to 16 May, you hadn't provided any advice or had any knowledge of that additional efficiency dividend.

Senator Cormann: The policy—

Senator GALLAGHER: Is that a no?

Senator Cormann: The policy proposal was submitted on 16 May. Obviously, in the ordinary course of business as a government, from time to time you assess options for potential future decisions as you work your way through the normal decision-making processes of government. If you want me to specifically check whether and to what extent there had been previous engagement and advice, I'm happy to provide that on notice.

Senator GALLAGHER: No, that's fine. If the advice from Finance is that they received the costing request on 16 May, that's it.

Senator Cormann: That is the advice.

Senator GALLAGHER: That's the advice.

Senator Cormann: Yes, that's the advice. Why was it left till 16 May, two days before the election?

Senator GALLAGHER: That's obviously a judgement for us. We made that judgement, and the Australian people endorsed that judgement, because two days later, having released that policy two days before the election, they decided to re-elect us to government.

Senator GALLAGHER: It was released the same day you released your costings; is that right? Did you release your costings on that day too?

Senator Cormann: It was part of the broader costings announcement; that's right.

Senator GALLAGHER: It just seems quite last-minute to me. Was it to avoid scrutiny perhaps?

Senator Cormann: I assume you didn't vote for us, then.

Senator GALLAGHER: I definitely didn't vote for you, Mathias. No surprise there!

Senator Cormann: Thank God we persuaded a majority of people in a majority of seats.

Senator GALLAGHER: I didn't vote for Zed either.

Senator Cormann: I think that we made ourselves available in the subsequent 24 hours to be grilled by a number of our esteemed journalists. I remember being grilled quite ferociously on ABC AM that morning by the formidable Sabra Lane, I believe it was. So I think the Australian people had a good awareness that our election commitments were more than fully funded by savings elsewhere in the budget.

Senator GALLAGHER: If the costing request went in on the 16th and you released your costings the same day, does that mean your costings for the campaign were not finalised until two days before the election?
Senator Cormann: We obviously had a plan internally. We were very confident where we would ultimately go, and we were working to our plan, but the formal paperwork was submitted and obviously processed in the timetable indicated by Ms Huxtable and subsequently announced by the government.

Senator GALLAGHER: Ms Huxtable, this is outside of the PBO costing process. This is something you do for governments of the day, is it? You're able to do that—

Senator Cormann: They will do it for you too.

Senator GALLAGHER: So did you turn around some of Labor's costings in a day?

Ms Huxtable: I don't think we actually received any costings from Labor.

Senator Cormann: You didn't trust my department with your costings, for some reason.

Senator GALLAGHER: I don't know; I wasn't part of it. It was a genuine question. It just seems—

Senator Cormann: I would encourage you in future, though, to avail yourself of that service.

Senator GALLAGHER: We've got the PBO. I think everyone's happy with that. But it was a genuine question.

Ms Huxtable: There's quite a formal process around costings. At the time that the election is called, we write to the leaders of the parties to set out for them the arrangements by which costings can occur, if they choose to use those processes. During the election period, it's a very public process. Ms Lee knows all the detail. We release information when a costing is received and when the costing is complete. That's all in the public domain, so it's a very transparent process.

Senator GALLAGHER: Is that for any party or any group?

Ms Huxtable: Yes.

Senator GALLAGHER: So you'd do it for the Greens as well, if they asked?

Ms Huxtable: That's correct. Amanda can explain.

Ms Lee: Parties can only request either Finance and Treasury or the PBO. Parties cannot have their costings undertaken by both parties, so one of the things we have to check is whether or not they've asked the other body.

Senator GALLAGHER: That is to avoid duplication.

Ms Lee: So we need to do that. Finance and Treasurer can cost for parties with up to five people in the party. Below that would be the PBO. We work very closely with the PBO to make sure that we're both equally transparent about what's been received.

Senator GALLAGHER: From the government's point of view and the evidence given this morning, your costings document was finalised on 16 May.

Ms Huxtable: In respect of that particular—

Senator GALLAGHER: But I think the whole document was released on that day. That's why the savings had to come out that day.

Senator Cormann: There's obviously one part of the process to bear in mind: that, as soon as a proposal has been submitted for formal costing, I think there is a clock that
immediately starts ticking in terms of publication of that costing. I think that, for that reason, as part of an orderly process during an election campaign, these policies are submitted for costings consistent with the announcement timetable.

**Senator GALLAGHER:** From the government's point of view, your costings were lodged at the last minute with the view that you release your costings document at the last minute, two days prior to the election.

**Senator Cormann:** I leave the characterisation to you. We work to an announcement timetable. Self-evidently, while you continue to announce policies, as we did throughout the campaign, you can't finalise your costings document in aggregate. We had delivered a budget on 2 April which reflected the government's costings, and in the period from 2 April—

**Senator GALLAGHER:** It didn't have that savings it though, did it?

**Senator Cormann:** In the period from 2 April to 18 May, further commitments were made to the tune of about $1.4 billion, and indeed we identified the saving of about $1.5 billion to pay for those commitments. But it stands to reason: having delivered a budget on 2 April, to the extent that there are further announcements over the subsequent five to six weeks, those then are reconciled in a document towards the end of the campaign because to do it mid-campaign meant that the document wouldn't have been in its final form.

**Senator GALLAGHER:** Okay, let's move on. I think we're going to disagree on that one.

**Senator Cormann:** You disagree that we delivered a budget on 2 April?

**Senator GALLAGHER:** I just think it's very last minute for the release of a costings document for the purposes of scrutiny through an election campaign. It seems like you've timed your costings requests with a view to limiting the amount of scrutiny that's allowed of those decisions that were taken. I think that's the take-out message.

**Senator Cormann:** I disagree. We delivered a budget on 2 April—

**Senator GALLAGHER:** Well, we do disagree.

**Senator Cormann:** All of the expenditure during the campaign was self-evidently publicly announced, so that was transparent. I don't think the savings measure is all that complicated for people to understand. We are making an additional $1.5 billion saving through the efficiency dividend in order—

**Senator GALLAGHER:** to pay for it, yes.

**Senator Cormann:** to pay for $1.4 billion in expenditure. I think that's a pretty straightforward mathematical equation.

**Senator GALLAGHER:** In terms of the extra money to come—and I know you've alluded in your earlier answer to seeking to, essentially, delegate to secretaries to make those decisions. In the previous budget papers, going back a couple of years, where you've had the efficiency dividend, you've said you would focus on known areas of inefficiency. Is this going to continue to be the focus? If so, what are those known areas of inefficiency? Does Finance have a view on that?

**Ms Huxtable:** Certainly it's an issue that we look at in our own organisation.

**Senator GALLAGHER:** But not across the board? You don't provide guidance?
Ms Huxtable: And, to the extent that we're involved in whole-of-government efficiencies and the thinking around whole-of-government efficiencies that also support secretaries to enable efficiencies to be found within their own organisations. There are a range of layers, I guess. One of the key points that the minister has already made is that finance distributes the efficiency dividend across agencies, and it is then a matter for the accountable authorities of those agencies to incorporate their own approach to managing the efficiency dividend within their portfolio. But I would point to a number of pieces of work that are underway—for example, the work on shared services is one example where there's a capacity to drive efficiencies by having a whole-of-government approach rather than individual entities managing their own enterprise resource planning projects. Similarly, with the work that's occurring in the whole-of-government procurement space there's opportunity to benefit from whole-of-government panels. We're also doing related work in the strategic property space, where we're really providing strength to entities' arms in terms of the way in which they go about negotiating their property arrangements and their leasing arrangements. I think it's spread right throughout the portfolio, particularly in outcome 2, but I think all the work that we do around public sector transformation is assisting entities to find more efficient ways of doing their business.

Senator Cormann: I would also comment to you that my preface to Budget Paper No. 4—

Senator GALLAGHER: I have it here.

Senator Cormann: is very good. It takes you through some of the government priorities when it comes to developing an even better—

Senator GALLAGHER: Which page?

Senator Cormann: Obviously pages—

Senator GALLAGHER: The whole document?

Senator Cormann: No, not the whole document. I would particularly commend to you pages 3 to 19, which take you through the government's efforts of continuing to develop an even better, more efficient, more productive and more responsive Australian Public Service.

Senator GALLAGHER: Look, I can prove that I've got highlighted bits all through that—

Senator Cormann: That's great.

Senator GALLAGHER: because I am one of them who have read it.

Senator Cormann: I'm pleased that you read what is available.

Senator GALLAGHER: I do. I love Budget Paper No. 4.

Senator Cormann: Excellent. We share that.

Senator GALLAGHER: Minister, in terms of the policy that you took to the election, with the extra efficiency dividend, and in light of the Prime Minister's comments—he had some pretty direct things to say—to the public service about deliverability and congestion busting, can you guarantee that no programs or, in particular, service delivery to the community will be affected as a result of this latest efficiency dividend measure?
Senator Cormann: The whole point of everything we do is to ensure that we continue to improve service delivery as well as being more efficient in the way we do it on the back of improved productivity and with the use of modern technology capabilities in particular. There is still much more that we can do, in particular in the outward facing service delivery areas of government, to fully leverage the opportunities that come with digital technology in particular.

Senator GALLAGHER: So will you guarantee that? We've got the Prime Minister on one hand saying that we want congestion-busting, deliverability and to get things done. On the other hand, we've got an additional $1.5 billion in cuts. Will the government commit and say that there will not be reductions in service delivery or programs that the government delivers against this backdrop?

Senator Cormann: Firstly, the savings we took to the election in this area are $600 million less—

Senator GALLAGHER: That's not the question. I know you pivot to Labor—

Senator Cormann: But that's an important point about our context.

Senator GALLAGHER: but the question is about what you announced and what you are now going to deliver.

Senator Cormann: If I may, our savings in this space are $600 million less than what you took to the election as part of your costings. So you must have made a judgement that you can continue to improve service delivery and so on, even after—

Senator GALLAGHER: We are other commitments there as well, as you know. Anyway, I don't want to get into Labor.

Senator Cormann: Just to conclude this point though—

Senator GALLAGHER: It is not Labor estimates; it's government estimates.

Senator Cormann: I can absolutely guarantee that we'll continue to do everything we can to improve the quality of service delivery and responsiveness to communities—

Senator GALLAGHER: But you won't commit?

Senator Cormann: I commit that we will continue to do everything we can to improve—

Senator GALLAGHER: No. The question was: will you commit that no government programs or service delivery or the ability to congestion-bust across the public service will be impacted as a result of the efficiency dividend?

Senator Cormann: They won't be impacted as a result of the efficiency dividend.

Senator GALLAGHER: When outgoing chief statistician David Kalish says: 'ABS, for example, will have to start cutting its key economic population reports and leave the government and Reserve Bank in the financial dark if it's forced to absorb any more budget tightening,' what's your response to that?

Senator Cormann: The ABS has got the resources it needs.

Senator GALLAGHER: Not according to its chief statistician. They're saying it will have to cut back deliverability of—

Senator Cormann: You're suggesting to me that individual agencies pitching for more money are somehow a news breaking development.
Senator GALLAGHER: It's not pitching. It's saying they will reduce what they are doing now.

Senator Cormann: I saw that very much as a pitch.

Senator GALLAGHER: From an outgoing chief statistician?

Senator Cormann: I've answered the question.

Senator GALLAGHER: If we take the Department of Human Services, which is cutting back its staff numbers from 28,587 in 2017-18 to a predicted 27,307, so going down by about 1,200 staff, what would you say to that? Can you guarantee those cuts won't play a role in Centrelink's workload, its ability to answer the calls, or blow out the waiting times for people to access those services?

Senator Cormann: Human Services is rolling out a massive capital investment to improve its efficiency and productivity. We're investing well over a billion dollars into the enhanced digital capability of the Department of Human Services in order to ensure that we can continue to improve responsiveness rather than having to rely on outdated human-resource-intensive ways of the past.

Senator GALLAGHER: So the staff at Centrelink are an 'outdated human resource'?

Senator Cormann: No, the staff at the Department of Human Services can deliver even better outcomes for their customers around Australia than they were able to in the past, before the government made a massive commitment to invest in the digital capability of that very important organisation. It is $1.5 billion.

Senator GALLAGHER: So essentially losing 1,200 staff in a financial year will have no impact on deliverability of services—that's your contention?

Senator Cormann: We're talking about roughly 25,000 staff in that particular organisation and, like all organisations, in the context of the opportunities on the back of modern technology, obviously there's a purpose behind investing in digital capability, and that is to deliver more and better outcomes in a less labour intensive way.

Senator GALLAGHER: So essentially losing 1,200 staff in a financial year will have no impact on deliverability of services—that's your contention?

Senator Cormann: We're talking about roughly 25,000 staff in that particular organisation and, like all organisations, in the context of the opportunities on the back of modern technology, obviously there's a purpose behind investing in digital capability, and that is to deliver more and better outcomes in a less labour intensive way.

Senator GALLAGHER: If we move to the staffing cap, your policy at the moment is that average staffing levels should remain at or below the 2006-07 level. Is that right?

Senator Cormann: When we came into government and we inherited a rapidly deteriorating budget position, as part of a budget repair effort we made a commitment to reduce the size of the Public Service back to the 2006-07 level and to maintain it at that level while the budget continued to be in deficit. Now, 2019-20 is obviously when we are returning to surplus. Moving forward, we will continue to make judgements to ensure that the size of the Public Service is appropriate but, obviously, at some point there will be growth in the size of the public sector. It will be as high as necessary and as low as possible because, in the end, we've got to continue to treat taxpayers' dollars wisely in that regard.

Senator GALLAGHER: So are you saying that policy's coming to an end?

Senator Cormann: What I'm saying is that the policy was a core part of our budget repair effort as we were asking all parts of the community to help get the budget back into surplus, help ensure that the Australian government lived within its means and that we weren't burdening future generations of Australians with being forced into paying higher taxes or expecting deeper cuts to pay for expenditure today. Obviously, now that we are in surplus,
that environment has changed, but we will continue to make sensible decisions when it comes to making decisions on additional Public Service resources.

**Senator GALLAGHER:** Okay, so is the staffing cap still in place or not?

**Senator Cormann:** What is in place is the ASL offset rule, and that is a requirement for agencies, when they get involved in new higher priority areas, to first consider whether there are opportunities to reprioritise existing resources before coming to government and asking for new additional resources. We think that is good housekeeping. What happened historically was that we continued to build on top of past priorities without properly taking stock and reassessing decisions of the past.

The way we've handled this, and the way we will continue to handle this, is that once that effort has been made, once an agency has assessed whether there's opportunity to reprioritise existing resources, if there is still an identified need to deal with an identified priority of government then we will make those additional resources available. But we didn't want to do it with the same automaticity that had happened in the past because government, in that context, just lost control of the growth in Public Service numbers.

**Senator GALLAGHER:** I've just got a few questions, which I'll try to get to before 12.30, but it will assist if answers are quick. I take from that that the staffing cap of maintaining levels at 2006-07 levels is being lifted, but the ASL offset rule remains in place.

**Senator Cormann:** Well, I would not want to send a message from here that it's now going to be open slather to increase the size of the Public Service. My answer stands. We will agree to increases in the size of the Public Service that are as high as necessary and as low as possible. But obviously the period of having to get the budget back from deficit into surplus is behind, as of this financial year. So, the fiscal environment is more benign now than what it was when we came into government. By the same token, we will still be focused on ensuring that the Public Service is as efficient, as productive and as responsive to community needs as possible.

**Senator GALLAGHER:** In terms of getting an exemption from the ASL rule at the moment—Finance manages that?

**Senator Cormann:** The only way something can come into the ERC room in terms of increased ASL is if I agree to provide an exemption or if the Prime Minister agrees to provide an exemption.

**Senator GALLAGHER:** And that would presumably go through Finance—through that initiative development process. So, Finance would be involved. Agencies would come to you and say, this is what we want to do, but we would need exemption from the ASL—

**Senator Cormann:** Finance scrutinises, on my behalf, any claims that agencies make and then provides advice on whether or not it is a legitimate and reasonable request that ought to be positively considered or whether it is a try-on, which can also happen from time to time.

**Ms Huxtable:** Noting that these come forward in the context of the costing process that Finance manages.

**Senator GALLAGHER:** Yes. Could you tell me how many exemptions have been granted in the last financial year?

**Senator Cormann:** I'd have to take that on notice.
Senator GALLAGHER: Will you take it on notice?

Senator Cormann: Yes.

Senator GALLAGHER: And the circumstances around the exemptions?

Senator Cormann: Yes—well, you're asking for detail around every individual exemption? Is that what you're suggesting?

Senator GALLAGHER: Well, I don't know how many there are. It's really: how many exemptions have been given? I don't want people spending hours on it.

Senator Cormann: Why don't we start with providing you with the number of exemptions over the last year and then we'll take it from there.

Senator GALLAGHER: Yes. Then I can come back—yes. In terms of Finance, do you get feedback about how the staffing cap has been working? Do agencies come to you and say, 'This is the flow-on effect from having this cap in place'? Do you have a role there?

Ms Huxtable: As part of the costing process, certainly we'd get information from time to time from agencies about why an increase in the permanent Public Service is the preferred method of delivery of a particular program. So, we'll often go on a program-by-program basis. But Mr Fredericks might have more information about broader issues.

Mr Fredericks: Just to reinforce: I think where that issue comes to Finance most particularly is in the costing process for individual initiatives.

Senator GALLAGHER: Not in a general feedback sense?

Mr Fredericks: To be fair, there'd be times when, in providing context for proposals that are coming forward, we might be alerted to views the departments have about their relative capacity to continue to perform their function on the basis of ASL. That's a generalised view. For us what really matters—and frankly what only matters—is how that context is relevant to actual proposals that come to ERC where we provide advice, as the Secretary has described, on views that departments put about the necessity to use ASL, as opposed to other means, as the means of delivering that program.

Senator Cormann: The context really is that we wanted to stop this past automaticity because, whenever a measure was put in place, immediately and automatically additional public sector resources were attached to it. We wanted to be reassured, before providing additional resources, that all the existing resources were properly deployed. We think that's just good process.

Senator GALLAGHER: I'm trying to get a gauge on where you would go. If we take the CSIRO, for example, a lot of their funding is external and they've been asked to go out and get more external funding in order to do their business. It has been put to me that, even in situations where a project is 100 per cent externally funded—that is, no call on the budget at all—the CSIRO has had to say no to accepting that money because they would have to employ people to do the work, and that would breach the ASL numbers for their organisation.

Senator Cormann: That's just wrong.

Senator GALLAGHER: Is it? I've had a lot of people—

Senator Cormann: Let me tell you: I think there's a union there trying to do a bit of myth creation.
Senator GALLAGHER: No, it's actually not through the union; it's through people here.

Senator Cormann: Questions have been put to me that were very much generated by a union. Let me just make it very clear: if there is a good case as to why additional ASL are required and the explanation is provided that the opportunity for reprioritisation of existing resources has been exhausted, that absolutely can and would be considered by the government. The proposition somehow that there is inflexibility in this rule is wrong. It is something that particularly the union has been trying to suggest for some time, falsely. There is no limit to the capacity of the government to make decisions to provide additional resources, as long as we have been satisfied that a genuine effort has been made to reprioritise existing resources and as long as there is a case that that is in the public's and indeed in the country's interests.

Senator GALLAGHER: Are you saying in that situation—this actually wasn't raised with me by the union—that that did not occur at the CSIRO?

Senator Cormann: I will have to take that on notice. I'm not aware of that specific instance.

Senator GALLAGHER: It's not even an instance; it's a series of instances where funding has had to be rejected and referred to universities.

Senator Cormann: I'm not personally aware, off the top of my head—and I stand to be corrected, but I don't believe that I've been presented with a request to provide an exemption by the CSIRO. These news articles, which I saw, again, as a bit of a pitch, did not follow proper process within government in order to get the resources that they're saying through the media they believe they need. If the circumstance that you describe had been put to the government, that would have absolutely been considered by the government.

Senator GALLAGHER: I guess that links to this. Outside of the NPP process and looking at it through the budget kind of process, if an agency is facing those, where do they go? Would CSIRO go to Finance and say, 'This is the dilemma: someone wants to give us a lot of money to do this work; we can't do it without employing staff'? Where does this get resolved?

Senator Cormann: If the CSIRO has a proposition that they can make lots of money externally, as long as they employ more staff that they haven't currently got available, the first port of call would obviously be to work a proposal through with their minister and for that process to be managed through the proper process. I'm not aware of any such proposal having come through the process. I am aware of some attempt at propaganda and myth creation that's been generated around that particular topic.

Senator GALLAGHER: There is other feedback, which, looking at the time, we might have to go to after lunch, because I have quite a few questions, and I thank the committee for being generous with their time. PM&C, in their submission to the Public Accounts and Audit inquiry, said: 'Through removing ASL caps, agencies may have greater flexibility to recruit specialist staff at a reduced cost.' The Aboriginal and Torres Strait Islander Commission submission to the Thodey review said: 'The ASL cap is blind to funding and operational requirements, forcing the institute to rely on external contractors to deliver core functions.' Home Affairs also had a fair bit to say about the ASL and how it results in lifting contractors
consulting at higher rates because you haven't been able to employ people against the background of that.

Senator Cormann: Again, the data doesn't show that, because a proportion of contractors—firstly, the amount of money spent on government administration, including contractors and consultants, as a proportion of overall government expenditure continues to trend down. So that disproves that proposition. And the proportion of consultants as part of the overall spend on contracts is actually stable; in fact, it's about the same as it was under Labor. So there hasn't been any noticeable change. The most recent AusTender dataset published on data.gov.au on 28 August 2018 showed that consultancy contracts as a proportion of total contract notices by value have remained relatively stable at approximately one per cent since 2011-12. So, again, this—

Senator GALLAGHER: Where was that from? What was the document you were quoting from?

Mr Fredericks: It's the most recent AusTender dataset published on data.gov.au on 28 August 2018.

Senator GALLAGHER: It was 2019?

Senator Cormann: Again, this goes to misinformation. It is just not true—

Mr Fredericks: It was 2018.


Senator Cormann: There are very good reasons for why from time to time individual agencies would rely on contractors. We've gone through this in the past, where the need for additional support is temporary, or where there are particular specialist skills required or whatever, it is more efficient to rely on contractors. But if individual agencies have a genuine need for additional permanent Public Service resources then there is a process within government for that to be considered and for these decisions to be made. But those agencies do have to demonstrate that they've made a genuine effort to re-prioritise within their existing resources. We believe that we have a responsibility to taxpayers to ensure that happens.

Senator GALLAGHER: Okay. These have been put to me as distortions from having those staffing caps in place, but you would say they don't exist? You do not accept that the staffing cap has—

Senator Cormann: None of the data shows any distortions at all. In fact, it is actually showing that the measures that we have put in place are working as intended in improving the efficiency of government administration. The cost of government administration, including the cost of the Public Service, the cost of contractors and consultants—and travel, for that matter—as a proportion of overall government expenditure continues to trend down and has consistently trended down during our period in government.

Senator GALLAGHER: My wrap from this section of questioning is that you're providing more flexibility than you have in the past for the hard ASL cap that was put in place, but the offset rule remains. So agencies need to continue to come and seek approval for additional staffing, but it won't be a blanket no—

Senator Cormann: It has never been a blanket no. Firstly, we will continue to ensure that the size of the Public Service is fit for purpose and fiscally sustainable into the future.
Obvious, the fiscal environment has changed now that we've been able to bring the budget back from the deteriorating position that we inherited and bring the deficit position back into a surplus position. Obviously, judgements in the future will be made in the context of increased fiscal flexibility. That doesn't mean that it's going to be open slather. We will continue to ensure that the size of the Public Service is as big as necessary and as small as possible, and as productive, efficient and responsive to community needs as possible.

Senator GALLAGHER: In terms of how it's been working up to date, is it true that if an agency came with an NPP for consideration that needed additional labour, and to get around the ASL cap they had as part of that process that they would just employ consultants and contractors as opposed to ASLs, would Finance, against the backdrop of the staffing cap, view that as more favourable—that you're not as fussed if they employ temporary hire or workers to do that as opposed to breaching the staffing cap with permanent staff?

Senator Cormann: We are always as fussed. Obviously, an increase in permanent staff exposes you to an ongoing liability over the longer-term period. From that point of view, like any business would, of course you do take much more seriously a decision to sign on a permanent liability. But by the same token, the implication of your question is to suggest that somehow there has been this massive explosion in consultants to circumvent the ASL cap and the ASL offset rule: that is not true. That has not happened.

Senator GALLAGHER: We might come back to that after lunch.

CHAIR: Thank you. I think Senator McAllister has a quick matter to raise before we break.

Senator McALLISTER: Chair, I just want to get some clarity about the tabling of the staffing arrangements.

Senator Cormann: Sorry, I have asked for that to be done. Apparently the secretariat has it, so there you go. We did our bit.

Senator McALLISTER: Yes, I know. I don't understand why the officials didn't, but thank you, Minister, that's appreciated.

Senator Cormann: No. My officials did; the Senate officials—

CHAIR: Either way. We have the document now. I'm sure it will be circulated during the break to relevant senators. We will return at 1.30 pm and continue our examination of outcome 1.

Proceedings suspended from 12:30 to 13:31

Senator GALLAGHER: Just to continue on where we left off prior to lunch, Minister, I think you were saying that spending on consultancies as a proportion of all contracts has been stable over time.

Senator Cormann: That's right.

Senator GALLAGHER: We tried to listen to it in the TV thing, but I think that's what you were saying. Just flowing on from that, because I have a different perspective, the ANAO—

Senator Cormann: That's what the data shows.
Senator GALLAGHER: Yes. If we just break it down a little bit, though, because the ANAO has found that most of the work done by consultancy firms that are being brought in at the moment is not being tagged as consultancy contracts, I think we need to explore what you are including in your consultancy—

Senator Cormann: When you talk about what we are including, I note that it's been the same. Obviously we're comparing apples with apples, so, when we are referencing it since 2011-12, it's on the same basis.

Mr Jaggers: What the data from AusTender shows is that the spending on consultants and contractors remained at about one per cent of total spending. I think that proportion bounces around a bit, so it'll go up and down. Over the last 10 years, it's been at 1.3 per cent, 1.8 per cent and one per cent. It's roughly around one. It isn't actually a spending amount; it's actually the consultancies that have been advised on AusTender as contracts that have been entered into. So you may have a contract entered into over a three- or four-year period, and it appears in that single year. So what's important, I guess, is the broader trend.

Senator Cormann: It actually inflates the amount.

Senator GALLAGHER: In a yearly sense, so your total contract value is in that one year even though it's spread out over four?

Mr Jaggers: That's correct.

Ms Huxtable: That's why it's important to frame it as the value of contracts on AusTender.

Senator GALLAGHER: Okay, but can we just explore that, then: what you're using there wouldn't capture all types of labour arrangements that you bring into the APS?

Mr Jaggers: It's just measuring the contracts that have been put onto AusTender.

Senator GALLAGHER: And identified as consultants?

Mr Jaggers: Yes, identified as consultants.

Senator GALLAGHER: In your definition of that, what would that include? That would include, I think, giving independent advice or an independent view.

Mr Jaggers: I might ask Mr Hunt to outline the definitions.

Mr Hunt: There has been a definition in place. It's been in place for quite a long time, and it has a number of elements. Consultancies typically involve professional, independent and expert advice. Consultants largely work independently. They develop their own intellectual property. The result of a consultancy is generally the consultant's own intellectual property. So there are key differences. There's a flow chart on our website that helps agencies to determine—but the definition has been consistently in place for at least a decade. It applied throughout the whole period that Mr Jaggers referred to about the proportion of contracts.

Senator GALLAGHER: What I'm trying to get to is, I guess, the total cost for the APS of people employed or contracted not under the Public Service Act. How would you capture labour hire, management consultants and other contractual arrangements that involve labour and consultants, because I think—

Senator Cormann: We might take the detail of that on notice. But I would refer you to is page 16 of Budget Paper No. 4 and a very important graph that we've previously discussed.
What it shows is that the cost of government administration at a time when demand for
government services continues to grow—so the overall expenditure of government continues
to grow up—the proportion of the cost of government administration is actually coming
down, and that includes the combined cost of the public service as well as contractors and
consultants. We are expending more, yet the proportion of administering it is continuing to
come down. That shows that our approach to government administration is fiscally
responsible and, indeed, achieving the objective that we set out to achieve. Our more efficient
approach to government administration has helped the budget repair effort, which is what we
set out to do.

Senator GALLAGHER: Sue. But the situation you outlined would then include the cuts
you've made to permanent staff within the APS, so—

Senator Cormann: The unions are running this line that somehow we're spending more
on consultants and contractors and that that more than offsets the savings from a smaller
public service compared to the trend we're on. Essentially, what the budget papers show is
that the proportion of the total cost of government administration made up of all of the
relevant components—including the cost of the public service, the cost of contractors and the
cost of consultants included in that the overall cost—continues to trend down as a proportion
of overall government expenditure. If what some of the commentators, and some of the
unions, have suggested was true you would expect that proportion to be going up, and that is
not what the data shows. The combined cost as a proportion of overall government
expenditure—the combined cost of public service, contractors and consultants—continues to
go down.

Senator GALLAGHER: We've, indeed, had a look over time at AusTender, but we
looked again yesterday and when you compare the value of all contracts tagged as consultancies in 2013-14 it was $337 million and in 2018-19 it was $583 million, that's an
increase of 73 per cent. How would you explain that against the context of what you've just
said?

Senator Cormann: Say that again.

Senator GALLAGHER: If you measure a period of time on AusTender—so we looked
at 2013-14 value of all contracts tagged as consultancies in 2013-14, and that came up with a
figure of $337 million. You then test that same criteria in 2018-19 and AusTender gives you a
figure of $583 million, indicating an increase in cost of 73 per cent between those two figures.

Senator Cormann: You can't use AusTender the way you are proposing to use it. AusTender is not a financial reporting tool. AusTender is a transparency mechanism to report
at any one point in time the contracts that are active on behalf of the Commonwealth
government. I think it's just been explained to you/

For example, it allocates a multiple year cost of a particular contract in one single year, so
using the data the way you are using it is distorting it. The more accurate way of looking at it
is the way it's reported, either in the budget forecast or ultimately in the final budget
outcomes. What matters to the budget is what money is expended and for what purpose. What
I can say to you is that the money expended on government administration across all of the
different elements of government administration, from Public Service costs to contractors,
consultants, travel and all of the relevant parts that come into government administration—the
cost of government administration as a proportion of overall government expenditure continues to trend down.

Senator McALLISTER: As does the quality of government services, which is the observation that many people, particularly in regional Australia, would tell you, if you were listening.

Senator Cormann: That is your assertion. You can go to the next election, as you did to the last election, and make that point. And, to the extent that you can convince a majority of Australians in a majority of seats that is a reason for them to vote against us, then I'm sure you will secure the result that you would like to secure. So far we have made the argument, and the Australian people have backed us in the judgement that we've made.

Senator GALLAGHER: Just going back to your use of AusTender: I think before the break, Mr Fredericks, you referred to an AusTender report of 28 August 2018.

Senator Cormann: He referenced something that was released on data.gov.au I think.

Senator GALLAGHER: I thought you said AusTender. I've written down AusTender.

Senator Cormann: Yes. It's an AusTender dataset that is published on data.gov.au.

Senator GALLAGHER: How do you use it in that context but not in the context I am?

Senator Cormann: It's contract notices by value.

Senator GALLAGHER: So not comparing it year by year?

Senator Cormann: It's out of the stock at any one point in time consultancy value in proportionate terms compared to the total contract value. That gives you a more appropriate proxy to compare trends over time. What it shows is that in 2008 or 2009, the first year of the Rudd government, it was sitting at two per cent. It then trended down progressively over the following four years from two per cent in the first year of the Rudd government to about 1.3 per cent in 2011-12 and then, during our period in government—

Senator GALLAGHER: What a surprise. Is it going to—

Senator Cormann: No. During our period in government, the consultancy contract as a proportion of overall contract notices in every single year has been below or at the same level as under the Rudd government. It was 0.8 per cent in 2013-14, 0.7 per cent in 2014-15, 0.9 per cent in 2015-16, 1.1 per cent in 2016-17 and one per cent in 2017-18. The highest we've had is equal to the lowest that there was under the Rudd government. The proposition that there has been an explosion of consultancies under our government is a complete and utter furphy. It is an invention. It is a myth. It is not true.

Senator GALLAGHER: I'm trying to explore beyond consultancies. I want to look at all forms of contracted out labour. I'm wondering how you get a gauge on that. The ANAO has found it. There has been other commentary that when you bring in people to just be bums on seats, as is the colloquial term, that would not be captured by your definition of consultancy, because you're actually bringing in a form of labour hire one way or another. How do we get a gauge on what those costs are?

Senator Cormann: Let me give you an example. The Australian Electoral Commission obviously has a pretty lumpy demand for labour. There is a significant increase in demand for labour during an election period.
Senator GALLAGHER: Yes. As does the ABS with the Census. I understand that.

Senator Cormann: So in order to deal with those peak areas of demand, you wouldn't be hiring thousands and thousands of permanent public servants. You deal with these matters flexibly through the use of contractors. The same applies across other areas of government. That is not something that is in any way surprising. But, again, the important gauge and the important measure is to actually look at what is happening to the cost of government administration overall.

Senator GALLAGHER: Yes, but—

Senator Cormann: And the cost of government administration overall is delivering better value for money for the taxpayer than it used to because the cost of government administration overall, including the cost of contractors and consultants, as a proportion of all government expenditure, continues to trend down. That means that we are getting better value for the taxpayers' dollars that are invested in government administration.

Senator GALLAGHER: Does it? Because you're reducing your spend on permanent public servants at the same time?

Senator Cormann: No. That is actually not true.

Senator GALLAGHER: Well, you are.

Senator Cormann: No, we're not reducing it. In nominal terms, it is actually continuing to increase, for a range of factors. We have reduced the size of the Public Service since—

Senator GALLAGHER: It has come down quite a bit.

Senator Cormann: In 2014-15, we brought it back down to 2006 or 2007 levels and it has stayed stable since that time. If you look at the table on page 17, it will show you that, between 2013-14 and 2014-15, we reduced it from 177,258 to 166,261. In 2019-20, it is expected to be 166,762.

Senator GALLAGHER: I have seen the table. I get the point.

Senator Cormann: So it's stayed stable. We haven't reduced it. We haven't reduced it forever.

Senator GALLAGHER: If you reject the view that the cost of non-traditionally employed—under the Public Service Act—public servants, or the cost of contracting them outside of those arrangements is not increasing, then how do I get a gauge on those figures? Where do I find them, if I can't find them on AusTender? They are categorised under different definitions, and it seems to me most of them aren't consultants. You bring in most of your outside labour under labour hire or management consultants or other terms of employment. It's very difficult to get a gauge on what the total cost to the Commonwealth and the taxpayer is for that.

Senator Cormann: Firstly, we've kept the size of the Public Service stable, at around about the same number since 2014-15. That has helped us control the growth in expenditure of the Public Service, but obviously there hasn't been—as some people wrongly suggest—a related explosion in the cost of contractors and consultants, because, if there had been, that would be reflected in the graph on page 16, which shows a continued reduction in the cost of government administration as a proportion of overall government expenditure, of which it is one of the components. The budget papers report, obviously, expenditure on the same basis as
it was reported under your previous government. If you want further breakdowns, then obviously we're always prepared to assist on notice.

Senator GALLAGHER: Yes, that would be good, to try and understand, in the different employment categories, however you want to define them—because I think there are different definitions—what the total cost is to the Commonwealth. When I looked at AusTender yesterday—and I accept you don't compare year by year, perhaps, because of the lumpy nature of how that's recorded—it reported $1.43 billion for the cost of temporary personnel service contracts. That's just in one year.

Senator Cormann: It's not just in one year—that's the point.

Senator GALLAGHER: Okay, but how do you actually get to understand that?

Senator Cormann: Because you've made that point again, I've got to correct it again. What is presented on AusTender is the current stock of contracts, which gets updated, obviously, on a regular basis as new contract notices are issued. It's a transparency portal; it's not a financial reporting mechanism. You can't use data which, in every year, includes the full value of multi-year contracts for the purpose that you're suggesting. At some point in the past, there was a 10-year contract entered into in the Defence portfolio during the period of the Gillard government which went over a 10-year period, and it was one of the things that was used against us in suggesting that we were massively increasing the use of contractors, because there was a $1.8 billion value against that contract in every year of our period of government. It doesn't work that way.

Senator GALLAGHER: I accept that, on AusTender, because of the bulky nature, it is hard to understand how much is being paid in any given year, so is there any way to give us that figure? Is there any way? Is there any place I can go to and find that figure?

Senator Cormann: You can go to every single department and ask them, because every department is responsible—

Senator GALLAGHER: Or I could come to Finance and ask you.

Senator Cormann: Finance doesn't hold that data.

Senator GALLAGHER: But it could collect that data.

Senator Cormann: We hold the data for our department and we obviously collect all of the relevant financial data for budget reporting purposes, consistent with all of the requirements, including, of course, the accounting standards, where they apply. We collect all of the information as we must, but—

Senator GALLAGHER: Doesn't Finance have an interest in understanding that, as well? With your overarching responsibilities of fiscal and budget management and things like that, wouldn't you want to have a gauge on what's happening?

Senator Cormann: What I'm interested in—and I do have a gauge on what's happening—is what is happening to the overall cost of government administration as a proportion of overall government expenditure. That is what I'm interested in.

Senator GALLAGHER: So you're not fussed on how you get there?

Senator Cormann: Obviously, we have a stated objective of maintaining—we had a very clear policy objective of maintaining the size of the public service at 2006 or 2007 levels while the budget was in deficit as part of our budget repair effort. Regarding the risk that you
are suggesting has eventuated, I'm saying to you that the numbers show it has not eventuated. You're suggesting, and some commentators are suggesting, that, somehow, the savings from the reduced size in the public service have been more than wiped out by increased expenditure on contractors and consultants. That is not what—

Senator GALLAGHER: I'm asking if that's the case.

Senator Cormann: And I'm telling you that our—

Senator GALLAGHER: We're talking at a very high level.

Senator Cormann: If you look at the graph on page 16, it shows you that clearly that has not happened.

Senator GALLAGHER: The graph on page 16?

Senator Cormann: Of Budget Paper No. 4. I've mentioned it a few times now.

Senator GALLAGHER: I know, but I didn't bring my book. Someone's—

Senator Cormann: Essentially, it shows that departmental expenses, as a proportion of total government expenses, decreased from 8½ per cent in 2007-08 to seven per cent in 2018-19, and I expect it to further decrease to 5.4 per cent in 2022-23. If there was an explosion in the cost of contractors and consultants, which is a component of the cost of government administration, that would not be happening.

Senator GALLAGHER: Show me your page. Have you got it?

Senator Cormann: Have you got the budget paper for 2019-20?

Senator GALLAGHER: No. That's the problem; it's last year's.

Senator Cormann: I think you get the point, but on notice I undertake to see what best information—

Senator GALLAGHER: Thank you. Are you able to answer, in absolute terms, whether the use of consultants, contractors and temporary personnel service contractors has risen?

Senator Cormann: Well, the cost of the public service, in absolute terms, has risen, just through normal indexation and increases in wages. But what I can say to you is that the cost of government administration as a proportion of overall government expenditure has continued to come down, and we will continue to ensure that the cost of government administration is as low as possible while still making sure high-quality services are still provided by our world-class public service.

Senator GALLAGHER: You do report estimates of the total ASL in the general government sector, so you obviously collect that information. Why can't we have contractors, temporary personnel or whatever as another criteria?

Senator Cormann: We would have to hire quite a few more people to—

Senator GALLAGHER: Would you?

Senator Cormann: deal with that additional red tape that you are wanting to impose on the government. We are collecting and reporting the information that we need, but you now want us to hire additional people in every department to—

Senator GALLAGHER: No, in the interests of transparency and accountability—

Senator Cormann: We are being transparent.
Senator GALLAGHER: I want to understand the public service: how is it put together, who are the permanent public servants and who is coming in as labour hire? I think that's a pretty reasonable question. You're not able to answer it, so I'm asking: can't it just be reflected in the budget papers?

Senator Cormann: We would have to hire more people in order to collect more information that, quite frankly, doesn't add anything to the bit that matters for the budget, and that is what is happening to the overall cost of government administration, which continues to trend down as a proportion of overall government expenditure.

Senator GALLAGHER: Have you sought any advice from agencies on their use of consultants, contract hire and labour hire arrangements, in light of some of the commentary that's been written about this? Do you follow it up?

Senator Cormann: I constantly seek advice on how we can best achieve the government's policy priorities in the most efficient, most effective and most productive way possible. Whenever we make decisions on specific policy measures, that is what is guiding our decision-making.

Senator GALLAGHER: We might come back to that another time. All I'm saying, in a quite a reasonable way, is that there must be a better way to be a bit clearer about what's going on with your workforce.

Senator Cormann: I think what we're doing with our workforce is very clear.

Senator GALLAGHER: And what the cost of that workforce is.

Senator Cormann: The cost of government administration continues to go down as a proportion of overall government expenditure, which is one of the great achievements of this government.

Senator McALLISTER: I would like to ask about program expenses. What is the No. 1 call on the budget?

Senator Cormann: Are you asking us about the No. 1 call on the budget in terms of the next budget update, or are you asking us what—can you clarify the context of your question? Are you asking us what the biggest item of expenditure in the budget is looking back, or are you asking us for the biggest fiscal pressure moving forward? If you're asking us for the latter—what is the biggest budget pressure moving forward?—it is obviously the drought, both in terms of the impact it has on the economy and hence on revenue looking forward, as well as the pressure it puts on the need for additional expenditure.

Senator McALLISTER: I'm not asking about the No. 1 pressure on the budget; I'm asking about the No. 1 call on the budget: the No. 1 item of expenditure on the budget. I think it's normally listed in a table which indicates the top 20 programs by expenses.

Senator Cormann: If you're referring to the No. 1 call on the budget, as I'm speaking to you today that is the drought, because that is—

Senator McALLISTER: So you're trying to tidy up after Minister Frydenberg?

Senator Cormann: No, not at all.

Senator McALLISTER: A bit of a tidy up.
**Senator Cormann:** The No. 1 call on the budget—as I'm sitting here today and as we're considering what additional expenditure we may need to incur in the half-yearly budget update, to be delivered in the middle of December—is, without any question, the drought. The Treasurer is, of course, 100 per cent spot on in making that observation.

**Senator McALLISTER:** He's not spot on. The No. 1 call on the budget, according to the budget papers, is income support for seniors.

**Senator Cormann:** You're looking back at the budget that was delivered on 2 April. What the Treasurer was talking about, and what I'm saying in response to your question, is that, as we're looking forward to our next budget update, the No. 1 call right now, in terms of potential new policy decisions required to support families and communities affected by the drought, is—no question—related to the drought.

**Senator McALLISTER:** So the Treasurer should have said the No. 1 'new' call on the budget?

**Senator Cormann:** I would put it to you that was implied in what he was saying.

**Senator McALLISTER:** You don't think that the Treasurer was trying to mislead farmers about the prioritisation of their issue by pretending to them that they were going to be the No. 1 item of budgetary expenditure when, far and away, that is not true?

**Senator Cormann:** I completely reject that proposition. The Treasurer, having visited drought affected communities across regional Australia, made the accurate observation that, as we are putting together the half-yearly budget update to be delivered in mid-December, the No. 1 fiscal pressure we're dealing with is the impact of the drought, compared to where we were when we delivered the budget earlier this year.

**Senator McALLISTER:** Can I ask about the fiscal pressures associated with the drought response. Yesterday with Prime Minister and Cabinet I asked officials to talk me through the $7 billion drought package that the government claims is being delivered. Could you explain to me what that comprises.

**Senator Cormann:** Mr Fredericks is going to be able to assist you with this. Just to put it into context again, obviously there are various components that make up the fiscal impact of the drought on the spending side of the budget. You've got the fiscal impact of new policy decisions to support drought affected communities and families and then, of course, you've got a range of existing demand driven programs, which will see increased demand and, hence, increased expenditure as a result of these programs working as intended. On the former, Mr Fredericks will be able to take you through that in some detail. On the latter, I committed yesterday, and I commit again today, that we will provide that information on notice.

**Mr Fredericks:** The package you described, the $7 billion, is an accumulation of measures that were introduced in the MYEFO of 2018-19, the budget of 2019-20 and then measures that have been announced since the budget. I will deal with those three categories at a relatively high level, and, on notice, we will be able to give you more detail. At a high level, in MYEFO 2018-19 there are, essentially, three broadly-defined components. There was the Future Drought Fund and the establishment of that, which, as you know, grows to $5 billion. It's drawdown value over five years up until 2022-23 is $308 million.

The second large element of that package was the National Water Infrastructure Development Fund, which had a five-year cost of $410 million. Then there were a range of
measures that were about assistance for farmers and communities in drought. The core component of that was an additional $250 million a year in the provision of loans by RIC. I should just note, to pick up a point that the minister made, that there was already in existence a program of provision of $250 million per year under the RIC. This is additional to that; it doesn't pick up the pre-existing quantum. Then there were a range of other smaller measures. The net effect of those was $1.54 billion. So that was the package as at MYEFO in 2018-19. Then there was a package in the budget of 2019-20, which was a range of relatively small measures. That had a five-year impact of $58 million.

Senator McALLISTER: There was a five-year impact of $58 million?

Mr Fredericks: That's correct. Since the 2019 election, as everybody is aware, there have been a range of measures announced. Essentially, during the election itself there were three measures. There was the extension of the Drought Communities Program to 14 councils; that has a five-year cost of $14 million. There was a program for communities combatting pests and weeds, at $10 million, and the Drought Communities Small Business Support Program, at $7 million. There were then three announcements on 27 September this year: a further extension of the Drought Communities Program to 13 councils—that was $13 million; an increase to the Drought Community Support Initiative, at $33 million; and reforms to the Farm Household Allowance, which has a cost impact of $56 million. There was then an announcement on 13 October, which was an increase to the National Water Infrastructure Development Fund of $208 million.

Senator McALLISTER: For the $208 million, what is the time frame for the expenditure or drawdown of that fund?

Mr Fredericks: That fund is provisioned for the four years from 2019-20 to 2022-23.

Senator McALLISTER: So it's anticipated the total amount would be expended in that time?

Mr Fredericks: That's correct. The one thing I should say on that one, though, is that we don't have a final profile yet on what will be provisioned between which years. Obviously, this was only announced on 13 October. And then, finally, on 17 October there was a Farm Household Allowance one-off drought relief payment measure announced, which has an impact of $12.8 million. On notice, we can give you that in more detail. But the total impact of those three packages—MYEFO 2018-19, budget 2019-20 and post-2019 election—is $2.6 billion, and what I didn't include in that total is the impact of the $5 billion for the drought fund, which gives you the $7.6 billion.

Can I just emphasise something that minister said? What I've stated there is the collation of additional programs that were announced in those three circumstances. What that doesn't tell you is what the pre-existing programs were that were already in place in advance of those. There are a range of programs that also contribute to dealing with drought that are already in existence, and we haven't brought those to book here. To further enforce the minister: some of those programs are demand driven and, as you know, will be reflected year on year depending on demand. I can give you that in more detail on notice.

Senator McALLISTER: Thanks very much, Mr Fredericks. I appreciate the detailed provision of that information. I have a number of clarifying questions. Is the $2.6 billion over the four-year period or the five-year period?
Mr Fredericks: It's over the five-year period, from 2018-19 to 2022-23.

Senator McALLISTER: You then added the $5 billion for the drought fund, which is to accumulate over 10 years. Does the $2.6 billion include any of the drawdown from the drought fund?

Mr Fredericks: It does. As the minister said earlier this morning, there's a drawdown of $100 million in 2020-21, 2021-22 and 2022-23—

Senator Cormann: But the drawdown happens after. The drawdown does not impact the increase of the capital fund to support drought affected communities to $5 million. That's very important. As a result of the legislation being passed and changing the investment mandate for the Future Drought Fund so that there is a higher rate of return and increased earnings, we will be able to release about $1.1 billion worth of additional expenditure over the medium term, at the same time as the capital value in the fund increases by $1.1 billion. So there's $2.2 billion of additional value that will ultimately benefit drought affected communities around Australia to build increased drought resilience.

Senator McALLISTER: I'm a little confused about what appears to be double counting, not in a—

Senator Cormann: It's not double counting.

Senator McALLISTER: May I finish my question? I'm certain you can clarify it, or Mr Fredericks may be able to. It is not of an enormous order of magnitude, but I think you're proposing, in the period to 2022-23, to spend something in the order of $300 million—

Senator Cormann: It's $100 million every financial year. So over the medium term, over an 11-year period—

Senator McALLISTER: Perhaps I could just ask my question, because I do think it's able to be clarified. There is an intention to spend something like $300 million or $400 million—depending on when you start counting—over the five-year period, and that is included in the $2.6 billion. It is drawn from the $5 billion drought fund, and I don't understand—

Senator Cormann: No, it's not. This is the thing: we're not drawing on any of the capital; we are only taking a proportion of the earnings. That was my point.

Senator McALLISTER: Okay, that does explain it. Thank you. In a sense, though, from the community perspective, the expenditure on the drought over the next five years will be $2.6 billion.

Senator Cormann: That is additional expenditure on the basis of additional policy measures since the 2018-19 MYEFO. There's obviously an existing and established level of support for drought affected communities, including through the Social Services portfolio, as is appropriate. In these sorts of circumstances where you've got pre-existing demand-driven programs, you don't only have the fiscal impact of policy decisions—new measures; you also have the fiscal impact of increased demand for existing programs.

Senator McALLISTER: Can we keep it brief. We're going to have to move to the next program.

Senator Cormann: I was trying to be helpful.
Senator McALLISTER: I understand. The Prime Minister has been talking about a $7 billion fund. Is he referring there in part to the drought fund, which is, as you've noted, $5 billion allocated to a fund over the medium term?

Senator Cormann: The Prime Minister is referring to the $7-billion-plus package on the basis that Mr Fredericks has just outlined, and that includes a capital fund which will build to $5 billion over the medium term and which will be the basis for generating fiscally sustainable additional support on an ongoing basis to invest in the drought resilience of drought affected communities. The opposition—and we're very grateful for this—has recently supported in the parliament a similar fund using the same methodology, which indeed we legislated last week, in relation to the Emergency Response Fund. That used precisely the same methodology, and that was supported by the opposition.

Senator McALLISTER: My concern is about being honest with the public—

Senator Cormann: We are.

Senator McALLISTER: about the actual amount of money that is available to drought affected communities—

Senator Cormann: I couldn't have been more transparent in explaining that.

Senator McALLISTER: And it appears to me that 70 per cent of this $7 billion figure is comprised of a drought fund of $5 billion, a figure that it doesn't reach for another decade. I don't think it is honest to describe to the community the government's drought package as being a $7 billion drought package, because it really isn't.

Senator Cormann: That is your commentary. I could not have been more transparent and more candid in the way these numbers are made up. I couldn't have been more candid about the fiscal methodology that we're using in order to ensure we can boost, on a fiscally sustainable basis, the level of additional government funding to build drought resilience in drought affected communities. I couldn't have been more transparent.

Senator McALLISTER: You have been honest about it today. I'm not sure that the Prime Minister is being honest about it.

Senator Cormann: I disagree with you.

Senator McALLISTER: In relation to the National Water Infrastructure Development Fund, how much of that funding has been made available to drought affected communities?

Mr Fredericks: I think we'd have to take that on notice. It's a question that's probably more suitable for Agriculture, but we're happy to take that on notice.

Senator Cormann: The reason for the difference is that the drought future fund is a fund that we administer through the Future Fund. The fund that you're now asking about is actually not part of the Finance portfolio. It's more appropriately pursued in the Agriculture portfolio.

Senator McALLISTER: Mr Fredericks listed it in explaining the cumulative amount. I'm trying to understand whether the National Water Infrastructure Development Fund is in fact exclusively for drought affected communities or—

Senator Cormann: This particular measure is.

Senator McALLISTER: The $208 million is?
Mr Fredericks: In the MYEFO of 2018-19 there was a decision made that $410 million of the National Water Infrastructure Development Fund would be specifically referable to drought related projects.

Senator Cormann: Building drought resilience.

Senator McALLISTER: Is that true also for the additional $208 million that was announced post budget?

Senator Cormann: That is an increase in the fund. The fund was increased for the specific purpose of additional funding to build drought resilience in drought affected communities, yes.

Senator McALLISTER: Exclusively in drought affected communities?

Senator Cormann: That's right, yes.

Senator McALLISTER: Has the Department of Finance provided any briefings to Minister Littleproud in relation to increased funding for drought assistance?

Senator Cormann: I might just start with that question. As part of the normal budget processes, whether that's in the lead-up to the budget or now in the lead-up to our half-yearly budget update, later this year, the government continuously assesses options and potential proposals, and the Department of Finance, in the ordinary course of events, provides advice to the ERC. As when we are dealing with policy measures to address the drought, Mr Littleproud would be part of that discussion and decision-making and, as such, I guess Finance, through the Expenditure Review Committee, would be providing advice to Mr Littleproud, as they are to the ERC as part of the budget process.

Senator McALLISTER: Has the department provided you, Minister, with briefs for question time, estimates or at a ministerial level about the drought response?

Senator Cormann: For question time?

Senator McALLISTER: Yes.

Senator Cormann: I'd have to take on notice what sorts of briefings I have received. I do prepare myself for question time in order to ensure that I can answer all of the detailed questions I get asked to the best of my ability, so I'm sure I would have.

Senator McALLISTER: That's not our direct experience.

Senator Cormann: The answer is, yes, I'm sure I would have been provided with briefings about the work that is done across the government. Where precisely these briefings came from I'd better check on notice. By way of a general point, though—and this is not a partisan statement in any way, shape or form; in fact, I know that there is bipartisan support for the government to provide the appropriate effort in responding to this—of course we are continuously assessing the situation that is seriously and severely impacting on drought affected families and communities in significant parts of regional Australia, and we will continue to make judgements to respond to it in the most appropriate fashion. In that process, we will continue to receive advice from all relevant government departments and agencies. As far as additional expenditure is concerned, the Department of Finance is very much a central part of that process.

Senator AYRES: Your account of the expenditure on the drought is a lot more complicated than the way that the Prime Minister characterised it, isn't it?
Senator Cormann: I'm a bean counter, and I was asked detailed questions about the fiscal weeds of government decision-making, and I've taken you candidly and in good faith through all of the different components of that and how that, of course, ultimately plays out in the context of the budget.

Senator AYRES: That's been very helpful, but it's in stark contrast to the adman approach—

Senator Cormann: Well, I disagree.

Senator AYRES: to trying to characterise to drought affected communities—families, farmers and country towns—that $7 billion in additional infrastructure is there. He's made it up. You've done the hard work.

Senator Cormann: I disagree. That negativity and partisan attack—

Senator AYRES: We've just seen it over and over again—

Senator Cormann: is disappointing in the context of an issue like the drought.

Senator AYRES: Why did he say '$7 billion'?

Senator Cormann: He's right. What he said is absolutely right, and I'm substantiating it to you in fiscal detail. But what the Prime Minister has done, quite appropriately, is that he's communicated with the Australian people about what the government is doing, and I'm here answering your questions to explain all of the fiscal ins and outs of the government's decision-making.

Senator AYRES: So country communities should just accept the spin?

Senator Cormann: I completely reject that proposition. It is the responsibility of the Prime Minister, and indeed of the government as a whole, to continue to explain what we're doing and why and what else we're considering into the future.

CHAIR: Is anyone seeking the call, or are we keen to move on to outcome 3?

Senator GALLAGHER: No, we're miles away from outcome 3, but we will agree to the 2.30 thing. But then we'll have to come back.

CHAIR: For the officials' benefit, we will move at 2.30 to outcome 3 and then return to any unfinished aspects of outcome 1 when we finish—or do we want to go from outcome 3 to IPEA and then back to outcome 1?

Senator GALLAGHER: Outcome 3 and then IPEA, I think.

CHAIR: So outcome 3 plus IPEA?

Senator GALLAGHER: Yes, between 2.30 and four.

Senator Cormann: I'm going to have to stay for outcome 1 if you're not able to finish outcome 1. I thought we had agreed to seek to finalise it.

Senator GALLAGHER: We're trying to.

CHAIR: Certainly that was the ambition.

Senator GALLAGHER: We will certainly use our best endeavours. If we finish with IPEA before four—

CHAIR: Yes, if we go through outcome 3 more quickly.
**Senator GALLAGHER:** We are genuinely trying to facilitate, but, because of the change in structure for the position, it's changed the program and how the program used to run. That's the problem we're dealing with.

**CHAIR:** Understood. All right. We'll go to Senator Sheldon on outcome 1, and then at 2.30 we'll go to outcome 3.

**Senator SHELDON:** Can I take you to the NDIS underspend on page 6 in the 2018-19 final budget outcome. It says the total underspend was $4.6 billion. We know that at the time of the 2019-20 budget the figure was just over $3 billion—is that correct?

**Senator Cormann:** Yes, I think that sounds right.

**Senator SHELDON:** Can you explain what changed to cause a further $1 billion underspend for 2018-19?

**Senator Cormann:** There are two main drivers, and the department can go into some more detail. Essentially, some of the states were slower than initially anticipated in joining the scheme, and some of the capacity availability across the provider market didn't develop as fast as was previously anticipated. I should say this has been a massive reform undertaking. The amount of expenditure in 2018-19 more than doubled compared to the previous year, and the underspend is only compared to an incredibly audacious and ambitious assumption that was reflected in the budget trajectory before: that in the financial year 2018-19, compared to 2017-18, the expenditure would more than triple. We now have about 300,000 Australians who are receiving high-quality services through the NDIS. The objective is to finalise the rollout and reach a cohort of about half a million Australians receiving those services.

You've got to look at the fiscal implications here in the context of having pursued a massive reform undertaking from what was originally a model with state based block funding that went to individual providers, where a lot of well-meaning individual providers did the best they could but ultimately there was a lot of unmet demand. Under the previous government—and it continued under us—the decision was made to change that into a national demand-driven program. That was, and continues to be, a massive undertaking which obviously also requires for the provider market to be able to deal with the significantly increased demand on the back of the funding that is available. There are two key reasons. Some of the states were slower than anticipated in coming on board and the provider market is yet to develop and mature to the extent necessary to be able to deal with the significantly increased demand. But the good news is that we are quite confident that in 2020 we will be able to complete the NDIS rollout, that we will be able to meet the needs of what we believe to be the cohort of ultimately half a million Australians who will receive significantly improved services compared to what was in place before.

**Senator GALLAGHER:** Just quickly, part of the issue that Senator Sheldon has raised is: why was it revised back a further billion dollars in the underspend essentially between April and June? Finance must have signed off on that.

**Senator Cormann:** From 2 April to 30 June, there were self-evidently three more months and, yes, Finance did sign off on it because they of course used the same assumption as the Pre-election Economic and Fiscal Outlook to underpin their forecasting, which was done independently. I think there was an assumption that, before the end of the financial year, two states would sign on that had essentially not been able to meet the 30 June 2019 deadline. I
believe that they've now both signed. The expectation was that that signature and that additional element would be concluded by 30 June. It happened after 30 June and that is why it will have an impact on the 2019-20 budget on the other side.

**Senator GALLAGHER:** Because the uptake's been slower, are you changing your assumptions going forward about the rollout or are you—

**Ms Huxtable:** We closely monitor the assumptions and review them at every budget update. What you're comparing there is the forecast or the expectation at budget in respect of what a final-year outcome would be in advance of the final year, whereas in the final budget outcome we're reflecting actuals. The actuals are the actual figures. In both MYEFO and at budget it is a forecast of what we anticipate the actual figure will be.

**Senator GALLAGHER:** But now you've had a bit of time to see how the actual practical rollout—

**Ms Huxtable:** From the start we have monitored at every economic update and made an assessment about whether a change to the forward estimates or the forecasts is required. In reality, it's DSS that engage on that and we validate their assumptions in that regard. At MYEFO, we would continue to be assessing at that point what the projection is. There are a number of things going on in this space which make it a difficult one to forecast. One relates to the rate at which participants come on board the scheme. That in turn relates to progress in the agreements with the states. But then on top of that there's also the rate of utilisation of plans of individuals. So they may be approved to a certain amount—

**Senator GALLAGHER:** There are moving parts. I think the minister was saying—I can't remember what words he used—you are having ambitious assumptions, an ambitious rollout and—

**Senator Cormann:** We've gone from 30,000 participants in 2016 to more than 300,000 participants today. The expectation was that from 2017-18 to 2018-19 the level of expenditure would more than triple. Instead, it has more than doubled. So it has substantially increased. The provider market has increased over the period since 2016 by 600 per cent from 3,500 to 21,500. The government is not making any decisions to hold this back, but in the end there are physical constraints to how fast you can sensibly roll these out in the context of some of the provider dynamics you have to work with and state and territory governments.

**Senator GALLAGHER:** What you're saying is that going forward—in the midyear economic update—your assumptions on the spend and how that will flow through will be revised on the basis of what you know now?

**Senator Cormann:** That's right—as they always are.

**Senator GALLAGHER:** Do you expect further revisions, further underspends?

**Ms Huxtable:** Not necessarily.

**Senator Cormann:** That'll be updated in the MYEFO. We'll provide the updates, as we always do—not on a running basis now but in an orderly fashion—at the time the update is
delivered. But what I can say to you—and that is an important point in terms of the community overall—once fully rolled out, because this is a demand-driven program, every single dollar that is required to meet demand under the scheme will be available There's no question that there will be any shortage of funds, because it is a fully demand-driven program.

Senator GALLAGHER: Well, we'll see what happens in that update.

Senator AYRES: I just want to ask a couple of questions about the government's mooted decentralisation agenda. What is the role of the Department of Finance in the government's decentralisation agenda?

Senator Cormann: We've gone through that in great detail in the past. Essentially we assessed the business case template for potential organisations that might be considered for decentralisation opportunities, and ultimately the finance department supports the government's decision-making process through the Expenditure Review Committee as part of the budget process. That's at the high level.

Ms Huxtable: That is effectively it.

Senator Cormann: That's it.

Ms Huxtable: It goes back some years now, and we did develop some templates which could be used to assess decentralisation proposals. They formed part of the material that was considered by government at the time these proposals came forward.

Senator Cormann: And it went into that in some great detail in the past.

Senator AYRES: Are you aware of the criteria that the then minister for regional development announced in April 2017?

Senator Cormann: Yes, and I'm happy to—

Senator AYRES: And are they the criteria that the department uses to assess—

Senator Cormann: Well, the department isn't the decision-maker. The department developed the template for the assessment of potential business cases, and the department provides advice as part of the budget process. But ultimately these are decisions of government. But there were a whole range of criteria developed at the time. I'm quite happy to provide those on notice again, as we have in the past. I'm not sure that there's much we can add to this now.

Senator AYRES: Are they the same as the criteria that the minister—

Senator Cormann: They haven't changed.

Senator AYRES: Are they the same as the criteria that the minister said the government was going to develop in 2017?

Senator Cormann: We've previously provided the criteria. We've previously tabled all that information. I'm happy to do so again. There hasn't been any recent change in relation to the template or the criteria.

Senator AYRES: In May of last year the department of infrastructure said there were seven opportunities for decentralisation.

Senator Cormann: That is a matter for the department of infrastructure.

Senator AYRES: Are you aware of what they are?
Senator Cormann: To the extent that there are opportunities that come forward, that is part of the budget process, so that is part of the deliberative process of cabinet, and I wouldn't be in a position to comment on them unless the government has made a decision to pursue specific opportunities, and then of course we would be very happy to answer all the questions in relation to them. But I can't really, on a speculative basis, talk with you through what individual departments and agencies may be considering as opportunities at this point in time. What we've done is put a methodology in place for agencies that want to consider those opportunities to assess them so that the government has the appropriate information in front of it to make those decisions.

Senator Ayres: The department of infrastructure said there were seven opportunities. Has the Department of Finance been asked to assess seven opportunities?

Senator Cormann: The department of infrastructure is best equipped to explain what is in their head and what they're thinking. Our role is as part of the budget process, and I can't talk to you about things in the budget process that might or might not be part of current considerations. I can talk to you about what we have decided. I can confirm with you that we have not decided on any such opportunities since the last round of announcements.

Senator Ayres: But I ask you to follow the bouncing ball. The department of infrastructure says there are seven opportunities. It's the Department of Finance's job to assess them. Has the Department of Finance assessed seven opportunities?

Senator Cormann: No, that is actually not the way it works. This is the way it works:

Senator Ayres: The way it works is announcements are made and then aren't followed through.

Senator Cormann: No, this is the way it works: the department of infrastructure might have a view. The question then is: can they convince their minister to take that forward as a proposal? Obviously, we'll be very interested in seeing whether, in putting together that proposal, they followed the methodology and the template put together by the finance department sometime in the past. I'm prepared to table that template for you again.

Senator Ayres: It was just another good news announcement with no substance.

Senator Cormann: I'm not sure whether that was a good news announcement; it depends on for whom. I assume that you're just referring to the department of infrastructure talking in estimates. Is that what you're referring to?

Senator Ayres: My notes say May of last year, so that wouldn't be estimates, would it?

Senator Cormann: So in the context of estimates.

Senator Ayres: So you don't know what those seven opportunities were.

Senator Cormann: I can't take you to the deliberative processes of cabinet. The only things I can refer you to are the decisions that government has made, which are reflected either in the budget or in budget updates. The way the process works is that the department of infrastructure thinks that there are opportunities. They've got to convince their minister to take them forward. The minister has got to get policy authority to bring them forward. They are assessed through the expenditure review committee process. In that context, Finance gives advice, but that is cabinet deliberative process related advice, which is not something that we
share with you in this context. We talk to you about decisions that were made, not decisions that may or may not be contemplated through the deliberate processes of cabinet.

**Senator AYRES:** Whether the department has provided advice is just a matter of fact. Has the department provided advice in relation to the Australian Space Agency and decentralisation?

**Senator Cormann:** Again, you are going to the deliberative processes of cabinet. If a decision is made, it's announced, and then you can ask us questions on the merits or otherwise of that decision. But we're not going to go on a fishing expedition on potential opportunities that somewhere in government somebody might want to bring something forward as part of the deliberative processes of parliament.

**Senator GALLAGHER:** Is Finance involved in that?

**Senator Cormann:** I've explained the involvement of Finance. The involvement of Finance is that, if a minister does choose to bring forward a proposal to the expenditure review committee, the finance department as a matter of course will provide advice to the ERC through the so-called "green brief", which I think Senator McAllister and I have discussed in previous estimates. That will have on one side the advice from the portfolio agency and on the other side the advice from Finance and other central agencies. Then the ERC makes a decision.

The cabinet handbook and conventions—the Westminster conventions—obviously dictate that the deliberative processes of cabinet are confidential—for good reason. If I were to share cabinet's deliberative processes with you, we wouldn't be making sensible decisions in the cabinet in the future.

**Senator GALLAGHER:** To follow up there: is Finance doing any review of decisions that have already been taken, assessing them as to whether they've been value for money for the taxpayer? Of the decentralisation that has occurred—say, for example, the APVMA—are you going back, having a look at that and seeing whether it's actually delivered the benefits, efficiencies and savings that were originally predicted through the business case that was done? If not, why not?

**Senator Cormann:** The APVMA, firstly, was an election commitment—

**Senator GALLAGHER:** So?

**Senator Cormann:** and I'm sure that you will recall, because you were here back then, that it preceded the development by the Finance portfolio of the template that should be followed by agencies.

**Senator GALLAGHER:** So? You can still review it.

**Senator Cormann:** Well, we review in the lead-up to every budget and budget update the performance of individual agencies in terms of their fiscal position and make judgements as required.

**Senator GALLAGHER:** But there was clearly a cost to that move. It didn't save the taxpayer any money at all. I see that Finance would have a role in reviewing that to make sure those mistakes, whatever they were—those costs to the taxpayers—don't occur again in future decentralisation decisions.

**Senator Cormann:** I don't agree. In fact, I strongly disagree with the proposition—
Senator GALLAGHER: What, it saved money, did it?

Senator Cormann: It was a deliberate decision. It was an election commitment in the lead-up to the 2016 election, and our government delivers on our election commitments.

Senator GALLAGHER: So it saved money?

Senator Cormann: If your question is: 'Can you provide us an update of how that decentralisation opportunity has worked out since it was implemented?', I'm happy to provide that on notice.

Senator AYRES: Just one final question on decentralisation: without going to any particular agencies, has the Department of Finance provided advice on decentralisation proposals in relation to any agencies over the period since 2017?

Senator Cormann: That's just asking me the same question in a different way. You're going to the deliberative processes of cabinet.

Senator AYRES: Is the answer zero?

Senator Cormann: I'm not going to go to the deliberative processes of cabinet. What I can say to you is that, to the extent that decentralisation opportunities do or do not come forward, if they do come forward they are assessed using the template that was developed by Finance. If the government is persuaded that, in that context, an opportunity is appropriate, then a decision will be made which will be reflected in the budget or budget update. Unless there are decisions and budget measures that are reflected in the budget or the budget update, you can safely assume that no such decisions have been made.

Senator AYRES: So is the answer none, some or many?

Senator Cormann: I've answered your question.

CHAIR: I note we're also past the appointed time when we said we'd go to outcome 3, so with the committee's agreement, I think we'll pause our outcome 1 questions here to be returned to later and call officials for outcome 3.

CHAIR: I welcome officials with responsibilities in outcome 3. As previously forecast, but just in case for anyone who missed it, the committee is jumping around a little bit with the program today to manage it in a sensible way. We are now examining outcome 3. We will next examine the Independent Parliamentary Expenses Authority and then we will return to outcome 1 before commencing outcome 2.

Senator FARRELL: Welcome to everybody at the table, including the minister. I thank the minister for providing the information on government staffing. I have some questions about above-band appointments. I refer to the documents tabled this morning on the numbers of staff of members of parliament. In April, when these documents were tabled, there was a 12th page which included both a head count and a dollar figure per annum for the above-band appointments. Is that information going to be provided in addition to all of the other information about government staffing?

Senator Cormann: Yes. I understood that we were providing precisely the same information, so I'll follow that up. The short answer is yes.

Senator FARRELL: Thank you. You don't happen to know that information?
Senator Cormann: No. But I'll be chasing through my office to get that.

Senator FARRELL: Thank you. Just as an aside, Minister, after three years of asking for that information and it being resisted, why was it provided in April?

Senator Cormann: Well, because I was the minister at that point in time and I pride myself on being open and transparent, and because you're such a good bloke!

Senator FARRELL: Thank you, Minister, that's what I wanted to hear—which will be damaging me amongst my colleagues!

Senator Cormann: Clearly, giving you all that information hasn't helped you very much post-election, so I regret that very much!

Senator FARRELL: Oh well, there were other issues at play there. I have some questions about the M&PS staffing profile—

Senator Cormann: Which staffing profile?

Senator FARRELL: M&PS.

Senator Cormann: Okay, sorry.

Senator FARRELL: What are the current staffing levels within the Ministerial and Parliamentary Services? Mr De Silva, you look like you're reaching for some information?

Mr De Silva: Yes, I just looked this up morning. The total M&PS headcount is 364. That includes casual Comcar drivers.

Senator FARRELL: Have the casual Comcar drivers always been included in those figures?

Mr De Silva: They're always included in the headcount, yes.

Senator FARRELL: So why did you make a comment about them? Why did you—

Mr De Silva: There are 209 casual Comcar drivers, so it's a fair proportion of the 364.

Senator FARRELL: Okay. Can you provide us with a breakdown of the staffing profile?

Mr De Silva: I can tell you that there are 209 casual staff and 142 ongoing, and there are 13 non-ongoing.

Ms Jones: In terms of a more detailed breakdown of the profile and level of staff, we would have to take that on notice. We can prepare it fairly easily, but we just didn't bring that breakdown with us.

Senator FARRELL: Thank you, I would welcome that documentation. That leads to my next question: how many staff work on the parliamentarians and staff helpdesk?

Mr De Silva: I would have to take that on notice in terms of the exact number.

Senator FARRELL: You don't have a ballpark figure for us?

Senator Cormann: I'm always reluctant to go with ballpark figures, I have to say. I'd prefer us to provide an accurate response.

Senator FARRELL: Right. Well, while you're providing that information, can you also tell us how many staff work in the outside-of-hours operation of the helpdesk?

Mr De Silva: We're happy to take that on notice as well.

Senator FARRELL: Has the staffing profile changed since the election?
Mr De Silva: I'd need to take on notice the total comparison before and after.

Senator FARRELL: Okay. How many communications staff work in the Ministerial and Parliamentary Services? That's staff to deal with the circulars and staff communications.

Mr De Silva: Again, I have to take that on notice in terms of the complete breakdown.

Senator FARRELL: While you're doing that, could you tell us whether that figure has increased or decreased since the election?

Mr De Silva: I'm happy to do that.

Senator FARRELL: I have some questions regarding the PEMS system. Ms Jones, are you happy to—

Ms Jones: It's in our area, but I'll ask our colleague Mr Sheridan to come up and assist in providing answers.

Senator FARRELL: Thank you, Mr Sheridan. Can you please remind us of the initial usage numbers of PEMS when it was first rolled out, if you have that information?

Mr Sheridan: I think I do have what you need, Senator—just a moment. I have a view of the percentages of people using PEMS for claims from August 2018 through to recent times. The percentage varies, and is detailed. When we first rolled out, there was very little one could do in it, and the usage then was around 12 per cent. At the moment it's around 30 per cent of claims that are processed through PEMS.

Senator FARRELL: That's 12 per cent of the 227 MPs?

Mr Sheridan: No, not at all.

Ms Huxtable: No, that was claims processed.

Mr Sheridan: I can give you the other figures that you want as well, I think.

Senator FARRELL: Just to clarify that first answer: when it first started, 12 per cent of all claims were using PEMS—

Mr Sheridan: In the very first month. It went live in July. In August, it was 12 per cent.

Senator FARRELL: Now that figure is up to 30 per cent of all claims?

Mr Sheridan: That's correct. As regards the offices—

Senator FARRELL: The number of MPs, yes.

Mr Sheridan: Ninety-five per cent of parliamentarians' offices have logged on to PEMS; 75 per cent of parliamentarians, or the authorised officers, have used PEMS to certify office and/or travel claims; 46 per cent of parliamentarians have personally used PEMS to certify claims; and 44 per cent of parliamentary offices have used PEMS to certify both office and travel claims.

Senator FARRELL: When did you introduce the two-factor authentication?

Mr Sheridan: I think it was July, but I'll just check. It was July 2019.

Senator FARRELL: Have the usage numbers increased or decreased since the introduction of the two-factor identification?

Mr Sheridan: There was an initial drop, but numbers now appear to be back at the levels beforehand.
Senator FARRELL: You gave me figures before about the MPs; do you have any figures on the staff usage of PEMS?

Mr Sheridan: We'd have to take that on notice. I don't have those with me.

Senator FARRELL: Okay. You gave us those percentage figures, but can you tell us how many offices are actually using PEMS as their standard method of submitting claims?

Mr Sheridan: I'd have to take that on notice; I don't have that figure with me.

Senator FARRELL: Okay. You gave us those percentage figures, but can you tell us how many offices are actually using PEMS as their standard method of submitting claims?

Mr Sheridan: I'd have to take that on notice; I don't have that figure with me.

Senator FARRELL: Okay. You gave us those percentage figures, but can you tell us how many offices are actually using PEMS as their standard method of submitting claims?

Mr Sheridan: Again, I'd need to take that on notice.

Senator FARRELL: Have you noticed an increase in the number of people using the manual certification function in PEMS?

Mr Sheridan: My understanding is that there was, as I said, an initial decrease, but now the numbers are back to where they were.

Senator FARRELL: Have other security measures been investigated instead of the installation of the two-factor authentication—for instance, sending a one-off code by SMS as the banks often do?

Mr Sheridan: We would regard all those things like that as different methods of doing two-factor authentication. So there are a range of ways one can do that. At the initial set-up of PEMS, we had the SAP two-factor authentication. We are also looking at alternatives, but, generally speaking, the notion of sending SMSs isn't as secure as other means.

Senator FARRELL: But the banks use it all the time, do they not?

Mr Sheridan: Indeed, but it isn't the most secure means.

Senator FARRELL: Does that mean you will not consider using SMS?

Mr Sheridan: No.

Senator Cormann: We've established a method. Obviously there will be costs with jumping around. What is your problem with the two-factor authentication, just out of interest?

Senator FARRELL: I've personally had some problems with it.

Senator Cormann: So we should change the whole system?

Senator FARRELL: No, you shouldn't change it just because I've had problems with it. But I guess what I'm saying is the banks use the SMS system. As I understood it, there certainly was a significant drop in the usage of PEMS once the two-factor authentication came in, and I'm just looking to see whether or not there are some alternatives that the department can give some consideration to which might—

Senator Cormann: At additional expense?

Senator FARRELL: Well, I'll ask some questions about the expense. I know that the government's obviously gone down this track. But, given that the banks seem to be able to use this pretty successfully, I'm just not sure why the department chose this method rather than what seems to be the most common method, which is—
Senator Cormann: Security is one reason. But obviously the cohort of people that the banks engage with is significantly larger than the comparatively small cohort of people that this system deals with.

Senator FARRELL: Yes. But, had the department gone down this track in the first place, would the cost to introduce an SMS system have been any different to the cost of the method that you've finally chosen to introduce? In other words, would it be just as cost-efficient if you'd gone down the track of SMS usage?

Mr Sheridan: I can't answer that definitively. I note that SMS messaging as a means of security has its limitations, and that the method that we chose is a stronger method of security than SMS messaging.

Ms Jones: If I could just add: at the time before, during and after the introduction of two-factor authentication, we did a lot of work across the board with offices, as well as with individual offices, including your own, recognising there were some challenges in the very first days of set-up. And we have progressively worked across the board to assist people when there has been an issue. My understanding is that recently we haven't had any significant number of requests and most people have transitioned. I'll just get Mr Sheridan to confirm that that's his understanding as well.

Mr Sheridan: It is indeed.

Ms Jones: We have done a lot of work to progressively look at this with offices.

Senator FARRELL: Yes, I'm aware. I suppose I'm just saying there do seem to be simpler ways of doing it, and SMS is one of those. And I would have thought that the banks tend to be into security as well, so why didn't we give some consideration to that—but you've explained that; you've said that the method you've chosen is a more secure method of operation. Is it still the plan to have full implementation of PEMS by April 2020?

Mr Sheridan: We now expect that full implementation will take place in mid-2020, around July. The plan is to make sure that when we change between reporting systems, matching that to the end of the financial year is likely to be more useful than changing at the end of a particular quarter. And that, and the time taken to make sure we deliver sufficient user acceptance training and take the results of that into account, mean that we've moved the delivery date to mid-2020.

Senator FARRELL: Obviously the training is going to be important. What are you planning in that area?

Mr Sheridan: There is comprehensive training planned: both in user acceptance testing first, where users will first understand what is going on, but then in actual training, as we've rolled out other elements of the system, since we began doing so in July last year.

Senator FARRELL: So it's training on both the new system and the current system. Is that what you're—

Mr Sheridan: No. The things we are rolling out by the middle of next year are largely the back-end systems that support the rest of the work. They're not focused, necessarily, on the user interface that individual users would—

Senator FARRELL: My understanding of the PEMS system is that, even though you're providing the information in an electronic form, when the department receives it they're still
entering it into the system in a manual fashion. Come July next year, will that change and will
the whole system be electronic?

Mr Sheridan: Yes. Currently in back-end reporting we use the system we had before
PEMS, and in the final iteration of the system all of that will be in the one system.

Senator FARRELL: So come July next year, the whole system will operate
electronically.

Mr Sheridan: Yes.

Senator FARRELL: Can you tell us what the total cost of the PEMS project has been?

Mr Sheridan: I don't have the exact figure in front of me. I will have to take it on notice.

Senator FARRELL: Are you able to break that down to tell us the two-factor
authentication cost?

Mr Sheridan: I'd have to take that on notice. I'm not sure we identified it that way, but I'll
take it on notice.

Senator FARRELL: Was the two-factor authentication done by the department or did
you use an outside supplier to provide that information?

Mr Sheridan: The two-factor authentication comes from the supplier of the software of
the system, and it was implemented by our finance people who were building the system.

Senator FARRELL: But it came as a fully functioning—

Mr Sheridan: It's a software package, yes.

Senator FARRELL: How many issues with PEMS, or system errors, have been raised by
officers?

Mr Sheridan: I'd need to take that on notice. We get both requests and incidents reported
in this way. I don't have those figures in front of me.

Senator FARRELL: Can you tell us what some of those issues have been?

Mr Sheridan: Issues generally range in this area from password related issues and
connectivity related issues to understanding how the system is deployed and what it means. I
don't think there's a single major category of report.

Senator FARRELL: Do you keep records of those?

Mr Sheridan: Yes.

Senator FARRELL: Can you tell us what happens if a complaint is made and how the
department goes about resolving those issues?

Mr Sheridan: I wouldn't describe these as complaints generally. Typically we have either
requests for information or for part of a service, or we have incidents being reported as
something not working. All incidents are investigated to work out what has occurred and to
provide help back to the user or to correct the fault.

Senator FARRELL: When this is turned on next July, will that also include HR and
payroll functions?

Mr Sheridan: Yes.

Senator FARRELL: And you're satisfied that enough progress has been made to get us to
that point next July?
Mr Sheridan: I am.

Senator FARRELL: Do you think you need any extra funding to complete the project?

Senator Cormann: You are being very naughty, Senator Farrell!

Mr Sheridan: I would have to talk to the executive board if I needed that.

CHAIR: It sounds like you're asking for an expression of opinion there, Senator Farrell, which the official has handled very well. Senator Ciccone has some questions.

Senator CICCONE: Before I do, I think Senator Patrick had one question, so I might go to him.

Senator PATRICK: Hopefully, it's a very easy question. I was just looking at a document called: Members of Parliament (Staff) Act 1984 Annual Report 2012-13. It's got some really interesting information in it, and I'm just wondering why the department stopped publishing this particular annual report?

Senator Cormann: Which year is this?

Senator PATRICK: It says on your website actually that the MOP(S) Act annual reports have not been produced since the 2012-13 report.

Senator Cormann: It may well be that we are saving some money as part of 'operation budget repair'. I'll take it on notice. To be honest, I wasn't aware—

Senator PATRICK: It could also be that you're just trying to hide things, Minister—so?

Senator Cormann: No; we are being extremely transparent and we're releasing a lot of information, probably more information than really adds value at all times, but, nevertheless, I will take on notice that question.

Senator AYRES: You're—

Senator PATRICK: Just some consideration as to why it stopped.

Senator Cormann: This is information about you and your staff.

Senator PATRICK: It's about staffers, actually. It's just about how many males are employed, how many females are employed, at what levels, at what cost to the taxpayer and those sorts of issues.

Senator Cormann: I'll take that on notice.

Senator PATRICK: Thank you.

Senator CICCONE: Talking about the great staff that MPs have, I want to ask a couple of questions about the enterprise agreement for MOP(S) staff. When is the MOP(S) enterprise agreement due to nominally expire?

Mr De Silva: The MOP(S) enterprise agreement will nominally expire on 19 April 2020.

Senator CICCONE: Is the department able to provide an update on how negotiations are proceeding with the enterprise agreement?

Mr De Silva: The timing of any bargaining process is a matter for government, but a bargaining process hasn't commenced.

Senator CICCONE: Are there any expectations of when that might commence?

Mr De Silva: As I said, the timing of any bargaining process will be a matter for government.
Senator CICCONE: Are you able to elaborate, Minister?
Senator Cormann: These negotiations will commence soon.
Senator CICCONE: Before Christmas?
Senator Cormann: As soon as possible. We'll obviously be relying on advice and we'll commence enterprise agreement bargaining and negotiations as soon as possible.
Senator CICCONE: Can the department outline the process that's usually followed before the commencement of negotiations?
Mr De Silva: Just the normal process?
Senator CICCONE: The process. Is there a special process?
Mr De Silva: No, there's no special process. We'd have a look at the current agreement. We'd have a look at if there have been any issues with the operation of any of the clauses, if there are any suggestions from the employee advisory group. From my point of view, it is a fairly standard process to examine the current agreement consistent with the workplace bargaining policy.
Senator CICCONE: Have that advisory group's delegates or members been finalised?
Mr De Silva: The employee advisory group was set up, I think, probably six or eight weeks ago. I'd need to double-check the exact time. I think they've met at least once and I think they're due to meet in the next couple of weeks. They meet on a regular basis.
Senator CICCONE: Do any of those discussions also involve the relevant unions that represent employees?
Mr De Silva: Yes.
Senator CICCONE: What would be the normal time frame? What's been the time frame in terms of the negotiations for such agreements?
Mr De Silva: In terms of how long it's taken?
Senator CICCONE: Yes.
Mr De Silva: I'd need to take on notice how long the last one took and the one prior. I am happy to do that.
Senator CICCONE: Have any briefs been provided to the minister by the department on this matter?
Senator Cormann: Sorry?
Senator CICCONE: Have you had any specific briefs in relation to the MOPS enterprise agreement?
Senator Cormann: I do get briefed on these matters as required. In terms of any specific recent briefings, I'd have to take that on notice.
Senator CICCONE: Minister, how do you intend to communicate the commencement of negotiations? Is that normally through a circular or an email to staff or is that through the department? Could the minister or the department elaborate on that?
Senator Cormann: I think the department can elaborate on that.
Mr De Silva: Sorry; can you just repeat the question?
Senator CICCONI: What I was asking the minister was: how does he intend to communicate the commencement of negotiations with—

Senator Cormann: I will obviously not directly conduct the bargaining or the negotiations.

Senator CICCONI: No. That's all right. I'm just repeating my question.

Senator Cormann: It's done in the usual way, through the department.

Mr De Silva: There's a normal process where there is a notice of employee representational rights. That's set out under the Fair Work Act. A notice would go out to advise that a bargaining process is about to commence and allow people to nominate to be involved in that.

Senator CICCONI: Who is that issued by?

Mr De Silva: It would be issued by the department.

Senator CICCONI: On another matter, given that we're talking about online activities, can the department confirm that fundraising does not constitute any part of parliamentary business?

Mr De Silva: The PBR makes it clear that fundraising activities or any activities for a commercial gain should not be held in offices provided under the PBR framework.

Senator CICCONI: So there can't be any, I guess, asks for money, donations or any other fundraising?

Mr De Silva: Fundraising activities at an office.

Senator CICCONI: Can the department confirm that, when you're boosting or sponsoring Facebook ads or posts, all printing and communication guidelines apply, which exclude fundraising?

Mr De Silva: Sorry; when we're— I didn't quite understand.

Senator CICCONI: Not you, but, when there are ads on Facebook—and my understanding is you can either boost or sponsor Facebook posts—that MP's and senators can put an invoice to the department for, does that fall within the guidelines? Is that something that you can do or is that excluded?

Senator Cormann: No. Communicating through whatever platform does get covered through the budget. That is not a commercial activity; that is something that members from all sides of parliament take advantage of. Facebook or whatever other social media avenues provide the opportunity to communicate messages, so that is obviously one of the avenues that people can use, in the same way as they can use newspapers or indeed other communications.

Senator CICCONI: But can you also ask for donations as part of that?

Senator Cormann: I think the advice is very clear. You're not allowed to use your public resources for commercial gain or, indeed, for the soliciting of donations.

Mr De Silva: That's correct.

Senator CICCONI: Would that also go as far as trying to advertise party merchandise?
Mr De Silva: Again, the PBR framework makes it clear that you can't use your office expenses to engage in any commercial activities.

Senator CICCONE: So is party merchandise or the selling of party political merchandise considered as commercial?

Senator Cormann: Yes.

Senator CICCONE: Not to pick on any particular people in this room, but I go there because throughout the campaign I did notice that Senator Hanson's Facebook page was selling party merchandise. Is the department aware of such a fact? Has she or her party put in an invoice to seek the Commonwealth to reimburse for any advertising on her Facebook page?

Senator Cormann: Senator Hanson advertising through her Facebook page, or even selling party merchandise, is something she's entitled to do, as is any other senator or member of parliament. What they're not entitled to do is use public resources to fund such an exercise. Now, in terms of the specific question, obviously I'm not aware of claims made by individual members of parliament. But, having asked the question, let us take it on notice to consider what appropriate response, if any, we can provide. Bear in mind that if you've got a specific allegation, obviously that can be assessed in the appropriate way, and that is something that is applied across the board. But, in general, the department doesn't comment on the expenditure of individual members of parliament whether they are Labor, Green, One Nation, Liberal or National. If there are specific allegations that you would like the department to investigate, please put them. Other than that, I'm happy to consider on notice whether there is any way that we can assist you in relation to that inquiry that was just put to us.

Senator CICCONE: I appreciate that, Minister, and, yes, essentially it goes to the selling of party merchandise and whether any claims have been put to the department for invoices. I appreciate that; thank you.

Senator AYRES: Minister, you'd be aware that there were a number of estimates questions through last term about bullying allegations and reports of bullying in the office of Minister Ken Wyatt. Do you remember that an investigation was undertaken, and the initial findings of that investigation were provided to the minister himself?

Senator Cormann: Broadly. I wasn't directly involved in that process. That is obviously a process that is appropriately conducted at arms-length from the minister. Whenever there are issues in individual members of parliament's offices, the engagement is with the member of parliament directly. I don't have visibility of any such processes, as I'm sure you would appreciate is appropriate.

Senator AYRES: The questions I'm going to ask are at a pretty high level, so we'll see how we go.

Senator Cormann: They're probably not questions for me, but to the extent that the department can assist you, I'm sure they will be very helpful.

Senator AYRES: Thank you. Has the investigation been concluded?

Ms Jones: Yes, the investigation was concluded last year.

Senator AYRES: Will anything in relation to the investigation be made public?
Ms Jones: No, investigation reports of this nature are not publicly released. Obviously, that's intended to protect the confidentiality of the information that's provided by witnesses and other parties to the investigation.

Senator Ayres: Have any further complaints been made in relation to this minister or in relation to this set of allegations?

Ms Jones: I'd need to take that on notice. I'm not aware of any, but we'll take that on notice.

Senator Ayres: Are the staff who raised the initial complaint still in the employment of the government following the election?

Ms Jones: We'd need to take that on notice. There's typically quite a lot of movement across offices or sometimes out of working in the parliamentary offices, so we'd need to take that on notice for you.

Senator Ayres: Again, I'm just interested in the process at pretty high level: were the complainants given the opportunity to view the final report and its recommendations?

Ms Jones: No. Consistent with the bullying and harassment policy, under which the investigation was conducted, witnesses or complainants aren't provided with a final copy of the report. The report is provided in this instance to the minister whose office was the subject of the investigations.

Senator Ayres: Is it a matter for the minister what information is provided to the complainants or is some information provided to the complainants about the report?

Ms Jones: We advise the complainants as to the completion of the investigation. In terms of any actions that are taken as a consequence of the investigation, it is a matter for the minister who receives the report.

Senator Ayres: I note from previous evidence provided to the committee that the initial report was finalised on 11 November 2018 and provided to Minister Wyatt nearly a month later, on 7 December 2018. Why did that take you so long?

Ms Jones: The transmission of the report we did face to face. It was just a matter of the next time that Minister Wyatt was in Canberra so we were able to transmit the report to him.

Senator Ayres: It was a scheduling issue.

Ms Jones: Correct.

Senator Ayres: Do you know whether the complainants were satisfied with the outcome?

Ms Jones: I don't think I could express a comment as to their satisfaction with the report.

Senator Ayres: But you received the report and conveyed—as you say, they're not provided with the report but are simply told that the report's been completed. Did you convey that to them?

Ms Jones: Not me, personally. An officer within the Ministerial and Parliamentary Service.

Senator Ayres: Was it a junior or senior officer? What sort of person does that work?

Mr De Silva: It would have been an officer within my area. Each of the participants was advised that the investigation had been completed.
Senator AYRES: Do they just get a letter?

Mr De Silva: From memory, it was an email. They were emailed to advise that the investigation was completed, but I can take it as to whether it was an email or a letter.

Senator AYRES: I'm reluctant to take it further in terms of the policy, but, irrespective of the merits of this particular application or in this sort of matter, if all that you're provided with is an email that says, 'The report in relation to the complaint that you've made has been completed,' and that's potentially the last that you hear—

Senator Cormann: We've got to clarify something here. The Department of Finance is not the employer. The Department of Finance is the facilitator of the employment arrangements. The employer is individual members of parliament, who have responsibilities, including for the health and safety of their employees in their workplaces. In that context, Finance is an executive government agency. There's a limitation to the extent to which they can do more than what they are doing.

Senator AYRES: That last comment really was not designed to be a reflection on whatever has happened in this process but more an observation about the potential coldness of that element of that policy in that that is all that somebody potentially hears. Back to this matter, are the alleged perpetrators of the bullying still in the employ of the government?

Ms Jones: I'd need to take that on notice.

Senator AYRES: Has the Prime Minister's office or the department viewed the final report? The department's viewed the final report, on the basis of what we've heard.

Mr De Silva: The department viewed the final report and the report was provided to Minister Wyatt.

Senator AYRES: And it wasn't provided to the Prime Minister's office?

Mr De Silva: No, it was not.

Senator AYRES: Were extracts of the report provided to the Prime Minister or the prime ministers office?

Mr De Silva: No.

Senator AYRES: No communication beyond providing the report to the minister?

Mr De Silva: To Minister Wyatt, yes.

Senator AYRES: And nobody else?

Mr De Silva: No. That's consistent with the policy. The report goes to the parliamentarian as the employer.

Senator AYRES: Okay. Thank you.

Senator WATERS: I have a small amount of questions that relate to exceptional circumstances funding. Prior to the election, former senator Ian Macdonald was granted leave to use $26,000 of public money for printing and advertising expenses under the exceptional circumstances provision. The ads promoted flood relief in his region but they were dominated by his name and face. I did ask a question on notice about this. I was advised that there had been eight applications for exceptional circumstances under the act, and seven of those had been successful, including former Senator Macdonald's. I'm interested in the circumstances of
those other seven and the nature of the ads that were approved as exceptional circumstances. I'm not sure who to ask, sorry.

Mr De Silva: Could you repeat the last bit of that question?

Senator Waters: In the QoN you said that eight had been approved. We know one of them was former Senator Macdonald's. I'm interested in the other—

Senator Cormann: Let me correct you there. Eight requests for additional resources were made. Seven have been approved.

Senator Waters: Seven were approved. One of them was former Senator Macdonald's, so the other six are what I'm interested in. What were the natures of those pieces of advertising and why were they considered exceptional circumstances?

Mr De Silva: The normal process is that it's for each of the parliamentarians to demonstrate that there are exceptional circumstances. Where that is demonstrated they will set out what additional assistance they may need.

Senator Waters: But what were the circumstances? What were the other six?

Mr De Silva: I would have to take on notice what each one was, but also whether it would be appropriate to comment on the individual parliamentarians in relation to their individual requests made.

Senator Waters: Why would it be inappropriate to comment on public money being used?

Mr De Silva: As I said, I'm happy to take on notice as to what information we can provide, given that the standard practice is that we don't comment on individual parliamentarians. I'm happy to take on notice what information we can share.

Senator Waters: I would hope, given that it's public money being expended, that you are able to give an account of that public expenditure and to justify why they were deemed to be exceptional circumstances. Thank you for taking that on notice. I look forward to—

Ms Jones: I just want to make a general observation that the circumstances in which these types of requests are generally considered relate to where there has been some type of natural disaster that has affected activity in an electorate above and beyond normal events. They generally relate specifically to times of natural disaster.

Senator Waters: Okay. I understand that, but, when it's approximate to an election and the face and name of the person features heavily, you do raise your eyebrow a little. I'm interested in whether that is a common thing or whether that was just the case with former Senator Macdonald's ads. I look forward to that further information. I note that there was one application that was refused of those eight. Why was that and what did that relate to?

Mr De Silva: I'm happy to take that on notice regarding the specifics. I don't have the specifics around that particular application.

Senator Waters: Thanks for taking that on notice. Lastly, I'm interested in why former Senator Macdonald's ad was considered to be exceptional rather than just a general parliamentary business expense.

Mr De Silva: Happy to take that on notice.

Senator Waters: Thank you very much.
Senator FARRELL: I have some inquiries regarding MAPS's response rate to inquiries. In *Portfolio budget statements 2019-20 budget related paper no. 1.7* on page 54 it says:

… the period ending 1 January 2019 include:

- 98% client contacts acknowledged within 24 hours and responded to within agreed timeframes.

Could somebody tell me how that 98 per cent was calculated?

Mr De Silva: Consistent with the agreed time frames for a particular activity, we would assess whether or not we responded within 24 hours.

Senator FARRELL: Does the automatic acknowledgement that the inquiry was sent when an email is received count towards the 90 per cent? In other words: I send an inquiry and then I get an email back saying 'I've received your inquiry and I will follow through on it'—is that included in the 98 per cent?

Mr De Silva: I don't believe so, but I'll take it on notice.

Senator FARRELL: I think you mentioned the agreed time frames. Did you say 24 hours?

Mr De Silva: To acknowledge within 24 hours.

Senator FARRELL: Acknowledge receipt of the inquiry within 24 hours?

Mr De Silva: Yes. And then respond to within agreed time frames. You acknowledge within 24 hours and then you respond to whatever issue has been raised within agreed time frames.

Senator FARRELL: How do you reach those agreed time frames?

Mr De Silva: The agreed time frames would depend on the nature of the matter. It might just be a request for information but it might be quite a detailed question where we need to go back and seek further information. It would really depend on the activity.

Senator FARRELL: Who's agreeing? You're agreeing a time frame with the person who's making the inquiry?

Mr De Silva: In most cases, yes. We agree that we will be able to respond to you in X period.

Ms Jones: I think it would be fair to say that in terms of the different types of inquiries we've established agreed time frames. For an inquiry that came in in that category, we aim to meet that standard time frame that we set ourselves. It's the time frames that we hold ourselves to account to respond to inquiries.

Senator FARRELL: Right, so not necessarily a time frame that you've agreed with the—

Ms Jones: No.

Senator FARRELL: Okay. Is that public? Do you have that on record?

Ms Jones: We'll take that on notice.

Senator FARRELL: Is there a difference between the response rates to telephone calls and the response rates to emails?

Mr De Silva: I would need to take on notice what the difference may be if there is one.

Senator FARRELL: Does the response rate figure include Comcar bookings as well as inquiries that go to the Ministerial and Parliamentary Services help desks?
Mr De Silva: I need to take it on notice to double-check that.

Senator FARRELL: If the answer is yes, could you provide a breakdown of the response rates for Ministerial and Parliamentary Services and Comcar?

Mr De Silva: If we're able to, yes.

Senator FARRELL: Do any inquiries go unanswered?

Ms Jones: It certainly would not be our intention. We would need to take that on notice.

Senator FARRELL: Are unanswered inquiries recorded somewhere?

Mr De Silva: We track each inquiry that comes in to ensure that each gets closed off. I'd need to take on notice whether we've got 99.99 per cent or 100 per cent.

Ms Jones: I've not received any feedback in the two years that I've been responsible for this space that there have been any issues about lack of response to queries or acknowledgment of queries.

Senator FARRELL: What are the current response rates to inquiry?

Mr De Silva: We can only look at the full financial year. I think in the annual report we've got some breakdowns, which is 99.8 per cent of all payments, including payroll, have been made within agreed time frames and 98 per cent of all client contacts. Again, acknowledged within 24 hours and responded to within agreed time frames. We met the performance targets that we set.

Senator FARRELL: Do you call them KPIs?

Mr De Silva: We call them SLAs.

Ms Jones: Service level agreements, I think. Otherwise known as KPIs!

Senator FARRELL: What are the processes in place for dealing with inquiries where an officer, with carriage of an issue, goes on leave?

Mr De Silva: When an inquiry comes in we have a system where it's recorded, and if a staff member goes on leave any follow-up can be done by another staff member so it's not officer dependent.

Senator FARRELL: I have a couple of quick questions on the period of not sending remittance advice. On 29 July an MPS circular was emailed to advise: 'The distribution of remittance advice notices from the Department of Finance and the Independent Parliamentary Expenses Authority would resume on Monday 29 July.' What was the issue? Mr Sheridan, it looks like you've got an answer.

Mr Sheridan: In the transition from the previous system to the new work in PEMS there were some data issues in which incorrect data, old data that hadn't been used for some considerable time, was passed to the new system. That data caused errors in the addressing of particular remittance advices. As soon as we were aware that that had occurred, we stopped issuing remittance advices, corrected the data and then restarted.

Senator FARRELL: How long did that delay go on for?

Mr Sheridan: It was only a few days, I think.

Senator FARRELL: Who was affected?
Mr Sheridan: A range of PEMS customers, if you like, both members of parliament and staff.

Senator FARRELL: Do you know how many?

Mr Sheridan: I don't have the figures; I'd have to take it on notice.

Senator FARRELL: Were all the staff who were affected contacted and advised of the problem?

Mr Sheridan: I'd have to take that on notice.

Senator FARRELL: Can you tell us whether or not all the invoices have now been paid?

Mr Sheridan: I'd have to take that on notice, but I don't think any invoices were not paid; it was remittance advice only. I don't think there were any problems with invoices.

Senator FARRELL: No invoices were paid twice?

Mr Sheridan: I'd have to take that on notice, but I don't think so.

Senator FARRELL: That completes my questions.

Independent Parliamentary Expenses Authority

[15:28]

CHAIR: I welcome Ms Annwyn Godwin, Chief Executive Officer of the Independent Parliamentary Expenses Authority and officers. Ms Godwin, do you wish to make an opening statement?

Ms Godwin: No. Thank you very much for the opportunity but, no, thank you.

Senator ABETZ: Welcome to members of IPEA. I wanted to call you IPEA, like IKEA, but I trained myself that's it's IPEA. I have a quick follow-up on question no. 1222 that was asked on the 14 March 2019, to which you provided a response, and then my colleague Senator Jane Hume asked some questions last time. It deals with the issue of F&M Printing that may be known to you. Are you still monitoring that issue; are you investigating that issue? Have you come to a conclusion? Where are we at?

Ms Godwin: Thanks very much for the question and for the follow-up that goes with that. As we reported previously, some issues were raised in the Victorian Parliament regarding IBAC, Independent Broad-based Anti-corruption Commission. They released a statement saying they had charged four people, including two former electorate staff previously employed by the Victorian Department of Parliamentary Services. There was also some information that we said at the time we were continuing just to monitor what was happening in that space to see if there was anything that came from that jurisdiction that may be relevant to us in this jurisdiction. We do continue to monitor that, but there doesn't seem to be anything—other than what we advised at the previous estimates hearing—that would warrant us proceeding any further along our escalation process for audit and assurance other

Senator ABETZ: So where are we at?

Ms Godwin: We are monitoring that with our audit processes and our assurance processes, as we do. But we have not taken any additional active steps in this space to date.

Senator ABETZ: Thanks.
CHAIR: Senator Farrell.

Senator FARRELL: Thank you. How many inquiries has the authority now received and answered since its inception?

Ms Godwin: I've actually brought with me the figures for the last financial year, rather than figures since our inception. I would need to take the question on notice from the inception, but I'm happy to give you that information and that might be sufficient.

Senator FARRELL: Yes. Could you tell us? You can answer it on notice with the additional information but tell us what information you've actually brought.

Ms Godwin: In terms of all of the advice that we had for the last financial year: we had 9,743 client contacts. I think I've explained to you before that a unique client contact for us is when someone has made contact about a particular aspect; it may require us to go back and forth several times but we count that as one client contact. That works out at around 812 contacts per month, which, in the last financial year, was on average 39 contacts per day on that one. Because I've explained that bit about the unique client contacts, you will understand that for the phone calls only—when you take that component out—it was 9,715, which works out at about 810 per month and 52 contacts per day. So those are two figures but they relate to the same sorts of information. Last time, you also asked me about the transactions. Shall I continue with transaction information for you?

Senator FARRELL: Yes. You are one step ahead of me.

Ms Godwin: All of our transactions, again, for the last financial year were 211,370 transactions, with a total value of $61,771,282.76, which works out at around 17,614 per month, and a value for month on average is $5,147,606.90.

Senator FARRELL: Thank you. Just getting back to the rate of inquiries, has the rate of inquiries slowed down or increased?

Ms Godwin: It's running fairly consistent with the information we provided to you in the previous estimates. The breakdown into the types of queries has also been fairly consistent. Staff travel queries are still at around 55 per cent; parliamentary travel queries around 24 per cent; queries about reports or reporting related issues, 11 per cent. Four per cent of queries were specific to the election, and four per cent of queries were specific to PEMS-related issues. We did see, and we have seen, an increase in some of the post-election queries that have come through, which are from new parliamentarians. They were at one stage running at around 16 per cent of queries post election, but they were from new parliamentarians who were getting across their briefs, and we had encouraged them to make contact with us, so that's where that figure comes from.

Senator FARRELL: Given there were so many new MPs, wouldn't that have led to an increase in the number of inquiries? Or is that not in the accounting period that you're talking about?

Ms Godwin: There will be some overlaps but I have to say we were very proactive in dealing with new parliamentarians. We made contact with all 47 new parliamentarians almost immediately. As soon as they had been declared by the Electoral Commission, we made contact with them. My staff would then go and visit the parliamentarians, or make contact with them, and talk through the initial arrangements, particularly with their staff members as well, because there would need to be some booking arrangements put in place immediately.
for them to be able to travel to parliament and we needed to get them on the front foot. So there was a great deal of contact made with them up-front. Then we followed that up in August and had a series of outreach programs that we ran around the country—in most capital cities, not quite all. We ran those, and there were 61 participants who came to those. There was a lot of groundwork that was done with new parliamentarians—and returning parliamentarians, of course, as well. We felt we were quite proactive. So in managing the interaction, we think the 16 per cent is probably the follow-up processes as people are now using the systems, getting across their requirements and making contact with us. We're quite happy for them to continue to do that. In fact our next outreach program is in November.

Senator FARRELL: Thank you. I've got some questions in relation to staffing numbers. I was going to refer to Budget Paper No. 4, 'Agency resourcing' at page 173. Do you have that?

Ms Godwin: I do now.

Senator FARRELL: While you're looking at it up, the budget papers indicated that there was a drop in staff in the agency from 65 in 2018-19 to 59 in 2019-20 but IPEA's annual report, just released, says the total number of staff is 56. Does that mean that the agency is losing staff?

Ms Godwin: As the projections go forward, yes, IPEA does lose some of the staffing numbers. We did start off with 66. Some of those positions were only funded for a period of time as we were being established. Our current ASL staffing level is 59 and we have a current head-count of 56. It was certainly something that was anticipated and we have managed accordingly.

Senator FARRELL: Staff have been leaving in accordance—as their contractual period has—

Senator Cormann: Or get redeployed elsewhere in the Public Service.

Senator FARRELL: Right.

Ms Godwin: Our staffing levels fluctuate. We are always looking to have some sort of staff turnover in IPEA. Given that the nature of our work—there is a component, as you're aware, which is quite manual work—we find that staff will come on, join us, we train them, they get involved and then, because we are offering them often a non-ongoing contract for this period whilst PEMS is being developed, and for other reasons as we try to work out what skill sets we actually require, they will move on to other roles. So we do have a little bit of a churn at the moment. But it is something we have anticipated and, in fact, we think it's working as part of our overall workforce planning strategy.

Senator FARRELL: What's the number of full-time staff in that?

Ms Godwin: I'm going to refer to my colleague, Mr Frost, who will be able to follow that through for you.

Senator FARRELL: You're full-bottle on this, are you?

Mr Frost: I'll try. At the moment we are operating at about 86 per cent of our staff at full-time, which equates to 48 staff.

Senator FARRELL: Thank you. Was there a need to increase the staff, just for the reasons you've mentioned before—after the election? Was there an upswing in staff numbers?

Ms Godwin: No. We anticipated and planned.
Senator FARRELL: Has the introduction of the PEMS system increased or decreased the workload?

Ms Godwin: Again, we're workforce-planning that all the time. There has been no obvious increase or decrease in the type of the workload, because part of our workforce planning strategy means that we're already managing that sort of load that we're undertaking. We monitor that on a regular basis. We also ensure that we rotate staff around so that, when we do have surge requirements at different times, we can quickly deploy staff within IPEA to take on other roles. I think we've been quite positive in the way that we're managing our staffing profile and their skill sets.

Senator FARRELL: Senator Cormann mentioned that some of the staff who've left IPEA may have returned to other jobs. How many of them went back to the Department of Finance? Do you know?

Ms Godwin: I would have to take that on notice. There were some staff early on who decided to return to the Department of Finance. We have had very few movements since. I'm only aware of one this financial year who's made that decision to move back to the Department of Finance, but that's the only one that I'm aware of. Again, if you want more specific information, I could take that on notice. There were some early on, but there's only been one in this financial year.

Senator FARRELL: I'm happy with that information. I'd like to refer to circumstances where the monthly management report of one new senator was twice provided to a different senator with the same surname. We'll call this Smith to Smith.

Senator Cormann: For a very long time we didn't have any Smiths, and now we've had three in quick succession.

Senator FARRELL: No, we've now got four.

Senator Cormann: I've lost track and count of the Smiths!

Senator O'SULLIVAN: There's only one O'Sullivan, continuously!

Senator Cormann: And only one Cormann!

Senator FARRELL: How does the agency, when issuing reports and other information, ensure that the information is going to the correct parliamentarian and the correct staff member?

Senator Cormann: That's a very fair question.

Ms Godwin: It is. Thank you for raising that question. First of all, IPEA does take its privacy and its data issues very seriously. We had a data response plan, which we implemented straightaway. It was an unfortunate circumstance, and we have apologised to the person involved.

Senator FARRELL: I can understand how it's happened once, but how did it happen twice to the same senator?

Ms Godwin: I have a little time line that I can take you through on that. The circumstance surrounding that particular breach was on 1 July 2019. One of the senators commenced as a new senator. IPEA had recorded, at that point in time, the same email address for that senator as for another senator. On 15 August 2019—
Senator FARRELL: At that point, surely two senators with the same email address must have triggered a question mark somewhere.

Ms Godwin: We have now put steps in place for there to be a double-check when we're putting a new person onto the system. We have, for example, one person put the email address and the contact details in and another person check those. So there is now two-step verification process that we go through. We have reminded staff, both individually and at collective areas, as part of the Curious Conversations programs that we do. We now have some additional steps that have been put in place for us to manage that in the future. It was an unfortunate situation. We didn't notice that first report when it was sent out, but the office that the report went to also didn't notice it. In fact, they didn't notice it the second time around. We picked it up the second time around and notified that original office.

Senator FARRELL: I need to be clear: are you talking about the office that actually got the wrong information or the office that missed out on the information?

Ms Godwin: The office that got the wrong information wasn't aware. They hadn't actually checked that information for the August report at that point, and we didn't pick it up until we sent out the September report on 13 September. And we realised on 20 September that we'd inadvertently sent it to the wrong Senator Smith. We made contact with that office as soon as we had picked it up and made the contact.

Senator FARRELL: Why didn't the office that received it pick it up?

Ms Godwin: They might not have had a look at it yet. I think it's a timing issue.

Senator FARRELL: There's a time line within which you have to respond.

Senator Cormann: That is a question that only the office concerned can answer. I don't think IPEA can answer that question.

Senator FARRELL: They may have asked the question, Minister.

Senator Cormann: I suspect that, having made the error, they just satisfied themselves that the error was corrected, rather than go on an inquisition as to why they hadn't more rapidly reviewed the information.

Senator FARRELL: With due respect, Minister, there's a whole lot of personal and private information in these reports, and it does seem surprising that two reports have been sent to the wrong senator—

Senator Cormann: I totally agree with you on that. But you were asking questions about a senator's office, why that senator's office hasn't more quickly reviewed that information. We can't answer that question for you; that's my point.

Senator FARRELL: You may or may not, but the question might have been asked by IPEA as to why it took so long, or why, in fact—

Senator Cormann: But, having made the error, it would have been quite wrong for IPEA to have a go at the senator who received the information in error complaining to them about not having identified the error more quickly.

Senator FARRELL: I'm not asking anybody to have a go at anybody.

Senator Cormann: That's the implication of what you suggested.
Senator FARRELL: No, I'm not that sort of character. I'm just trying to get to the bottom of how this mistake occurred and why it wasn't picked up. I can understand—what's that old saying? It's 'One mistake is excusable; two mistakes is inexplicable,' or something along those lines.

Senator Cormann: The first mistake should have been a learning experience. You are absolutely right. I think two mistakes have now been a double learning experience.

CHAIR: Senator Farrell, I will briefly intercede. For the record, we are right now due to go to a break. For the purposes of getting through Outcome 3 and Outcome 1, we should delay the break to occur after we've concluded Outcome 1, before we commence on Outcome 2 when we're having a ministerial handover anyway. Senator Farrell, please continue with your questions and, when we finish, we will return to Outcome 1 before our break.

Ms Godwin: Senator Farrell, as I said, when we became aware, we made contact with the inadvertently receiving—it's a bit confusing, with this receiving information—office. They indicated to us that they were not aware that they had received the wrong information or the information for the other senator. The office located the two emails, confirmed that they had not yet been accessed by any of the office staff and deleted them immediately. That was on Monday, 23 September.

Senator FARRELL: Just stopping there, are you satisfied that that has, in fact, occurred?

Ms Godwin: I am satisfied that that has, in fact, occurred, yes. We have checked through and I am satisfied.

Senator FARRELL: The other person who received that two lots of information, did they respond to their own correct information in a timely fashion?

Ms Godwin: I don't have that information with me. My understanding is that they had not got to that particular set of reports at that point in time.

Senator FARRELL: You only know about their response to the other senators?

Ms Godwin: That's right. I also can advise you that there isn't any requirement to respond to a monthly management report. It's the quarterly expenditure report that you have to respond to. Some officers only respond when they have to do the QER, the quarterly expenditure report, rather than each monthly basis, so that could account for some of that. The receiving office, the office that had inadvertently received that information, has undertaken that if the office that had the information sent to the incorrect email—they were happy to also speak with that office if required. We then followed up, both verbally and in writing, with the office about the information. And then the next step has been, once we'd addressed those issues, to look to see our own systems and things that we could do differently in the future, because, as I said, we do take these issues very seriously. So we've undertaken to do the double-check arrangements, we have reminded staff and we will continue to follow through on all of the requirements so that people are well aware of the circumstances. It was just a very unfortunate mistake.

Senator FARRELL: There are about 13 names. Have you gone back to check that no other mistakes have been made?

Ms Godwin: The other double-ups of names, or triple-ups of names—

Senator FARRELL: Or quadruple.
Ms Godwin: have been people who were already in the system. So it was only when this new arrangement was being put in place that this, as I said, unfortunate incident occurred.

Senator FARRELL: Thank you. I've got a couple of other questions but, in light of the time, I will put them on notice.

CHAIR: If there are no further questions for the Independent Parliamentary Expenses Authority, I thank you very much for your attendance and your evidence here this afternoon.

Department of Finance

[15:51]

CHAIR: The committee will now resume on outcome 1.

Senator GALLAGHER: Just to confirm that you're comfortable with me asking some questions around the annual report in the next section?

Senator Cormann: Yes.

Senator GALLAGHER: And the PGPA Act, I think, falls under outcome 2?

Senator Cormann: Yes.

Senator GALLAGHER: Have the budget process and operational rules for the 2020 budget been set?

Senator Cormann: Yes.

Senator GALLAGHER: When were they set?

Senator Cormann: I'll have to get you the specific date, but it was determined through the cabinet process.

Senator GALLAGHER: So you've basically started the work on the 2020 budget?

Senator Cormann: We are obviously currently focusing on the half-yearly budget update, but all of the processes and timetables have been put in place and all of the rules have been confirmed.

Senator GALLAGHER: There was an article in the SMH on 13 October around the changes to the Cabinet Handbook. I'm just wondering whether there's been any impact on Finance from what seems to be the increased control the Prime Minister is having over the budget process?

Senator Cormann: The Prime Minister has always chaired the Expenditure Review Committee so, from that point of view, I don't agree with your characterisation. We work very much as a team across all of the government. What the Prime Minister as the Minister for the Public Service is pursuing is ensuring that processes and systems are in place to further improve the delivery of the outcomes that we promised we would deliver. So we continue to refine the monitoring and assessment methodology to ensure that everything is on track, and that, where it is not on track, corrective action can be taken as early as possible.

Senator GALLAGHER: So have there been any changes with the new Cabinet Handbook, to the processes that Finance is involved in for the budget?

Senator Cormann: Well, the Cabinet Handbook is a matter for PM&C, and I'm not meaning to be unhelpful here, but in terms of Finance—
Senator GALLAGHER: I know. I'm specifically asking about the impact on Finance. I'm not arguing about—

Senator Cormann: I'm not aware of any material changes impacting on us. The work we're doing from a Finance perspective as part of the budget process continues as it is. There are always adjustments, small adjustments or refinements, to the budget process operations from time to time, and that's been the same on this occasion.

Senator GALLAGHER: Were there specific problems with how it was operating that would have been responded to with this?

Senator Cormann: I think there was a view that what was happening could be further improved and so it's just a matter of—

Senator GALLAGHER: With?

Senator Cormann: The Prime Minister, after the election, wanted to ensure that as we embark on this next term that all of the priorities that we took to the last election, all of the priorities reflected in 2 April budget, are implemented in a timely and efficient manner, and that we needed to further improve our capacity to monitor all their progress.

Senator GALLAGHER: There weren't any specific deficiencies that the Prime Minister was responding to?

Senator Cormann: There was a capacity for further improvement.

Senator GALLAGHER: Have Finance officials had to meet with PM&C or Treasury to work through the new arrangements for the budget?

Senator Cormann: I've met with the Prime Minister to discuss, in the context of my charter letter and the work plan in my area moving forward—

Senator GALLAGHER: Would you give us the charter letter?

Senator Cormann: The charter letter, as you know, is part of the deliberative processes of Cabinet.

Senator GALLAGHER: That's a no.

Senator Cormann: I think you understand that and that's consistent with the way that was under your government. My colleagues and I have regular engagement with the Prime Minister to ensure that the priorities of the government are implemented as efficiently and effectively as possible.

Senator GALLAGHER: Was it a joint decision around the cabinet handbook? Was it you, the Treasurer and the Prime Minister working out the amendments to make the budget process work better?

Senator Cormann: The budget process is working well and, obviously, that is governed by the budget process operational rules. The cabinet handbook goes beyond the budget process. That goes, obviously, to making sure that the Prime Minister, with responsibility for the Prime Minister and Cabinet and also being the minister for public service, felt he had the right tools to ensure that the decisions we made were implemented as effectively and efficiently as possible.

Senator GALLAGHER: The article—and I haven't cross-referenced the quotes; I presume they're correct with the documents—originally said, 'When cabinet agrees the timing
and operational rules for the budget process' but under the new arrangements, the Prime Minister writes to cabinets ministers to establish the budget priorities and commission the new works.' It certainly looks like the Prime Minister is having an increased role?

Senator Cormann: That is actually not new. That is consistent. It has always been the fact that the Prime Minister had to give authority for proposals to come forward as part of the budget process or in the context of the MYEFO process. That has always been the case and I think you'll find that was the case under your government too.

Senator GALLAGHER: Okay. I have some questions around how the administrative responsibilities line up. What are the formal responsibilities of Assistant Minister Seselja? He has the AEC?

Senator Cormann: I think there is a provision on that in the annual report.

Senator GALLAGHER: Does he administer any legislation?

Senator Cormann: I've got a letter that I can provide. I can provide you the information. I didn't expect that question. I do have a specific document which lists his responsibilities. I'll give you that on notice.

Senator GALLAGHER: Okay. Do officials report directly to Assistant Minister Seselja or through you?

Senator Cormann: In relation to his responsibilities—

Senator GALLAGHER: Of which, you'll give me a list, yes?

Senator Cormann: they report directly to Senator Seselja. But any briefings that go to Senator Seselja, given I have cabinet-level responsibility, I am copied in to everything.

Senator GALLAGHER: Are there any groups within Finance that report directly to Assistant Minister Seselja?

Ms Huxtable: Not groups as such, but there will be certain areas of the department that align with Senator Seselja's responsibilities, so they would have regular engagement with him and his office.

Senator GALLAGHER: Would that be part of what is provided—

Ms Huxtable: Yes, and the shortcut to that is you can see from the outcomes, the sub-outcomes that are within his responsibilities that we move to this afternoon, that they align with his areas of responsibility in the department.

Senator GALLAGHER: We are doing all of Outcome 2 though?

Ms Huxtable: It's only some parts of Outcome 2.

Senator GALLAGHER: Exactly, that's what I'm trying to understand.

Ms Huxtable: Yes, that's right. It is the discretionary payments, act of grace area, elements of particular superannuation correspondence—here we go.

Senator Cormann: The assistant minister is responsible for electoral matters, supported by the Australian Electoral Commission, and will assist me on electoral policy relating to charities and other not for profits; whole of government property policy and administration, including non-defence owned estate; the Public Works Committee requests for act of grace payments and waivers of debt under the Public Governance, Performance and Accountability Act 2013; government campaign advertising; Australian government superannuation routine
matters, that is, including responding to correspondence and administration of Australian government superannuation; and administrative and operational matters for Comcover, the government's self-managed insurance fund.

Senator GALLAGHER: Is that it?
Senator Cormann: That's it.

Senator GALLAGHER: That's the whole thing?
Senator Cormann: Yes. Well, that's a fair bit.

Senator GALLAGHER: Yes. Would he have specific responsibility for any legislation under that?
Senator Cormann: A number of these items are guided by acts of parliament, obviously. I know what you're after. We will provide that to you as part of—

Senator GALLAGHER: Has he been given any special projects by you on top of the duties of his portfolio?
Senator Cormann: I want him to do his absolute best job in the areas of responsibilities he has, including continuing to pursue Operation Tetris, making sure that the administration of electoral policy is as efficient as possible. A range of other matters, administering the act of grace payments—

Senator GALLAGHER: But you haven't given him a particular—
Senator Cormann: I've written to him with the responsibilities that I would like him to assume as part of our portfolio.

Senator GALLAGHER: Are they in addition to the list that you just read out?
Senator Cormann: It is broadly consistent with the areas that he's responsible for in that list.

Senator GALLAGHER: Is it like a mini-charter letter that you're not going to give me?
Senator Cormann: You could describe it as his charter letter. Whether you want to frame it as a mini or maxi, that's a matter for you. It's effectively—

Senator GALLAGHER: He doesn't get a charter letter for the Prime Minister, for example.
Senator Cormann: It's the equivalent of his charter letter from me.

Senator GALLAGHER: So it would be a mini charter then. Can we get a copy of that?
Senator Cormann: I think the same would apply. I will consider that on notice.

Senator GALLAGHER: Thank you. That's it. We will put the rest on notice.
Senator Cormann: I promised Senator Farrell to come back with some additional information, which I'm now tabling, on salaries above the range as at 1 October 2019—pointing out that this relates to government and non-government employers of staff. I should point out that salaries above the range are most commonly used to ensure that senior public servants can take up an offer of employment with parliamentarians without taking a reduction in pay. I understand the historical practice was to table the documents that have already been provided to the committee, however, I will table this document now as I've done earlier this year.
CHAIR: Thank you, Senator Cormann. If there are no further questions under Outcome 1, I thank the relevant officials for that part, and I also thank the Minister for his attendance here today. The committee will shortly move to Outcome 2 and we'll shortly welcome Senator Seselja to join us.

Procedings suspended from 16:03 to 16:19

CHAIR: The committee will commence our examination of outcome 2. For anyone who's missed earlier proceedings, we have concluded our examinations of outcome 1, outcome 3 and the Independent Parliamentary Expenses Authority. We are now covering all aspects of outcome 2, including those that traditionally fall under Senator Cormann's responsibilities and the ones that also now fall under Senator Seselja's responsibilities. We ask that officials assist to ensure that all questions in that area can be answered, given we have released the Minister for Finance.

Senator AYRES: I want to ask a couple of questions about Operation Tetris, the National Property Efficiency Program and the National Divestment Program. Can you provide an update on the savings that have been generated as a result of Operation Tetris? Firstly, when did the program start?

Senator Seselja: That goes before my time. I'll hand over to Mr Jaggers and others in a moment. It started a number of years ago, from memory. I had some knowledge of it as a local senator rather than as the minister responsible at the time. It's several years. I'll get one of the officials to start with exactly when it started. The savings have been substantial. I'll ask Mr Jaggers to outline some of those.

Mr Jaggers: Ms Johnson will provide some of those details.

Ms Johnson: Operation Tetris commenced in 2014-15 and continued through until 2018, when the whole-of-government property services coordinated procurement arrangements came into place. Now we have a whole-of-government leasing strategy that takes Operation Tetris forward.

Mr Jaggers: In Operation Tetris we learnt quite a number of things about how we could work with agencies to consolidate leases to use space that could otherwise be vacant and to move agencies to co-locate where possible to save funds. Operation Tetris involved a number of major movements and major leasing changes. That has now been embedded as part of our normal way of working, so it continues as a part of our coordinated procurement arrangements. We have property service providers that are working with agencies on a daily basis on their leasing requirements and looking at where vacant space is, where it's available, and trying to co-locate and reduce the footprint of the Commonwealth where it's possible. It continues but under a part of a main coordinated procurement program.

Senator AYRES: What savings have been generated in the last financial year?

Ms Johnson: In the 2018-19 budget, savings in relation to leasing of $105.3 million were allocated to agencies.

Senator AYRES: And the year before?

Ms Johnson: The year before Operation Tetris, we have cumulative or aggregate figures from 2015 to 2018. It was around $322 million.
Senator AYRES: Would you be able to provide on notice a year-by-year account of the savings?

Ms Johnson: Yes.

Senator AYRES: Is it to be expected with a program like that that you start out with a significant improvement in the first years, but the amount of savings declines over time?

Ms Johnson: It's actually really conditional on when leases expire. So we see quite a change year on year, depending on when leases with agencies expire and they're renegotiated.

Senator AYRES: Could you give me that aggregate figure for 2014-15 through to 2018?

Ms Johnson: $322 million.

Senator AYRES: Over that period or per annum?

Ms Johnson: Over that period.

Senator AYRES: Can you explain the process of how you get to that figure or quantify in the savings?

Ms Johnson: The savings are calculated based on the renegotiation of leases. It's a calculation based on what the previous lease was and what the current lease is. It's essentially costs avoided savings applied to the new lease.

Senator AYRES: If there are multiple leases reduced down to a smaller number of leases, that's aggregated as well, is it?

Ms Johnson: Yes. The lease saves will include a number of components. Firstly, it's usually a reduced footprint, so a reduced NLA. It will also reflect changes in market conditions around rent evaluation.

Senator AYRES: What is an NLA?

Senator Seselja: Net lettable area.

Senator AYRES: I'm discovering all of the public service terms, which I'm sure I'm going to become really good at!

Senator Seselja: That's a property market term.

Senator AYRES: I'm not a real estate agent either. How many desks are currently vacant nationally across the APS?

Ms Johnson: The 2018 occupancy report showed a reduced number of vacant desks across the Commonwealth. Vacant work points in 2018 are 22,349.

Senator AYRES: And the previous year?

Ms Johnson: The previous year they were 25,689.

Senator AYRES: What do those figures mean? That's not 22,000 vacant desks, is it? It's an index—

Ms Johnson: It's actually a point in time measurement. In terms of the occupancy report, we collect the data at 30 June. The vacant work points is a count of desks that are vacant on that particular day. It may reflect staff who are on leave, whether that's scheduled or unscheduled leave. It may also reflect leases that are in transition; so an agency may be moving from one lease to another and we're counting desks in both leases. That's essentially what the vacant work points are.
Senator AYRES: Agencies are just required to report in on that date?

Ms Johnson: On that date, yes.

Senator AYRES: So that's not a sample; it's 100 per cent of the public service reports in?

Ms Johnson: For the occupancy report, it's actually a collection based on non-corporate entities, and it reflects leases that are 500 square metres or more, in terms of space.

Senator AYRES: So agencies that have got the capacity report in on the basis of scale, and then there's estimation of smaller agencies; or that's just the raw figure that you use?

Ms Johnson: The occupancy report is based on agencies that are in leases above 500 square metres.

Senator AYRES: What about the same figures for 2018 and 2017 for the ACT?

Ms Johnson: In the ACT vacant work points in 2018 were 11,533. In 2017 they were 13,544.

Senator AYRES: Page 15 of the annual report talks about the delivering of savings from the National Property Efficiency Program and the National Divestment Program. Can you outline what those savings were, and could you provide details of how you get to those numbers?

Ms Johnson: Certainly. The National Property Efficiency Program includes not only the whole-of-government leasing strategy and those savings I've just outlined, the $105.3 million, but also it includes the coordinated property services for leasing and facilities management. In terms of savings for the whole-of-government property services arrangements, those savings are essentially avoided costs for agencies, in terms of support for leasing costs and facilities management costs. The arrangements came into place on 30 June 2018. In terms of savings for agencies, we are anticipating and estimating that savings will be in the order of $180 million across both leasing and facilities management support for agencies.

Senator KITCHING: Can I ask some questions about advertising and the government advertising spend. What I would like to ask is, firstly, about the department: do you collate the whole-of-government advertising? Can I ask firstly about the department and how much money you will spend this week in government advertising? It might be a really big number and I want to start slowly.

Senator Seselja: I don't know whether we've ever had that one.

Senator KITCHING: Are you going to refer me to a budget paper?

Dr Helgeby: No, I'm going to refer you to the annual report. The department, in its own right, does not do much advertising. Page 192 of the annual report shows you the kind of advertising the department does.

Senator KITCHING: Can you take me through that? In the first line, Australian Market Research, that's for the department? I'm looking at table B1, Australian Market Research, $116,000. What's that doing?

Ms Jones: As a general proposition, most of the advertising that we do in the department relates to our ministerial and parliamentary services responsibilities, whether it's advertising for electoral officers for locations or about some positions for staff in parliamentary offices. That's a significant component of our spend. In terms of the specifics of the ones that are in
table B1 on page 192, that relates to a particular contract associated with our master media agency services arrangement to seek feedback from clients.

Senator KITCHING: Who would the clients be in that instance?

Ms Jones: I might need to defer to my colleagues at the other end of the table, because that would be in their area of responsibility.

Dr Helgeby: That's a piece of work that was done in order to test satisfaction of all government departments who were users or consumers of the services provided by the previous master media agency. So it's feedback about the performance of that master media agency.

Senator KITCHING: Who was the master media agency?

Dr Helgeby: Dentsu Mitchell

Senator KITCHING: I see. So you were essentially asking clients which might be the maps area. Is that correct?

Dr Helgeby: No.

Ms Huxtable: No. They're two different things.

Senator KITCHING: They're separate, yes, but you were asking for feedback on the previous supplier. Is that correct?

Dr Helgeby: Yes. The master media arrangement comes up periodically. It's a whole-of-government arrangement.

Senator KITCHING: How often?

Dr Helgeby: As part of the process of getting ready to tender for that arrangement. So work was undertaken to test the experience that agencies had with the previous incumbent.

Senator KITCHING: And did you do that because there was an extension clause in the contract for the provider? Were you getting feedback so you could see if you could extend it? Everyone was super happy with Dentsu Mitchell—

Dr Helgeby: I just need to check what the contract terms were for that previous contract. It was done as part of normal practice, so it wasn't tied to the actual contract terms. It is a normal activity we undertake in order to check how the master media agency is working.

Senator KITCHING: So that was $116,000 approximately?

Dr Helgeby: I think it gives it in cents, actually.

Ms Huxtable: It's $115,770.0.

Senator KITCHING: Was everyone happy with the feedback. Was it pretty good? The feedback was pretty good. Ms Johnson was nodding. People were happy?

Dr Helgeby: In any kind of environment like that you'll get a range of experiences. There'll be people who were very happy with some things and not so happy with other things. We seek to leverage off that in order to either work with the now incumbent, because we will continue to take an interest in how that's going, or in this particular case I think it was with the previous incumbent.

Senator KITCHING: How often do you do that? Do you do it annually or biannually?

Dr Helgeby: Every year.
Senator KITCHING: And what's Ebiquity? What were they doing?

Dr Helgeby: That's a company that helps us with rates negotiations. Every year we go through and we—in this case with the master media agency—go through and negotiate rates that various media providers are prepared to put to government and are prepared to contract to. In order for the position of the Commonwealth to be safeguarded, protected and optimised we get some additional support in to that process.

Senator KITCHING: So you're essentially market testing to see whether you're getting appropriate rates. Is that essentially—

Dr Helgeby: What we're doing with the master media agency is exploring what the rates could be for the coming year. We go through this process every year, and because the advertising landscape changes quite a bit, it's important to retest the market in terms of what they're charging or wanting to charge to really apply some Commonwealth commercial pressure into that process.

Senator KITCHING: So the Commonwealth must be one of the larger advertisers, not the largest advertiser. Is it?

Dr Helgeby: We're not the largest, but we are one of the larger ones. Yes.

Senator Seselja: In the top few.

Senator KITCHING: And you bring that to bear to lower the rates to get—

Dr Helgeby: Yes.

Mr Scott: There is another element in that $82½ thousand. We have used Ebiquity to assist us with planning audits of the performance of the master media agency as well. That is part of understanding and warranting the performance.

Senator KITCHING: Have you ever found a great deal of discrepancy? When you've done the testing under the $82½ thousand Ebiquity contract, have you found that the master—what do you call it?

Dr Helgeby: The master media agency.

Senator KITCHING: Do you ever find their rates are, to use a technical term, out of whack?

Dr Helgeby: There's a difference between the master media agency and the media outlets and services we consume.

Senator KITCHING: I understand.

Dr Helgeby: The master media agency arrangement is tendered periodically, so we're always alive to the quality of the service we get and the pricing. The last time it was tendered was about a year and a half or two years ago—something like that. At that point in time there was a change from one provider to another provider.

Senator KITCHING: Are you able to provide, on notice—or you might have it there—the AusTender contract notice number for both Australian market research and Ebiquity?

Dr Helgeby: I'll take it on notice, but if we can produce it within the next little while then we will do that.

Senator KITCHING: The Dentsu Mitchell Media Australia at $15,422.20 was in relation to—so what are you advertising in relation to electorate offices?
Ms Jones: That's my area of responsibility. We sometimes advertise so that prospective landlords who might have properties that are suitable for electorate offices can advise us of the suitability of those properties, and then we can look to see whether they will be appropriate for either a new office for an existing member or a different location, if needed, if a new member has come in.

Senator KITCHING: Do you do that in real estate.com.au? Where do you do that advertising?

Ms Jones: I'd need to take that on notice, in terms of the specifics. My understanding—but I will take it on notice—is that we do it in local newspapers.

Senator KITCHING: That makes sense. So that I have it clear in my head, for that contract, you advertise in order to attract interest from potential landlords who might have a space that's suitable and fulfils the criteria for an electorate office.

Ms Jones: Correct.


Ms Jones: I think it's the same function. I think we used a different organisation for the same function.

Senator KITCHING: So you might use one in some states and one in another, or something like that?

Dr Helgeby: These two have swapped in terms of who the master media agency is. Dentsu was the previous master media agency. Universal McCann is the current master media agency.

Senator KITCHING: So Dentsu Mitchell is the current one?

Dr Helgeby: No, Universal McCann is the current master media agency.

Senator KITCHING: When was that finalised?

Dr Helgeby: The contract start date?

Senator KITCHING: When did it start, or when did it finish?

Dr Helgeby: When did it swap over?

Senator KITCHING: Yes.

Dr Helgeby: 1 July 2018.

Senator KITCHING: Thank you. That's very responsive. Does this table represent all of the advertising spend of the Department of Finance?

Ms Jones: For that financial year, yes, that's correct.

Ms Huxtable: For the Department of Finance, yes.

Senator KITCHING: All of it?

Ms Huxtable: Yes.

Senator KITCHING: So, 242?

Ms Huxtable: That's correct.

Senator KITCHING: I'll move on to whole-of-government advertising. Finance collates whole-of-government advertising?
Ms Huxtable: We have a responsibility in respect of the whole-of-government framework for advertising.

Senator KITCHING: Are you able to give me, for example—I won't say this week's—last financial year's advertising spend?

Ms Huxtable: That is in the annual report.

Senator KITCHING: What page should I—

Ms Huxtable: Page 177, I think, from memory. No, that's not right.

Dr Helgeby: I think page—

Ms Huxtable: Page 84. At the bottom of that page, you can see that there's a section on the central advertising system. If you look at the two dot points—

Senator KITCHING: I'm in the paragraph starting 'Finance administers the central advertising system'.

Ms Huxtable: Yes, that's right.

Senator KITCHING: A total of $174.1 million was spent across campaign and non-campaign advertising.

Ms Huxtable: That's right. You need to drop down to the next two dot points to get the breakdown.

Senator KITCHING: So 'campaigns' might be something that a government department might run—an information campaign, for example?

Dr Helgeby: In this case, this is aggregating data for what are typically thought of as campaigns run by government and also campaigns run by companies. For example—

Ms Huxtable: Commonwealth companies.

Dr Helgeby: It's important to keep that distinction. Departments will fit in one side of it, but then companies, which include things like the Reserve Bank, Defence Housing Australia—

Senator KITCHING: The Future Fund?

Dr Helgeby: No, not the Future Fund—Sport Australia. There would be other bodies as well, smaller companies. We have an advertising framework that treats NCEs, non-corporate Commonwealth entities—so, departments and things like that—

Senator KITCHING: I will have to write that down. I'm writing it on Senator Gallagher's book.

Dr Helgeby: These other corporate Commonwealth companies are using this system, but they're not mandated to use this system. They take advantage of the purchasing power, but they are not required to do that.

Senator KITCHING: Is this capturing everything, though? If they're not using the system, is the spend still included?

Ms Huxtable: These are corporate Commonwealth entities, so they're not departments of state. The distinction is between a government advertising campaign that will be managed through a department of state—what you would see as a mainstream offering, I suppose—and a related activity, for example, vaccination campaigns or Defence Force recruiting campaigns.
The corporate Commonwealth entities are much more niche. You can see from the spend here that there is a much lesser spend by the corporate Commonwealth entities than the non-corporate Commonwealth entities.

**Dr Helgeby:** If I might, every year the government publishes, and Finance publishes, a document called *Campaign advertising by Australian government department and agencies.* It's on our website. It typically comes out in the last quarter of the year. It's important to note, when looking at data about advertising, that the figures in that document are about non-corporate Commonwealth entities subject to the PGPA. What's in the annual report goes beyond that to the other entities. Therefore, the 174 figure is not the same as the figure we would publish in this annual report. It's a bigger number.

**Senator KITCHING:** What's that number?

**Dr Helgeby:** That is in here.

**Ms Huxtable:** That's the one I was taking you to in the dot points.

**Senator KITCHING:** What's the figure that you published in the last quarter, in May or June this year?

**Dr Helgeby:** We haven't published at that level.

**Ms Huxtable:** The annual report generally comes out toward the end of the year, because it takes time to collate all the information that goes into the annual report.

**Senator KITCHING:** I understand.

**Ms Huxtable:** It operates at a different level of detail to a headline figure. But to go to dot point (1) here, the $140 million by non-corporate Commonwealth entities is the total campaign advertising media expenditure by, effectively, all those entities covered by the PGPA Act—so, the departments of state and others covered by the PGPA Act.

**Senator O'SULLIVAN:** Just on this, what was the equivalent figure for the previous financial year, in total?

**Ms Huxtable:** It's in the previous annual report.

**Dr Helgeby:** It was 157 million in 2017-18, and that 157 compares to the 140 which we're talking about here.

**Senator O'SULLIVAN:** We've had an election this year.

**Senator KITCHING:** I don't think that is including election spending, is it? I think Senator Seselja would be very surprised—you're asking about an election, is that right?

**Senator O'SULLIVAN:** No, I said that in an election year that advertising figure has actually gone down. I'm wondering if that's an unusual occurrence.

**Senator Seselja:** I will let the officials answer, but think it's important in the context of Senator Kitching's questioning to just clarify. There was an article today that compared, on a like-for-like basis, the total figures that were in the annual report, I think it was in *The Guardian.* It was 174 million and the article said that that was a spike on previous years. That was a complete misread of the annual report, as I think has been demonstrated. The like-for-like figures are 140 in the last financial year just gone and 157 in the previous year. So it did drop in that time by 17-odd million.
Senator KITCHING: Where does the independent campaign committee fit in? Who does the advertising go through?

Ms Huxtable: Dr Helgeby can go through that.

Dr Helgeby: The Independent Communications Committee is a committee is created under the advertising guidelines—

Senator KITCHING: Where would I find those?

Dr Helgeby: They're on our website. It's created there, and it is there in order to provide assurance to accountable authorities as to whether their proposed campaigns are capable of complying with the advertising guidelines. They meet periodically. They don't have a fixed schedule. They consider campaign ideas, and they form a view about the capability or otherwise of a campaign complying with those guidelines.

Senator KITCHING: Who sits on that?

Dr Helgeby: There are three members: Mr Greg Williams, Ms Christine Faulks and Mr Malcolm Hazell.

Senator KITCHING: And where are they from?

Dr Helgeby: They're all retired or semi-retired from different forms of public life. I think two of them at least have been public servants in the past.

Senator Seselja: One of the members, Ms Faulks, was head of the local business chamber in the ACT for a number of years.

Ms Huxtable: The first time I met Malcolm Hazell was when he was an assistant secretary in the Department of Prime Minister and Cabinet and, I think, I was a graduate there. He was one of my first bosses.

Senator KITCHING: So not long ago at all, Ms Huxtable! Do they meet on a needs basis? Would they meet if, say, Defence was deciding to do, I don't know, new ads for recruitment, for example? When you say they meet periodically, does that mean they meet as required?

Dr Helgeby: They meet as required, yes.

Senator KITCHING: And just generally—nothing to do with the communications committee—is it all forms of advertising? Would it include outdoor advertising, social media and print or more traditional forms?

Dr Helgeby: Senator, there is a threshold to what the ICC is asked to look at, and it's 250,000 in—

Ms Johnston: Advertising.

Dr Helgeby: It's in advertising spend. That's the threshold, so they don't look at things below that. But they consider strategy and they consider the research behind the work and other documents that a department considers are relevant to enabling the committee to form its view about the capability of complying.

Senator KITCHING: I'll just move on to media monitoring. What was the department's total expenditure on media monitoring in the last financial year? Or do you have a monthly figure?

Ms Huxtable: While Ms Jones is looking, you were after the contract notices?
Senator KITCHING: Yes.
Ms Huxtable: They are CN3546185 and CN3449518-A2, which amends CN3449518.
Senator KITCHING: Thank you.
Ms Jones: Mr Scott has the answer, so I'll defer to him.
Ms Huxtable: I'll just tell you that Mr Scott started with us, I think, last week.
Senator KITCHING: Welcome!
Ms Huxtable: He is very impressive so far, but first we'll see if he actually has the answer!
Mr Scott: What figure would you like?
Senator KITCHING: The media monitoring for the department.
Mr Scott: Yes.
Senator KITCHING: Then I'm wondering if you collate that as well for whole of government?
Mr Scott: No.
Senator KITCHING: That's by department and agency. So for the department?
Mr Scott: For the 2018-19 financial year, I am reliably informed it was $362,533. Over time it's been around $350,000 to $360,000.
Senator KITCHING: Thank you. Given it's your first week, I don't want to overload you, but, if you don't have them, are you able to provide the AusTender contract notice numbers for that as well?
Mr Scott: The AusTender contract notice number is—
Senator KITCHING: Oh, gosh!
Senator McALLISTER: Okay, now you're excelling!
Mr Scott: My staff are excelling!
Senator GALLAGHER: We'd happily take a tabled brief, if you were going to be—
Ms Huxtable: That's a bridge too far!
Senator Seselja: That won't be happening.
Mr Scott: Senator, I'm new to the department, not new to estimates!
Senator GALLAGHER: You did allude to a number on the page, so I thought I'd give it a crack.
Mr Scott: Sorry—it's CN3312770-A4.
Senator KITCHING: Lovely, thank you. Did the department have any promotional merchandise? Do you have any promotional merchandise? Mouse pads or T-shirts?
Senator GALLAGHER: Badges, pens?
Ms Jones: I don't believe so.
Senator GALLAGHER: I haven't seen any around.
Senator KITCHING: Ms Jones is looking.
Mr Scott: We will need to take that on notice. We can't give you a reliable answer.
Senator KITCHING: That's fine.

Ms Jones: It's not often that we spend anything on that. We will check. We may have done some material for our internal security week to promote security awareness and enhance security culture within the organisation, but that would be for internal use.

Senator KITCHING: Okay. Just in the last financial year, that would be good.

Senator SCARR: I'd just like to clarify some of the points that were made around campaign advertising, non-campaign advertising, in particular in the context of a lead-up to an election campaign. Could you please just resummarise for us the campaign advertising figure for 1 July 2018 to 30 June 2019.

Dr Helgeby: $140 million.

Senator SCARR: That's for the financial year just gone. And then for the year 1 July 2017 to 30 June 2018—so the financial year immediately prior to the financial year in which the election—

Dr Helgeby: 2017-18?

Senator SCARR: Correct.

Dr Helgeby: The figure was $157 million.

Senator SCARR: So just to be clear—

Senator GALLAGHER: You didn't prepare this earlier, did you, Minister Seselja?

Senator SCARR: Chair, I haven't actually asked any questions for the 14 hours I've been sitting in this room. It would be nice if I had the opportunity to ask a few questions. Dr Helgeby, could I ask you: in the experience of keeping records, how usual is it that there would actually be a fall in the campaign advertising, year on year, in a year in which a federal election has been called? How usual is it that the amount spent on campaign advertising in the financial year before the federal election year is actually more than the campaign advertising in the federal election year?

Dr Helgeby: Senator, I might draw your attention to the report I mentioned earlier, Campaign advertising by Australian government departments and agencies report, of which the most recent is 2017-18. At page 42 there is a table that goes through and gives both financial year and calendar year figures.

Ms Huxtable: We don't record data that goes specifically to election years, but you can see from the table that's in this report—you could deduce from that what was happening in a year in which an election was called.

Senator SCARR: I don't know if you've got the document there in front of you, but could I take you to the Auditor-General's report No. 7 of 2019-20, titled Government advertising: June 2015 to April 2019.

Dr Helgeby: Yes.

Senator SCARR: If you could have a look at table 2.2 on page 40. Could you please explain what that table demonstrates? What's it intended to display to the reader?

Dr Helgeby: As titled, the ANAO have created this table called: 'Media placement figures in millions (excluding Australian Electoral Commission campaigns and GST) for the six months prior to a federal election since 2004, adjusted to February 2019 prices'. They've
abstracted from the calendar and just expressed the dollar values of campaigns in each of the six-month periods leading up to an election. They have actually re-expressed the pricing to 2019 prices, so it doesn't line up neatly with what we would publish, because they've re-expressed it. And then they have got—

Senator SESELJA: It's adjusted for inflation.
Dr Helgeby: It's adjusted for inflation.
Senator SCARR: So these are real numbers, not nominal.
Dr Helgeby: Well, they're adjusted figures.
Senator SCARR: Yes, they're adjusted for inflation, that's what I meant.
Dr Helgeby: And what they've done is they've picked the 2004, 2007, 2010, 2013, 2016 and 2019 election years and they've produced that data. They have then gone and greyed out in that table the months of peak activity, and they have also produced a 'total' column on that re-expressed basis, on the right-hand side. So that table gives a total for the equivalent period for each election since 2004.

Senator SCARR: In the six months prior to the 7 September 2013 election, adjusted for inflation, $150.2 million was spent. Is that correct?
Dr Helgeby: That's what the table reports, yes.
Senator SCARR: And then, in the six months prior to the 18 May election 2019, $92.1 million was spent, in today's dollars, effectively.
Dr Helgeby: Again, as reported by the ANAO, yes.
Senator SCARR: That is substantially less than what occurred in 2013. Is that correct?
Ms Huxtable: That's certainly what the table says.
Dr Helgeby: That's what the table purports to show, yes.

Senator SCARR: And then, if you go to the page before, there's figure 2.2, which is I think trying to demonstrate the cycles across elections in terms of spending, financial year to financial year. From what you said just earlier in your previous evidence, 2018-19 was $140 million but 2017-18 was $157 million. Is that correct?
It would be quite unusual, in the context of this graphical representation, to see an actual fall in campaign advertising in the financial year before a general election or a financial year in which there is a general election; is that correct?
Dr Helgeby: This graph shows time periods, so I don't know that you can directly infer as you've suggested, but I could see how it could be read in that way.
Senator SCARR: But, in terms of the last three election cycles, the peak was in 2013; correct?
Dr Helgeby: In terms of the last three electoral cycles, yes, the peak, as reported in this table, is 2013.

Senator SCARR: Then I want to take you to an article in The Guardian today—and you may be aware of it—which comments on campaign advertising. There's a paragraph in that article which I'll read for the record:
The $174.1m price tag is a massive increase on the $100.1m spent in 2016-17 and $157m in 2017-18 but is still not a record - that dubious honour goes to the $174.7m in the 2015-16 financial year, another election year.

I'm just trying to marry up the commentary in this article with the actual figures themselves. The question I'm putting to you is: is that an appropriate comparison or are we comparing apples and oranges there?

Dr Helgeby: In our earlier evidence, we commented that the $174 million figure is not a like for like with the other figures that we report in the annual report. So the $174 million does not equate to the $100 million in 2016-17 or to the $157 million in 2017-18. The $174 million is a figure that has other things in it, as we talked about. So the $140 million is the figure that is comparable to the $157 million.

Senator SCARR: So we should be comparing the $140 million, which was in the 2018-19 year, with the $157 million that was in the 2017-18 year?

Dr Helgeby: Yes.

Senator SCARR: So in the 2018-19 election year, it was less than the previous year?

Dr Helgeby: Well, 140 is less than 157, yes.

Senator SCARR: Whilst we're on this theme of making sure we're comparing like with like, there was an article which appeared in *The Sydney Morning Herald* and *The Canberra Times* written by David Crowe on 7 April 2019. I'll read a paragraph from that article:

Labor—

and it doesn't say who in Labor; it just says 'Labor'—

estimates the AusTender advertising contracts were worth $252,276,527.80 over the period from January last year—

which would be January 2018—

to the end of February this year—

which would be 2019—

a daily spending rate of $600,659. That rate would amount to $4.8 million over eight days before the writs are issued.

One of the senators attending this hearing earlier today referred to this AusTender source document. Can you just explain to me whether or not it's appropriate to refer to that AusTender value when you're trying to attribute advertising expenditure to a certain period of time?

Dr Helgeby: No, it's not. We've provided evidence on a number of occasions, including today, that AusTender reports total contract values and it reports total contract values which may go over a number of years. In addition, because it focuses on the total contract value, total contract spend may lag total contract value. So spend is not derivable from contract values on AusTender.

Senator SCARR: In summary, could you speak to the committee generally about what steps are being taken to ensure that taxpayers are getting value for money in terms of their advertising spend?

Dr Helgeby: Senator Kitching asked earlier about the Independent Communications Committee. There's a governance arrangement that applies to all government advertising.
There's a document available on our website called *Guidelines on Information Advertising Campaigns by non-corporate Commonwealth entities* that has existed largely in the same way since 2008. It goes through a number of steps and tests that are required in order for advertising to be compliant, and that compliance is tested along the way by people like the Independent Communications Committee and it is attested to by the accountable authority.

When a campaign launches, two documents become publicly available. One is a statement by the accountable authority which, normally, is a secretary, for example, that says they are satisfied that it achieves value for money and that it meets the principles. Then the other document that appears is the statement from the Independent Communications Committee which talks about capability complying. We also talked a bit earlier about the process whereby our department is engaged with the Master Media Agency in rates negotiations. So the Commonwealth does have purchasing power in this arena, and, through that sort of structured approach, we believe that best value is being achieved and will continue to be achieved into the future.

**Senator SCARR:** Thank you very much.

**Senator KITCHING:** The guidelines document that's on the website will have all of the various criteria which the accountable agency or department must meet?

**Dr Helgeby:** Yes.

**Senator KITCHING:** So I can look at it myself, thank you. On the Commonwealth Procurement Rules, does the department avail itself of any of the exemptions? I can't remember the section. I want to say section 28, but I could be wrong. I'm talking about the most recent Commonwealth Procurement Rules—18 March, I think they are. When you are doing a whole-of-government accounting, do you ever list when you use an exemption? I'm thinking, for example, of the exemption around the use of Indigenous companies and the definition of an Indigenous company that's in the back of the Commonwealth Procurement Rules.

**Dr Helgeby:** Senator—

**Senator KITCHING:** For example, if you were getting value for money but you wanted, for a specific reason, to use one of the exemptions, because that made sense either in a policy sense or because of the geographic location, do you account for that?

**Ms Huxtable:** Your questions here are in regard to the advertising framework, not the department more broadly?

**Senator KITCHING:** Yes, in relation to the whole of government. For example, in the Northern Territory, a department might run a campaign that might specifically use, for example, the Indigenous company exemption?

**Ms Huxtable:** Yes.

**Dr Helgeby:** There is a thing called the Campaign Advertising Supplier Register. It's a continuously open whole-of-government list of specialist communication suppliers who are interested in tendering for work. It covers the categories of market and social research, advertising, public relations communicating with Indigenous Australians and multicultural marketing. And it has, at the moment, something like 205 entities or suppliers on it. It's quite normal for entities to approach Finance to see who might be the relevant players in a
particular world—and, therefore, for concerns about, or interest in, experience, specialist expertise, other sorts of things—to come to the table. There is a due diligence process to get onto that list, which includes seeking assurance in relation to both the professional and financial capability of anyone who seeks to be on the list. Under the Commonwealth Procurement Rules division 2, there is an exemption that exists which means that open approaches to the market are not required, and the normal requirement for tenders to be advertised for a minimum period of at least 25 days is also removed, and that is in light of the existence of this thing.

**Senator KITCHING:** Would that be a criterion that the Independent Communications Committee would take into account as well?

**Dr Helgeby:** They're not involved in the procurement of anything. They are simply presented with information, departments having made decisions about who they're using for particular services.

**Senator KITCHING:** Thanks, Dr Helgeby.

**Senator GALLAGHER:** I have two follow-up questions on campaign advertising. Does being in caretaker affect government advertising spending? And if so, how?

**Dr Helgeby:** Absolutely, it does. As soon as caretaker commences, there is a process by which all government advertising is pulled, and one of the main requirements of a master media agency that works for the Commonwealth, is to be prepared not just to place advertising but to remove advertising and do it very quickly and efficiently. In the lead-up to the most recent election, we worked with Universal McCann to have their processes ready and that was activated instantly. Material was pulled as quickly as possible. There's always—for example, print might have already gone to print, and this sort of thing. Then there is a process of consultation between the government and the opposition that goes to saying that this is what's happened and seeking to consult with the opposition as to whether some of the campaigns previously running might be restored. In the case of the most recent election, there were a number that were agreed between the opposition and the government to continue. In fact, I can tell you which ones for this election. There was—

**Ms Huxtable:** Just before you do that: that consultation between the government and the opposition is also informed by a review which is conducted by Finance and the Department of the Prime Minister and Cabinet to provide advice about which campaigns may be recommenced.

**Senator GALLAGHER:** I'm happy, if it's a list, just to have that provided to the committee, if that's all right. That would certainly affect a couple of months of the 2018-19 financial year, in terms of there being a caretaker period in there, because you would have pulled some advertising?

**Ms Huxtable:** Clearly, there is advertising that ceases during that period.

**Senator GALLAGHER:** Going back to the ANAO table, I think Senator Scarr was saying that advertising peaked in the September 2013 year. I've just had a look at the table, and it would appear to me that a fair characterisation would be that it peaked in the 2007 year at $235.9 million, just for the record. I'm happy to hand over to Senator Waters now.

**Senator WATERS:** Thanks for your evidence so far. I've got some follow-up questions about that same ANAO report. This ANAO report, like previous reports, has been critical of
the non-mandatory nature of some of the guidelines and has highlighted that the discretionary
nature of those guidelines was not optimal. Can I ask what policy work the department is
undertaking to respond to those suggestions or recommendations of the ANAO report in
relation to making those core principles mandatory?

Dr Helgeby: The guidelines to which the ANAO is referring are government guidelines,
so it will be a government decision as to how to respond to those particular things.

Senator WATERS: And I'm asking: what work is being done by the department, on
instruction from government, in relation to those recommendations?

Dr Helgeby: It's normal that we would support the government in its decision-making
processes, and we will do that in this case as well.

Senator WATERS: Are you doing work or not?

Dr Helgeby: We are doing the work we normally do: an ANAO report comes out, and we
brief government about it and allow government to go through its decision-making process.

Senator WATERS: Presumably the government either has or has not done that. Are you
now working to respond to the ANAO report's recommendations?

Dr Helgeby: The report only came out a month ago or something like that.

Senator WATERS: Yes, quite recently.

Dr Helgeby: In fact, it came out in August, so it's quite early in the process of
consideration. There's a normal time frame for consideration of these things, which goes for
six months or something like that.

Senator WATERS: Is the process you're referring to the process of you briefing the
government on what the ANAO has said, or is it you then doing any work that might flow
from your briefing to government?

Dr Helgeby: As I said, a decision to change the guidelines is a decision of government.
We would not act on a matter like the one you're raising, in the absence of a decision of
government.

Senator WATERS: I understand that, thank you. My question related to your mention of
a six-month time frame for response. Are you saying it's going to take you six months to brief
the government on the report, or are you saying it would take about six months for the
government to consider whether to take action on the report? Or would it take six months for
you to then deliver on the government's request for you to act on the report?

Dr Helgeby: No, I'm simply saying that there's a normal process, and we're following a
normal process.

Senator WATERS: Which process are you referring to? That's what I'm asking.

Ms Huxtable: The report was recently received. I think you'll see in our response to the
recommendations that we set out our action in respect of those things. From memory, there
were five recommendations directed at either Finance or the government. One of those went
to the way in which the reporting occurs to ensure that there's maximum transparency. My
recollection is that we said that we would look at that—

Senator WATERS: Yes, I've read that.
Ms Huxtable: In respect of the other four, as Dr Helgeby said, it is a matter for government. My recollection is that we said in our response that we would brief the government. We're now in the process of providing a report to the government and briefing the government in that regard. Then, clearly, there's a decision for government as to whether they wish to take any action based on the report. We're still in the phase of considering the report and briefing the government, and then—

Senator WATERS: Thank you. That was the very question I was trying to get at, so I appreciate your clarity there.

Ms Huxtable: I think Dr Helgeby was saying the same thing, to be honest.

Senator WATERS: Perhaps it was clear to you, but it wasn't clear to me. Thank you for clarifying it. Minister, is there any intention by government to take on board those ANAO recommendations, in particular the one that calls for the principles of the guidelines to be made mandatory rather than discretionary?

Senator Seselja: I don't think there's much I can add to what officials have said. The government will, in the ordinary manner—with briefings from the department helping to inform that—make judgements and respond to the report in the usual course. I can't pre-empt what the government's response will be to that.

Senator WATERS: Given that this is a recommendation that's been made before by the ANAO, what are the policy reasons that that recommendation hasn't been acted on to date?

Senator Seselja: I wasn't there in that role when previous reports have been delivered. What we've currently got is a report. It will be given due consideration. We take seriously all of the work that the ANAO does. Sometimes we agree with them, sometimes we disagree with them. Where we disagree with their conclusions, we'll set that out, but I'm not going to pre-empt what the government might decide.

Senator WATERS: Is there a time frame on when the government will take a decision in relation to its actions, particularly of that suggestion by the ANAO?

Senator Seselja: There's no set time frame. The department has set out what is usual practice, broadly, and we'll work through it. Sometimes it's a little bit either side of that. But there's no fixed date as to when we'll respond. We'll work through it in the ordinary course with officials and come to some judgements.

Senator WATERS: Wow! Thanks so much. I'm so glad I waited for an hour for that.

Senator GALLAGHER: Under the waiver of debts component of program 2.1, are there any thresholds for waiver of debt under section 63 of the PGPA Act? I'm asking whether it's able to be delegated to a low level and whether high levels are elevated to the minister.

Mr Hunt: I can answer that. The power does sit with the minister, but it is delegated up to certain limits. For authority to approve waivers of debt and act-of-grace payments up to $100,000 is delegated to the department, and then there are some internal delegations further down the department from the secretary.

Senator GALLAGHER: And anything over $100,000 must be signed off by the minister?
Mr Hunt: An approval of a waiver or an act-of-grace payment over $100,000—that's right.

Senator GALLAGHER: Do you report those waivers anywhere?

Mr Hunt: They're not reported.

Senator GALLAGHER: If the waivers were under $100,000, and, indeed, if there were waivers provided over $100,000, can I find where they might be?

Mr Hunt: They're not reported.

Senator GALLAGHER: And that would be for act-of-grace as well?

Mr Hunt: That's right. They often involve quite personal details.

Senator GALLAGHER: Is there an overall limit to the size of the debt that can be waived?

Mr Hunt: There is no limit, no. The power in the act is not constrained.

Senator GALLAGHER: I'm not sure if this is the act that it would have been done under, but would the waiver of the Tasmanian housing debt have come under this act?

Mr Hunt: It was waived under this act. That's right.

Senator GALLAGHER: That was in the order of, I think, $157 million?

Mr Hunt: That's correct.

Senator GALLAGHER: Is that done by agreement between, say, in that instance, the housing minister and approved by Finance? Does the finance minister have the final sign-off?

Mr Hunt: The minister did formalise that waiver under the legislation. That's correct.

Senator GALLAGHER: You're telling me that there's no requirement if you waive $157 million in ordinary circumstances to report that anywhere? I know in this instance there was, because it was a public deal, but could that happen without any reporting?

Mr Hunt: There's no requirement to report those waivers, no.

Senator GALLAGHER: Even in a general sense? I understand it for individuals and quite personal circumstances. I think I've done a few locally, so I get that. But there's no global reporting of, say, this was the total amount for 11 act-of-grace payments or waivers of debt?

Mr Hunt: There isn't, no. But in this instance I presume that the debt would be adjusted in Treasury's financial statements and it would be reported—

Senator GALLAGHER: So you'd trace it back that way—you could. But if you didn't know that it was being waived it would be hard to go back and reduce a couple of tables and say, 'Oh, that's $157 million less; therefore it must have been a waiver.' It's interesting. I would have thought there would be some reporting. Anyway, I'll look at that another time. I know that the ACT government has written to the Prime Minister seeking a similar waiver for housing debt. Perhaps the minister could update the committee on where that might be and indeed whether waivers have been sought by other state governments relating to housing debts.

Senator Seselja: I can answer in a very limited way. The ACT government hasn't written to me—
Senator GALLAGHER: No, they've written to the Prime Minister seeking a debt under this—

Senator Seselja: Sure, but it hasn't in any way come to me for any sort of consideration, so obviously the Prime Minister has handled that correspondence, but I think there's not much I can add to that.

Senator GALLAGHER: But you're in charge of waivers, are you?

Senator Seselja: If it were to come to me, yes.

Senator GALLAGHER: With the Tasmanian housing debt, you signed that off?

Senator Seselja: No, I didn't in that circumstance. Minister Cormann signed that one off. But in the ordinary course, yes, I would.

Senator GALLAGHER: When there's a request for a waiver, does it come to Finance for advice, and you would then brief the minister?

Ms Huxtable: There is a process that underpins consideration of these matters, which officials can take us through.

Mr Jaggers: For a waiver of a debt or an act-of-grace payment in excess of $500,000, an advisory committee is convened in accordance with section 24 of the PGPA Act. That advisory committee will then provide a report to the relevant minister and make a recommendation, and that will be considered by the minister.

Senator GALLAGHER: So, those officials—where are they from? There's a committee that meets?

Mr Jaggers: The members of the advisory committee will generally be from the Department of Finance; the Department of Infrastructure, Transport, Cities and Regional Development; and the relevant portfolio agency. And in this case for housing it's the Department of the Treasury.

Senator GALLAGHER: Minister, in relation to the ACT government's request—it's been a public request and it's been reported I think pretty extensively in local media that the letter's been written some time ago and a waiver's been sought—do you support that waiver, as a local ACT senator?

Senator Seselja: I think you're attempting to ask me my opinion as a senator for the ACT.

Senator GALLAGHER: You're in a position of influence now. You get to sign it off.

Senator Seselja: Well, if only it were that simple! As you would be aware, I'm not here in my capacity as senator for the ACT; I'm here as the assistant minister. And when it comes to decisions like that, around housing, in the first instance they would be decisions that are taken either at the prime ministerial level or in the minister for housing space. So, that's not something I have any authority on, other than if it comes to my desk. As an ACT senator of course I put forward my views on a range of issues, but in the context of this estimates hearing I think it's appropriate that we deal with the things that come before my desk as assistant minister.

Senator GALLAGHER: Okay, but the arguments that Tasmania has used to waive their debt would apply equally to the ACT. Have other governments sought waivers of housing debts along the lines that Tasmania has?
Senator Seselja: Not to my knowledge. It hasn't come before my desk. But that would be a matter for either the housing minister or the Prime Minister, I suspect.

Senator GALLAGHER: Have these committees been formed for other requests for waivers?

Ms Huxtable: Your first question is really a question to be directed to the Treasury.

Senator GALLAGHER: Okay. We'll have a few for them tomorrow. Have you sought information about the request from the ACT government for a waiver of their debt?

Senator Seselja: That's not how it works in terms of debt waivers. Debt waivers go through a proper process and then—

Senator GALLAGHER: But I was told just before that you are in charge of requests for act-of-grace payments and waivers of debt under the Public Governance, Performance and Accountability Act 2013.

Senator Seselja: Yes, and none have come to me. For instance, the Chief Minister of the ACT has not written to me and said, 'Could you waive our debt?'

Senator GALLAGHER: But you have not sought advice from the Prime Minister, which is where that request went to, or sought information about how it is to be handled?

Senator Seselja: My role as assistant minister is not to go to other departments, to the Prime Minister and to other ministers and ask what potential debt waivers or acts of grace there might be; it is to go through the process, and it goes through a departmental process before it comes to me.

Senator GALLAGHER: We'll come back to that because I think that has probably got more to go. It's good that the ACT community have you in there as their assistant minister on this one.

Senator Seselja: You're asking me to go into a space which I have no authority to go in. As I said, in my role as a senator for the ACT I make all sorts of representations on all sorts of issues, but that's not the capacity in which I'm appearing today.

Senator GALLAGHER: But you do have responsibility for waivers of debt, which is good. That's what I'm saying. I'm keeping it local.

Senator Seselja: It may well be that the Chief Minister writes to me, but we'll see.

Senator GALLAGHER: I'll make sure to cc. I think the letter is available. I'll make sure it gets sent to you. I have some questions on the annual report. There may be an explanation, although there wasn't a note to go with it. I notice that the GreenPower purchased for your office energy had declined by about 20 per cent since the previous year. I thought there must be an explanation for that.

Ms Huxtable: Have you got a page number there?

Senator GALLAGHER: Yes, it's page 88. I thought you were taking up less office space. There's something obviously, but it is not covered in the notes that I can see. You do say that, at 1 Canberra Avenue, Finance uses 10 per cent GreenPower, which is sourced through a cooperative government arrangement. I'm presuming that's still the policy, yet your purchase of GreenPower declined considerably in one year, unless I'm reading it wrong.
Ms Huxtable: I did ask this question myself. I think the answer was that there are more staff accommodated in the building. I'm waiting for Mr Scott to confirm that.

Mr Scott: Apologies. Could you point out to me where in table 2?

Senator GALLAGHER: In table 2 it has 'GreenPower purchased'. There is a difference between those two numbers. It's a big enough difference to probably have a note to explain why. It is between 674,000 and 851,000 kilowatt hours.

Ms Huxtable: It related to the department divesting itself of several buildings, in particular the space that we occupied in Garema Place, where the service delivery office was housed.

Senator GALLAGHER: So you have a smaller footprint; therefore, smaller energy use.

Ms Huxtable: There are a number of buildings that we are no longer using. We have consolidated more staff into 1 Canberra Avenue. They all supplied 10 per cent GreenPower to Finance, so I think that made a difference to the numbers. We can give you a more detailed answer.

Senator GALLAGHER: Thank you. I checked the year before and it was pretty standard.

Ms Huxtable: It's a combination I believe of the footprint of the department and the staff numbers.

Mr Scott: And total energy consumption has declined.

Senator GALLAGHER: Can you just confirm that on notice for me?

Mr Scott: Yes.

Senator GALLAGHER: Another significant difference I noticed was the total distance of flights in kilometres. According to this table, it jumped by one million kilometres without an obvious explanation. The flights increased slightly, but the kilometres went through the roof.

Ms Huxtable: We'll have to take that on notice.

Mr Scott: Yes, we'll have to take that on notice. In terms of total travel expenditure, between 2017-18 and 2018-19 there was a reduction, particularly in international travel.

Senator GALLAGHER: Yet you're going a million miles more?

Mr Scott: Yes.

Ms Huxtable: It'll just be the nature of the travel that was conducted, but we'll take it on notice and get to the bottom of it.

Senator GALLAGHER: Yes, but there were only 200 more flights and a million more kilometres.

Ms Huxtable: That's a lot of procurement negotiations overseas.

Senator McALLISTER: I have some questions about Snowy Hydro, and then that might let Senator Gallagher do a review of her outstanding issues. I wanted to ask some questions about Snowy 2.0.

Ms Huxtable: We'll do a swap of people.

Senator McALLISTER: Sounds good. We had an extensive discussion about this in April, but before we commence again, because so many things have changed, could Finance just reprise the role that you play in the Snowy 2.0 arrangements?
Mr Jaggers: Snowy Hydro Limited is a government business enterprise, and the Department of Finance is one of the two shareholder agencies supporting the shareholder ministers—the energy minister and the finance minister. Our role is to provide advice to government in relation to the company on a regular basis. So we receive regular reports from the company, we provide regular briefings to the company and we support the minister when there are decisions that need to be taken by the minister in response to a proposal that the company puts forward that requires government consideration. Of course, we also administer the GBE guidelines on behalf of the Minister for Finance. We have a close working relationship with the company and our shareholder partner agency, the Department of Environment and Energy.

Senator McALLISTER: Right. In BP1 at 8-11 in the statement of risks, where it talks about the pressures and the risks associated with this project, it says: These pressures are being mitigated through close management of the delivery program and engagement with key stakeholders. Is it the Department of Finance's role to undertake that mitigation exercise?

Ms Huxtable: I think that's consistent with what Mr Jaggers said in terms of our role. I would just note in regard to Snowy: you should be aware but part of the history is that the government assumed 100 per cent ownership of Snowy on 27 June 2018. And, prior to that, the Commonwealth was a 13 per cent shareholder, but that was the environment department alone who was the 13 per cent shareholder. So our role in Snowy basically started formally on that date.

Senator McALLISTER: Right, it's relatively recent.

Ms Huxtable: It was 29 June 2018, sorry.

Senator McALLISTER: When we last discussed this in April, the cost estimate that had been provided was between $3.8 billion and $4.5 billion, and in addition to that there was a contingency built into that cost estimate of $400 million. And around that time, in that same estimates period, Mr Broad indicated that he expected a cost escalator would be used with the contractor that would adjust for changes in the nominal value of the contract, capped at $450 million over the value of the construction contract. Have any of those core facts changed?

Mr Jaggers: The capital cost estimate that you referred to, the $3.8 billion to $4.5 billion, was the number that the Snowy Hydro developed through its feasibility study, which was finalised in December 2017. There was also a business case that was finalised in December 2018, and the same capital cost number was provided. The $3.8 billion to $4.5 billion is reflected in 2017 dollars. As the project was going to be delivered at obviously a later period, there was always escalation to be added to that. Our advice from Snowy Hydro, from the company, is that the capital cost component and, indeed, the contract they've entered into is consistent with that feasibility study and the business case. It's consistent with those numbers now.

Senator McALLISTER: The public reporting of that contract with Clough is $5.1 billion?

Mr Jaggers: Yes.

Senator McALLISTER: Your advice to me now is that that merely reflects the translation of a 2017 cost assessment to reflect inflation?
Mr Jaggers: It's a wrapped contract. It's a contract that incorporates electrical, civil and mechanical works, which is perhaps slightly different from earlier thinking. It involves escalation to 2025 and so, taking those factors into account, it is consistent with the $4.5 billion capital cost estimate in the feasibility study and in the business case.

Senator McALLISTER: Does the $5.1 billion include the contingency?

Mr Jaggers: No. There will be some additional contingency on top of that as well. The feasibility talked about the pure capital cost. There will be additional contingency that Snowy Hydro will factor into its processes and it also has preliminary works that it needs to meet the costs of.

Senator McALLISTER: It would be helpful to step through what's in and what's out of the $5.1 billion capital cost. You've said electrical, civil and mechanical works.

Mr Jaggers: Yes.

Senator McALLISTER: It doesn't include the early works and a separate contract was written for earlier works. Is that correct?

Mr Jaggers: I think there are contracts in place around early roadworks, insurance and safety. There's also the potential for costs with environmental offsets, which are still to be determined, and a contingency amount that Snowy Hydro is factoring in. I think you referred us earlier to the statement of risk in budget paper No. 1. That also made a reference to the fact that the final cost won't be known until environmental approvals and planning is complete and all of those stages are in place. We're still at that phase of the project.

Senator McALLISTER: Can you provide me with the value of the early works?

Mr Jaggers: Let me just see if we've got that with us. I might just take that on notice.

Senator McALLISTER: The contingency allowance was estimated to be $400 million last time this was canvassed at estimates. Has that changed?

Mr Jaggers: I'll have to take that on notice.

Senator McALLISTER: It won't have been revised downwards though, will it, Mr Jaggers?

Mr Jaggers: I think that the company was asked some similar questions about the value of the contingency and the project, and it indicated that, for commercial reasons, it was very reluctant to provide that. I don't actually have in front of me the company's final view on what the contingency should be at this stage, so I'll need to take it on notice.

Senator McALLISTER: Can I ask you about some other questions essentially to understand what's in the $5.1 billion cost estimate. Does it include the cost of finance? I assume not since it is a contract written with Clough?

Mr Jaggers: That's the capital cost of the project in that contract only.

Senator McALLISTER: It does not include the cost of finance?

Mr Jaggers: That's my understanding. I'll confirm that on notice, but that's my understanding.

Senator McALLISTER: So, the cost of finance is likely to be separate—and you'll confirm on notice. Mr Broad had previously indicated that he expected borrowings in the
order of $3 billion to finance the project. So, the cost of finance will be related to that $3 billion in borrowing, presumably.

**Mr Jaggers:** There'll be the cost of finance for the project; that's right. There will be borrowing costs associated with it. The capital structure involves an equity contribution from the Commonwealth of $1.38 billion and also private debt. That debt will obviously come at a cost, and Snowy Hydro is in the process of securing debt packages at the moment.

**Senator McALLISTER:** So, that has not been finalised or notified to government.

**Mr Jaggers:** That's right.

**Senator McALLISTER:** What's government's role in managing the risks associated with procuring finance? Actually, I'll ask a more specific question—my apologies. What is your role, in the Department of Finance, in overseeing or otherwise supporting the process of procuring finance for this project?

**Mr Jaggers:** I might as...**Ms Hall:** As part of our ongoing shareholder role that Mr Jaggers went through earlier, we provide regular advice to ministers, including on the capital structure and financial performance of all the GBEs, including Snowy Hydro. In the case of the Snowy 2.0 project, government will need to endorse the final financing package prior to the Snowy board issuing the notice to proceed, which is anticipated to occur early next year—the first quarter of next year. So, Snowy's in the market at the moment raising debt.

**Senator McALLISTER:** Understood. Are land and development costs included in the $5.1 billion capital cost estimate?

**Ms Hall:** Yes, to the extent that they're capital costs.

**Senator McALLISTER:** Project management?

**Ms Hall:** Yes.

**Senator McALLISTER:** In the $5.1 billion?

**Ms Hall:** Yes.

**Senator McALLISTER:** And Mr Broad has previously explained that the linking element of the transition infrastructure will be the responsibility of Snowy Hydro. Are those costs included in the $5.1 billion estimate?

**Ms Hall:** We'd have to take that on notice. I'm not familiar with Mr Broad's specific testimony, so I'd have to check what he was actually referring to.

**Senator McALLISTER:** Well, it's that there's the big transition system and then there's the local linking infrastructure that allows a generator to link to the transmission system overall.

**Ms Hall:** We'd have to take that on notice.

**Senator McALLISTER:** We don't know if that's in the $5.1 billion?

**Ms Hall:** I'm not confident I can give you an accurate answer today with the information I've got with me.

**Senator McALLISTER:** And the contingency allowance is commercial-in-confidence but not included in the $5.1 billion?
Ms Hall: It's in addition to the $5.1 billion but yes, it is confidential.

Senator McALLISTER: And the cost escalation which was previously indicated to be $450 million over the life of the project—that's not included in the $5.1 billion either?

Mr Jaggers: The cost escalation is included in the $5.1 billion.

Senator McALLISTER: So, $5.1 billion is the nominal amount you expect to be paid out by completion of the contract?

Mr Jaggers: That's the capital cost that's under contract.

Senator McALLISTER: So, it includes cost escalation.

Ms Hall: It includes escalation to 2025.

Senator McALLISTER: Thank you. That's a useful and helpful answer. Previously the advice has been that some of the costs associated with the project were contingent on finalisation of the EIS. And I think at that time specific reference was made to the disposal of spoil. It's a large tunnelling project. It's going to produce a lot of dirt. You have to put it somewhere. I understand that the EIS has now been released publicly. Has any financial advice been provided by the board to the Department of Finance about any costs associated with the management of spoil?

Mr Jaggers: The capital component—and that's part of the capital component or the capital cost of the project—is incorporated within the contract figure, so that's consistent still with the feasibility study from 2017.

Senator McALLISTER: At the time we spoke in April, the EIS had not been completed. There's now been an EIS released for public consideration.

Mr Jaggers: That's right.

Senator McALLISTER: Has the work that presumably took place between April and now changed the assessment of the costs associated with environmental compliance?

Mr Jaggers: It hasn't.

Senator McALLISTER: Thank you. There are presumably risks associated with obtaining approval. Is the department managing those risks or being briefed on those risks by the board?

Mr Jaggers: The EIS, as you reflected, has been lodged, and it will follow the usual process. We haven't been briefed on any new or additional risks associated with the EIS process. Yes, it is early days, and Mr Broad indicated a level of confidence with the work that they've done in relation to it.

Senator McALLISTER: Is there any indication of when approval might be expected?

Ms Hall: I'm advised the EIS for the main works was released for public exhibition by the New South Wales government on 26 September and will be exhibited for six weeks, so we're mid-exhibition at the moment. Following that, the relevant department will go through its internal processes. Snowy's advice to us at this stage is that it's anticipated to have decisions from both the New South Wales and Commonwealth authorities by quarter 1 next year in anticipation of the board issuing the notice to proceed.

Senator McALLISTER: The testimony from Mr Broad back in April was that the equity injection would be paid in stages over a two- or three-year period. His words were:
It doesn't start until the EIS has been determined and all those bits. When the EIS is determined and the dollars all flow in it starts from that point, which, as I said, will be about January next year.

Am I to understand from that that the Commonwealth is not intending to provide the equity injection until approval has been received for the major works?

Ms Hall: That's correct.

Senator McALLISTER: In the same exchange, Mr Broad canvassed options for funding transmission infrastructure associated with the project. At the time he raised the idea of what he described as a 'curve ball', which he did in the interest of there being no surprises. That's on page 40 of the estimates transcript for Senate estimates in the environment portfolio. He suggested that Snowy might enter into a commercial arrangement with the main network provider in Victoria to utilise a novel business model to fund transmission. That would be some kind of hybrid between existing commercial arrangements. I appreciate that this is separate to Snowy 2.0, but it is relevant to your overall management of Snowy Hydro. Has Snowy Hydro briefed you about any commercial arrangements that they are contemplating in relation to transmission provision?

Mr Jaggers: I think transmission is probably a matter for the Department of the Environment and Energy. They have the regulatory role in that space and also have appropriate portfolio responsibility. In relation to the company itself, there are no proposals on foot around transmission.

Senator McALLISTER: So, despite the fact that Mr Broad raised this as something that Snowy Hydro was contemplating, no proposal has been put to you by the board about entering into a commercial agreement to finance transmission?

Mr Jaggers: I think Mr Heferen from the Department of the Environment and Energy answered some questions in relation to transmission and the process for approving transmission at estimates yesterday.

Senator McALLISTER: With respect, Mr Jaggers, I do understand that there is a process for approval, but what was being floated or canvassed in April was a commercial arrangement, which itself would be subject to regulatory approval. It's the commercial arrangement I'm interested in because it impacts on Commonwealth finances. Has any commercial proposal been developed by the board and put to the Department of Finance for consideration?

Mr Jaggers: I haven't seen any such proposal myself.

Senator McALLISTER: On Monday 8 April Mr Broad had been emphatic about Snowy Hydro's flexibility about how the project would be financed. He said very clearly that the board had options. I asked, 'When you say you had options, was there an option that didn't involve an equity injection at this scale?' And Mr Broad said, 'Yes'. I said, 'So it's not necessary for the project to proceed?' And he said, 'We can fund it off our own balance sheet'. He made a number of other remarks. I asked him a little later in the transcript about whether or not the capital injection was needed to make the project happen. I asked specifically, 'Is $1.4 billion from government needed to make this project happen?' Mr Broad said, 'No'.

That testimony was directly contradictory to the testimony provided by Senator Cormann, who said that the board had requested the equity injection. I asked Senator Cormann about that discrepancy. He acknowledged it was a discrepancy and he said, 'I will be seeking an
explanation from the board as to why there is this inconsistency between what clearly happened, what clearly the company put to us, and some of the public statements made by one of their representatives. Was such an explanation provided?

Ms Hall: There was an answer to a question on notice that was provided that referred to a letter received from the board of Snowy Hydro on 21 November 2018.

Senator McALLISTER: For clarity, Ms Hall, this was not a question taken on notice. This was a public commitment made by the minister to seek an explanation. He didn't undertake to provide the explanation to us. I'm asking you, as a departmental official, did the minister successfully obtain an explanation from the board as to why there was such an inconsistency between his understanding of the position and the public statements made by Mr Broad?

Mr Jaggers: I recall from those discussions at the last hearing that Minister Cormann outlined the request from Snowy Hydro for financial support in relation to the equity commitment. We'll need to take on notice the second component of that question.

Senator McALLISTER: My question is, was an explanation provided about the discrepancies between the Minister's understanding and the public statements by the CEO?

Mr Jaggers: I understand that and I'm taking that on notice.

Senator McALLISTER: The advice from Mr Broad on 8 April was that he expected the project would be completed by mid-2025, final commissioning. Are there any changes to the project schedule?

Ms Hall: Not at this time. The project is still scheduled for completion in 2025.

Senator McALLISTER: Has the department done any sensitivity analysis or analysis generally about implications for the budget if the project is delayed?

Mr Jaggers: I think the statement of risk outlines the government's consideration of risks around the project. I might check with my colleague if there was anything in particular.

Ms Hall: In considering support for Snowy Hydro, including provision of equity as requested by the board, Finance worked with the Department of Environment and Energy and independent legal and commercial advisers to assess Snowy's business case. As a part of that work we reviewed the project's financial modelling. We undertook sensitivity analysis across a range of scenarios to understand the implications for the provision of the Commonwealth's equity and therefore implications for risks to the budget. That assessment is summarised in what was reported in the statement of risks.

Senator McALLISTER: The statement of risk is literally five lines long, so it's not terribly informative, although I think it's important that that work takes place. What kinds of dynamics are important in thinking about those risks? How does a project delay flow through?

Mr Jaggers: I think, importantly, and in addition to what Ms Hall just said, the government's equity contribution is going to flow after the notice to proceed is issued by the board, so essentially the key risk mitigator for the Commonwealth's investment in this project is that major contracts will be entered into, EISs will be completed and the board will have taken its final decisions before equity starts to flow. If those things aren't in place, the equity subscription agreement that we have with the company will mean that funding won't flow. So the Commonwealth's investment is protected until those things are in place.
Senator McALLISTER: Does the department have a clear picture of the total cost of Sno

Mr Jaggers: Yes.

Senator McALLISTER: What is the total cost of Snowy 2.0?

Mr Jaggers: As we discussed just a moment ago, some of the contingency elements of the project are commercial in confidence. The capital costs of the project have been released and the business case has been released. There's a significant amount of information about all the elements of the costs of the project, from feasibility studies to the business case. That capital cost component is $3.8 to $4.5 billion in 2017 dollars. We've discussed with you fairly openly the other elements that might drive some costs with the project that the Snowy Hydro board is considering.

Senator McALLISTER: The contract value is $5.1 billion. That excludes the road works and potentially any environmental issues arising through the approval process. It therefore doesn't include the contingency. I think, as far as we can tell, it doesn't include the transmission, except to the extent that it includes linking transmission. Is there a full and total picture of the costs associated with the project—a number that you could give us in 2019 dollars?

Mr Jaggers: The total cost is what has been put in the public sphere already around the feasibility study and the business case. We certainly haven't provided any further details in relation to it.

Senator McALLISTER: Except that you've conceded that that is not the total cost. There are a range of project elements that are not included in the capital contract. The capital contract is worth $5.1 billion in 2019 dollars. What is the total cost of the project?

Mr Jaggers: The total cost to government will be the equity contribution it's making at $1.38 billion.

Senator McALLISTER: That's not what I'm asking though, is it?

Mr Jaggers: I appreciate that. I've answered in terms of your question about the different elements of it and said that some of those will still be commercially sensitive. As the statement of risk already says, some of those final costs won't be known and settled until environmental approvals are in place and all of the planning and decisions are taken. The government's published that already in its statement of risk. I think that's the most up-to-date information we have.

Senator McALLISTER: The costs have increased very significantly since this project was first proposed. It was mooted as a $2 billion project, and it's now a $5.1 billion-plus project. Are you confident that the expected return on investment continues to be available from this project?

Mr Jaggers: The government's decisions in relation to its equity investment were taken after the feasibility study was completed and after the business case was completed. That capital cost remains consistent with government's understanding of the cost of the project. There's certainly no reason to indicate that the return that was modelled in the analysis that Ms Hall talked to earlier won't be achieved.
Senator GALLAGHER: I think we should be able to get through outcome 2 by the dinner break, well and truly. I've just got a few questions, and they're dotted around a bit because we've been moving around. Again on the annual report, on page 86, under 'Initiatives to support small and medium-sized enterprises and Indigenous business': in the previous year's annual report you reported a figure for contracts that were awarded to small and medium enterprises. I think in the previous annual report you had a figure of 56 per cent for contracts that were awarded to SMEs. It was in the same section last year. This year, in that section you don't give a figure; it's not reported. My question was going to be—although maybe I've just answered my own question.

Ms Huxtable: Isn't it 85 per cent? Is that what you're looking at there?

Senator GALLAGHER: I think I just answered my own question while I was asking it. Is that the same thing? It's written a different way. It's 'participation statistics', but the measure last time was that 56 per cent of contracts had been awarded to SMEs. It can't possibly be that 85 per cent have been awarded to SMEs, so I guess I'm asking: what's been the change and why? I don't mind if people come back to me on that. It's probably a bit specific.

Senator Seselja: I think we'll come back to you on notice with any additional information we can provide.

Ms Huxtable: Sorry, there was a bit of confusion about whether we were talking about a Finance number or a whole-of-governement number, but it's a whole of government number.

Senator GALLAGHER: I got it from the last annual report. We've got the review. I think you make reference to it in your annual report, saying that some of the recommendations were implemented by amending the PGPA Rule.

Ms Huxtable: Yes.

Senator GALLAGHER: We've got the review. I think you make reference to it in your annual report, saying that some of the recommendations were implemented by amending the PGPA Rule.

Ms Huxtable: Yes.

Senator GALLAGHER: There were 52 recommendations, and you say the implementation of other recommendations is well advanced. Could I get an update, in a general sense, on why that is. Did the government formally respond to this? I went looking for a government response to the review and I couldn't find it, but that could just be me.

Dr Helgeby: I might kick off and then my colleagues might want to add to that a little bit. The way that has worked is that the independent review was tabled and then, consistent with how the PGPA developed more broadly, there's a process by which the JCPAA is involved in
the consideration of the response. Back in December 2018 the JCPAA issued a media release stating that the committee would await the government response to the recommendations and then monitor implementation. On 4 July government tabled a statement in the parliament that agreed in principle to 48 of the 52 recommendations.

Senator GALLAGHER: Which are the four that weren't agreed? Sorry, I should have found that document myself. Was it about independent audit committees? Is that one of them?

Mr Robertson: They were about reporting. For example, recommendation 32 was about performance reporting. That particular recommendation was at the discretion of the Senate.

Senator GALLAGHER: The Senate should have increased scrutiny, yes. The government didn't agree to that one?

Dr Helgeby: The government couldn't agree to a recommendation which was directed to the Senate.

Senator GALLAGHER: Okay. I take your point. The government wouldn't be voting for increased scrutiny, I wouldn't imagine.

Dr Helgeby: It was a matter for the Senate.

Senator GALLAGHER: So you've agreed to 48 of the 52, and one of the four the government haven't agreed to is one that is outside of their control and relates to the Senate and decisions the Senate makes. There are three others. If you could identify them, that would be good.

Mr Robertson: There is a recommendation directed towards the Secretaries Board, recommendation 34.

Senator GALLAGHER: Was it not agreed or was it just noted?

Mr Robertson: It was not something for the government to agree to.

Senator GALLAGHER: So they referred that back to the Secretaries Board?

Mr Robertson: Correct. As was recommendation 1 and recommendation 4 to the Secretaries Board as well.

Senator GALLAGHER: So with all of the ones that related to the Secretaries Board the government kind of went, 'It's not up to us'?

Ms Huxtable: It was referred to the Secretaries Board, effectively.

Senator GALLAGHER: And then with the Secretaries Board—you would then discuss it at that level, would you, about what to do?

Ms Huxtable: Yes, that's right.

Senator GALLAGHER: In terms of all of the other ones, you're in charge, Finance, of implementing all of the other agreed recommendations?

Dr Helgeby: Most, but not all of them, are directed to us. We are either actioning them or in the process of consultation with relevant agencies. That's the kind of thing that we're doing with and through the JCPAA. There are a number that are directed towards accountable authorities. For example, recommendations 17, 18 and 21 are for accountable authorities to do things. In order to kick that off, the secretary of Finance has written to accountable authorities on that particular matter.
Ms Huxtable: I have written to accountable authorities on a number of matters. We can provide you the detail on notice, but a large number of the recommendations have been actioned or are in the process of being actioned.

Senator GALLAGHER: Okay, if you have it handy; I don't want you to work up a whole thing. That would be useful. Finance obviously has a critical role in the PGPA Act. Is there a hierarchy? You're in charge of the administration and implementation of this act, but it covers the whole Public Service and associated entities. Do agencies respond to that? Do you have to tell them if they are doing the wrong thing and put your—

Ms Huxtable: I think it's more in the mode of continuous improvement. One of the key things with the PGPA Act is about improving the quality of performance information, for example, and the alignment between corporate plans and annual reports and the transparency around that. My experience is that all my colleagues are very committed on that path. People are at different levels of maturity in that regard but they are very open to the work that we have done collectively as to how they can implement the recommendations of this report and look to increase the maturity in that regard. You can see already with changes to the rule around annual reporting and the fact that we have stood up transparency.gov.au now and annual reports are being loaded on that—and corporate plans also will be loaded on that, and it gives a much better line of sight across the performance information that is available across the year effectively. That is a big change, actually, to have that accessibility of information in a way that enables the public and interested parties to compare and contrast.

Senator GALLAGHER: Do entities have to report noncompliance to you?

Dr Helgeby: There are requirements within the PGPA Act for entities to report where significant changes have occurred. Often what they have reported is reporting to a minister. We are not a regulator under the PGPA Act; we are, if you like, a support mechanism. We work with people, we work through communities of practice et cetera, but we are not a regulator in the sense that your question might be—

Senator GALLAGHER: So who's the regulator—the minister?

Dr Helgeby: In essence, everyone in the public sector is bound by this legislation. The accountable authority is the one who has to ensure that they have appropriate controls and mechanisms in place. The accountable authority then discharges their responsibilities through the annual report or other accountability mechanisms.

Senator GALLAGHER: I am trying to work out how this perhaps interacts with other legislation. Yesterday we had the Department of the Environment acknowledging that they were breaking the law. They were breaching the FOI Act. They have openly acknowledged that. They have written a letter to the Office of the Information Commissioner and explained it, and they are taking rectification action. But it is a significant accountability and transparency measure. In that instance, would they also be falling foul of the PGPA Act, and how does it interact with the FOI Act? Would Finance then have a role to say 'Your responsibilities under the PGPA Act are pretty significant. You need to lift your game'?

Dr Helgeby: I don't know enough about the specifics of the evidence that was given yesterday. But the FOI Act is a separate piece of legislation.

Senator GALLAGHER: I understand that. I am asking about the interaction between the two.
Dr Helgeby: We are getting into hypotheticals.

Senator GALLAGHER: It's not a hypothetical. They admitted they were breaking the FOI Act. They were prioritising another clause. They've got reasons. They're not denying it. Therefore, is there a subsequent impact on that failure through the PGPA Act as well?

Dr Helgeby: I think we'd have to take that question on notice.

Senator GALLAGHER: All right. If so, what you are saying is that, even if there was, you're not the police of the PGPA Act—

Dr Helgeby: We work to improve the public sector and improve understanding of people's obligations—

Senator GALLAGHER: But you're not the enforcer.

Dr Helgeby: We're not the enforcer.

Senator GALLAGHER: The enforcer would be the secretary and through to the minister?

Dr Helgeby: Yes, to the extent that there is public accountability involved as well.

Senator GALLAGHER: I'm looking at a document the CSIRO had which I didn't have this morning. I don't want to re-prosecute it, but it said: 'The Department of Finance has approved ASL caps for each portfolio and monitored actual ASL across all portfolios and entities to ensure the policy commitment is delivered.' Would I be able to get a copy of the ASL caps for each portfolio? Take it on notice. I acknowledge Minister Cormann isn't here. If you could take it on notice, I would appreciate it.

Ms Huxtable: We'll take that on notice.

CHAIR: I thank the Department of Finance for their attendance and evidence here today. As flagged, the committee, having dealt with outcome 3 and IPEA, will return after the dinner break with the Australian Electoral Commission.

Proceedings suspended from 18:26 to 20:01

Australian Electoral Commission

CHAIR: Being 8 pm, the committee will now resume and I welcome the Electoral Commissioner, Mr Tom Rogers and officers from the Australian Electoral Commission. Mr Rogers, I congratulate you on your reappointment for a new five-year term. That reflects the esteem in which you are held across the parliament and the job you have been doing at the AEC. Do you wish to make an opening statement?

Mr Rogers: No, I don't, thank you, Chair.

CHAIR: We'll start with you, Senator Abetz.

Senator ABETZ: Thank you. I add my personal congratulations. I sent them in a letter, but personally as well, congratulations on your reappointment. On 4 April 2019 on page 164 of the Hansard of these estimates, we had the following exchange:

Senator ABETZ: Therefore, it is in fact false for anybody to assert that the AEC has declared them independent, because you don't have the power to do it and you don't do it.

Mr Rogers: That's correct.

Senator ABETZ: Therefore, anybody that makes such an assertion must be making that assertion based on a falsehood.
Mr Rogers: If we're talking generically—
Senator ABETZ: Yes.
Mr Rogers: absolutely.
You said some other bits and pieces, then you said:
… because I have no power to do so, it would certainly be a false piece of information. Do you stand by that evidence?
Mr Rogers: That's correct, Senator.
Senator ABETZ: Can I ask you then, whether at any stage you have ever ruled to say that GetUp! is independent?
Mr Rogers: I have not, and to the best of my knowledge, no-one in the AEC has done that; it's not a power we have to declare—
Senator ABETZ: Therefore you can't do it and you wouldn't do it.
Mr Rogers: We would not declare someone either not independent or independent, because it's not a power I have.
Senator ABETZ: So if it were to be said, 'The AEC has investigated GetUp! three times and every single time confirmed our independence,' that would not be correct, would it? You investigated them, yes, but the last bit about 'and every single time confirmed our independence', that is incorrect?
Mr Rogers: That is not language that the AEC would use.
Senator ABETZ: And therefore it is incorrect?
Mr Rogers: That's correct, Senator.
Senator ABETZ: Are you aware of the submission that GetUp has put to the Joint Standing Committee on Electoral Matters?
Mr Rogers: I'm aware they have put a submission in, but I haven't yet read it; I will do so eventually, but I haven't read it yet.
Senator ABETZ: If I could draw your attention to it because, in that submission to a parliamentary inquiry, they are falsely asserting and trying to put words into the AEC's mouth in relation to them allegedly being independent. Can I ask you: as an independent statutory authority, is it important for you to at all times have the public record absolutely clear as to what your determinations may or may not be, as to what your powers may be, and, as a result, have no ambiguity about your position?
Mr Rogers: That is correct, Senator, and I also try to be fairly precise in my language about that particular issue because it is always in the public domain.
Senator ABETZ: And so, to confirm: you have never confirmed GetUp's independence or, for that matter, any other organisation's independence because that's not your business?
Mr Rogers: No organisation either way: either independent or not independent.
Senator ABETZ: Have you found that GetUp's campaigns are 100 per cent issues based?
Mr Rogers: Look, that's a different question, Senator. If I reflect on what I think we said last time—and Mr Pirani might join me here—the language we use is that there was insufficient material and evidence to show that GetUp was an associated entity at the relevant
time. That's the sum total of our language at that point. So we looked at a whole range of material that had been presented to us. I'm going to go back, I think, a bit to the definition that's contained in the Electoral Act and, as we've said to this committee and other committees previously, the threshold test that is there—Mr Pirani, you might—

**Senator ABETZ:** With respect, time is of the essence, I think, and that is not in play or an issue, but have you ever declared about any political party, or indeed any organisation, that their campaigns are 100 per cent issues based?

**Mr Rogers:** We have not declared that.

**Senator ABETZ:** Right, because they assert that:

The AEC ruled in GetUp's favour as recently as February this year, specifically finding:

GetUp campaigns are 100 per cent issues based.

**Mr Rogers:** That is not something we would have said in any way shape or form.

**Senator ABETZ:** So that is another falsehood because I would have thought an advertisement falsely making claims against the Treasurer would not be an issues based campaign. Also, the misadventure they undertook with the advertisement against Mr Abbott, the former member for Warringah, would hardly be seen as issues based, but thank you for clearing that up. Do you make any specific findings that an organisation is nonpartisan?

**Mr Rogers:** No, we do not.

**Senator ABETZ:** And then do you make any finding that any organisation plays an important role on election day?

**Mr Rogers:** No, we do not.

**Senator ABETZ:** So we now have GetUp's false claim about independence; GetUp's false claim that you have specifically found they're 100 per cent issues based; and the claim that GetUp is nonpartisan—all these claims are false, aren't they?

**Mr Rogers:** Again, I haven't read their submission but, based on what you've said this evening, Senator, they are not findings that we have found or language that we have used.

**Senator ABETZ:** See, because GetUp! says:

… specifically finding:

no ambiguity in that term—

GetUp campaigns are 100 per cent issues based.

… … …

GetUp is nonpartisan.

You've confirmed their independence, or false assertions, by an organisation that has put a submission to the important Joint Standing Committee on Electoral Matters. So, having drawn your attention to these matters, could I invite the Australian Electoral Commission to put in a submission to that committee dealing with these false assertions which, are not normal with respect to argy-bargy of politics of one party making a claim against the other. This is falsely asserting that an independent statutory authority has made 'specific findings' which you are saying here under oath is in fact false.

**Mr Rogers:** That is correct.

**Senator ABETZ:** Right. Thank you very much.
Mr Rogers: I'm just going to check with Mr Pirani that I haven't said anything there that's incorrect.

Senator ABETZ: You've checked with Mr Pirani?

Mr Rogers: I stand by—everything I've said is correct.

Senator ABETZ: So, for the record, you agree with the evidence of the commissioner.

Mr Pirani: That is correct.

Senator FARRELL: How do you feel the election went?

Senator ABETZ: Very well, from my point of view!

Mr Rogers: From an electoral administration perspective, the election went well. There were some pleasing indicators of sound democratic health. I'd point out in particular the growth in the roll and the completeness of the roll, which is the best it's ever been, we think, since Federation. At the same time, pleasingly, turnout held up compared with the last election. You'll remember that we had a discussion I think before the election where we said that the growth in the roll might mean that turnout would go down, but turnout seemed to hold.

Senator FARRELL: I thought there was some evidence that turnout had gone down?

Mr Rogers: No. There was a media report, I think in a Fairfax publication, that said that, and they were absolutely wrong.

Senator FARRELL: I wouldn't believe everything they write.

Mr Rogers: Well, I wouldn't comment on that, but certainly I can tell you that that particular article was incorrect. The other thing is that formality either held or went up. So, there were these great indicators of democratic health. You might remember that in 2016 there had been some concerns about queueing. We did quite a lot of work on queueing, and I'm happy to say, while of course there were still queues, by and large that was significantly less of an issue than it was in 2016, and we're very proud of the work we did there. From an administration perspective, we were very satisfied with what occurred.

Senator FARRELL: How many staff were used?

Mr Rogers: I think what we normally say is that it's close to about 90,000 people. And, as you know, it's quite difficult for us to bounce up from our normal low size to 90,000-odd people in that very brief period, the four weeks that we have. I'm just looking for the exact figure, which someone will give to me in a moment. Here we go: the total number of staff was 85,688, and they filled 99,213 positions. Just so you know, it might well be that during the election period someone might work for us in the pre-poll period and work on the day and then they might also have a role afterwards in one of the count centres. That's why there's that disconnect between people and positions. It's a large event, and it went by and large smoothly. There are always issues, but by and large it went smoothly.

Senator FARRELL: Were there any issues in delivering the event, or any errors or delays?

Mr Rogers: Nothing that we wouldn't have expected along the way. We learn something every election. As you know, the big issue that people are focusing on is the rapid increase in pre-poll voting and all the issues that surround pre-poll voting, from both an entitlement and
an administrative perspective, and I know the joint standing committee is going to look at that.

Senator FARRELL: Just remind us what the percentages were and how they relate to previous elections.

Mr Rogers: I do have those here. Just out of interest, if I just look at pre-poll votes for a moment and not postal votes, in 2019 there were 4,908,831 pre-poll votes. And just by way of comparison, in 2016 that was 3,233,640. So, there was quite a dramatic increase.

Senator FARRELL: What does that constitute, 30 per cent?

Mr Rogers: If I add it to postal votes, it's about 40 per cent of the electorate either postal or pre-poll. By way of comparison, in 2016 it was 31.25 per cent. So we went from 31.25 per cent to 40 per cent of the electorate who either postal voted or pre-poll voted before polling day.

Senator FARRELL: Just remind me: was pre-poll a week longer this time or was it also three weeks at the previous election?

Mr Rogers: I don't think it was a week longer—almost the same period. There might have been a day's difference, but it was essentially the same period. It's a trend we're seeing in the Australian states, Canada and New Zealand, where there's been a huge increase in pre-poll voting.

Senator FARRELL: When the committee is going to consider that issue, will the AEC put in a submission on that topic?

Mr Rogers: It's a sensitive area. There's been a lot of media coverage on this over the last few weeks. Our view is that we are providing a service that's mandated in the Electoral Act. The timing of pre-poll, which is what a lot of people have been talking about, is mandated through the interplay of the Electoral Act and the date specified in the writ. I might get Mr Pirani to explain that.

Mr Pirani: The issue that we have is that the writs specify minimum and maximum periods for certain events. Section 156 of the Electoral Act says:

Subject to subsection (2), the date fixed for the nomination of the candidates shall not be less than 10 days nor more than 27 days after the date of the writ.

Then I go across to the time period for the declaration of nominations, which is a day after the close of nominations. Then I go to section 200D of the act, which says that five days after the declaration of nominations early voting is to commence. So the period is tied to whatever is actually in the writ, and we have no discretion about that.

Mr Rogers: So when you ask whether we will be putting in a submission, we'll be assisting the committee in its examination. I guess the—

Senator FARRELL: But you won't be—I mean, we can always change the law. So you won't be making any comment on the—

Mr Rogers: Deliberately, we're saying that pre-poll voting is a matter for parliament. Parliament passed the original legislation. It is essentially a political question. What we will be saying to the committee is that people are focused on the timing, whether it's three weeks or two weeks or one week. My thought on this is that many, many citizens who used pre-poll voting won't remember at the next election whether it's three weeks or two weeks or one
week; they'll simply remember that they pre-poll voted. And if the period is reduced, we'll potentially get a greater usage in a shorter period. That's just an observation rather than advice for the JSCEM, but it's something we need to be aware of. It's a service that citizens are using and they appear to value the service.

**Senator O'SULLIVAN:** But you decide the locations and the number of locations. Is that correct?

**Mr Rogers:** By and large, with one restriction. The act—I forget the section; I'll check—requires us to have a minimum of one pre-poll centre per division. Mr Pirani's just checking my thinking on that. But then the act provides for the commission to then provide services that we think are appropriate for each division.

**Senator FARRELL:** Just on that: the evidence I've seen seems to suggest that the overwhelming determining issue as to whether you pre-poll or don't is your proximity to the pre-poll booth. Would you agree with that?

**Mr Rogers:** I think, looking at the numbers, it's hard to argue. I mean, in 2016, out of an abundance of caution, I reintroduced the requirement—in fact it was before 2016; it was by-elections—for people to have to self-identify whether they qualified for the vote or not. We put signs up in the polling places telling them what the qualifications were. It's then pointed out to people when they go to receive their vote. That hasn't dented the figures for pre-poll usage, so it would seem to me that—I hesitate to use the word 'convenience' voting—if people happen upon a pre-poll centre, it seems to be the trend that they'll vote.

**Mr Pirani:** The relevant section is section 200D(1), which says:

An application to a DRO—
A Divisional Returning Officer—
shall be made at the office of the DRO during ordinary office hours or during the hours of polling on polling day.

So that's an absolute requirement, and we have no discretion in relation to that. It means that for each division there will be at least one pre-poll office, which is the divisional office of the DRO.

**Mr Rogers:** You asked if there were any other issues. Something that I think also needs to be said is that despite the odd issue here and there, the behaviour of the AEC staff and party workers is largely exemplary, and I'm talking from all sides. It's a testament to how few issues there are. There are issues but, by and large, everyone involved in the process understands the importance of the event.

**Senator FARRELL:** How many complaints were received on that score?

**Mr Rogers:** It depends how you define 'complaint'. People stop me in the street and tell me they're unhappy with stuff, and we get formal complaints as well.

**Senator FARRELL:** I think I'm talking about formal complaints.

**Mr Rogers:** About 528 complaints were escalated to the Legal Services section. They're formal complaints, where we examine them from a legal perspective. If you think about the scale of the election, that's not too many.

**Senator FARRELL:** Yes, particularly given the number of voters. How did the count process go this time?
Mr Rogers: Very smoothly. We were very conscious of the need to get a result as quickly as possible. We had a number of systems in place to enable us to do that. It went fairly well. There are always differences, even on the night—some polling places struggle and some don’t. We were using a large number of temporary staff. But, by and large, it went fairly well. I think the result was known fairly quickly and there were no significant issues on the day, the evening or the weeks afterwards. It went about as smoothly as we could possibly hope.

Senator FARRELL: You mentioned the figure of just over 85,000 people working throughout the period of the election. Was that enough?

Mr Rogers: I think it actually was. There's a point at which you hit the law of diminishing returns—where there are more people than you can actively supervise. You're talking about a temporary workforce of some 90,000-odd people in a very brief period. The larger that is, the more difficult it is. I would also point out that in some remote areas we've pretty much got all the staff there are to get. In some cases, there aren't too many left. We have a process to enable us to deal with that. I think it worked fairly well, and I'm comfortable with the number of people we had.

I will point out that there's a myth that almost all of those staff work for us at every event. I forget the detailed statistic, but, generally speaking, there's about a 50 per cent flip of those staff at each electoral event. So the training level remains fairly high. The other unknown bit is that we have a lot of dropouts as the process goes through. People say they can work for us, and then close to the event—sometimes even the day before or a couple days before—they can't, for very valid reasons. We have to quickly gather staff to plug those holes, train those individuals and make sure that the show can continue.

Senator FARRELL: What was the total turnout figure for the election?

Mr Rogers: The number of electors enrolled was 16,424,248, which, as I said before, I think was the highest rate of enrolment we've ever had.

Senator FARRELL: And, remind me, was it 97 or 98 per cent?

Mr Rogers: It was 97 per cent. In terms of the actual number of votes received, there were 15,184,085 Senate votes and 15,088,616 House votes.

Senator FARRELL: So more people vote for senators than vote for members of the House of Representatives?

Senator WATERS: We are better.

Senator FARRELL: That was a point I was going to make myself.

Senator WATERS: Sorry to gazump you there.

Mr Rogers: I wouldn't comment on that, but maybe that—

Senator FARRELL: You could comment. You're before Senate estimates.

Mr Rogers: That may be one of the explanations.

Senator FARRELL: It is a surprising figure. Is that typical?

Mr Rogers: There is always a difference, yes.

Senator FARRELL: But of that order?
Mr Rogers: I'd have to go back. I think that's probably about right. There are a whole range of reasons for that, which I think we've canvassed previously. People decide to do that for a whole range of reasons. I'm not quite sure why.

CHAIR: Is it to do with formality?

Mr Rogers: No, they're total votes. There's always a difference.

CHAIR: I think just enthusiasm for the institution of the Senate.

Senator WATERS: Understandable.

Senator FARRELL: Was the AEC provided with adequate funds, given the increase in the number of voters casting their ballot at pre-poll centres?

Mr Rogers: I think I've said previously that no-one is going to sit in this chair and say: 'It's all okay. I don't want any more money.' Election funding remains precarious. There are increased costs for running each election. Each election seems to have new requirements for us to adapt to. We do work very closely with the Department of Finance in that regard, and we will continue to do so. We've got a relationship with the Department of Finance. They understand the importance of the event and also the increased costs. I also say, to be fair, that that has been a mark of governments of both sides. People are aware of the importance of this and the fact that costs are increasing with election delivery.

Senator FARRELL: As you might recall, there was some controversy about some signs that were put up in the electorate of Chisholm in Victoria during the campaign. You had some involvement in the determination of those signs. Signs were deliberately designed to look like the AEC was instructing voters on how to vote correctly. When did you first hear that there were reports that these signs were being used on the day?

CHAIR: Mr Rogers, before you answer that—and I know you won't need assistance with this—it's my role as chair to point out that this is a matter before the court. I'm sure that you'll be cognisant of that in the way you answer the question. I ask Senator Farrell to be cognisant of that in the way he asks questions on this matter.

Senator FARRELL: Yes, of course.

Mr Rogers: I'm very nervous about talking at all about that particular matter, given it's before the Court of Disputed Returns and been remitted to the Federal Court. Issues were raised. The AEC made a determination. It is now before the court. I'm not sure we have a date. We might have a date. Mr Pirani?

Mr Pirani: The Court of Disputed Returns is sitting as a full bench of the Federal Court in Melbourne on 6, 7 and 8 November.

Mr Rogers: I'm loath to make any comment until that court case has been through it. As you would be aware, we have had a tradition of not commenting on matters that are before the Court of Disputed Returns, even in the abstract, because we don't want to create complications.

Senator FARRELL: I'm going to only ask you a few factual questions. You can choose to answer them or not answer them. I'm fully aware of the sub judice rules and I don't seek to impact in any way on legal proceedings that may or may not proceed. I'm asking you some factual questions. If you feel that they're too close to the bone, so to speak, then please tell me.
If you are able to answer these questions, it would be very much appreciated. When did you first hear reports that these signs were being used on that day?

Mr Pirani: I became aware of it some time between 9 am and 10 am on polling day. We had access to tweets that had been sent out by a gentleman from the Victorian Trades Hall Council. There were photographs attached et cetera. That's when it was escalated to me and that was when I first became aware of it.

Senator FARRELL: And when did you report it to the commissioner?

Mr Pirani: We first had to do some investigations into the issue. It was some time between 10 and 11 o'clock.

Senator FARRELL: So you were alerted by this tweet?

Mr Pirani: That was the first time I became aware of it, yes.

Senator FARRELL: There was no electoral official in Victoria who made contact with you about it?

Mr Pirani: There were electoral officials in Victoria who subsequently made contact with my area, but that was the first time I became aware of it, when I became aware of that tweet.

Senator FARRELL: Commissioner, did you receive multiple reports on the day from the different booths?

Mr Rogers: I would say no. In fact, I think the notification I received from Mr Pirani was the official notification I received on that event that day.

Mr Pirani: We have answered questions in relation to the petitioners, where they have asked these types of questions. I am now getting extremely concerned that we are getting close to matters that are likely to be put in evidence before the Court of Disputed Returns. That was clearly some of the questions that Marque Lawyers, who are acting for the petitioners in Chisholm and Kooyong, have asked and we have provided responses to those. So they are likely to be in evidence before the Court Of Disputed Returns.

Senator FARRELL: As I said, if you feel any of the questions that I'm going to continue to ask get too close to the bone, then I understand that you won't answer them.

Mr Pirani: Thank you.

Senator FARRELL: I have a job to do as well. That job is to elicit information about the grubby tactics of the Victorian Liberal Party in this seat. How many different booths in the seats of Chisholm and Kooyong were reported to feature these signs?

Mr Pirani: That is in the petition and I would be reluctant to go there.

Senator FARRELL: I'm happy for the commissioner or Mr Pirani to answer this question: what processes did you undertake to determine that these signs did not constitute a breach of the Commonwealth Electoral Act or any other regulation?

Mr Pirani: We needed evidence. The photographs were not conclusive. I asked someone to go and have a look to check the authorisation details that appeared on the signs. They confirmed that authorisation details in accordance with section 321D of the Electoral Act were there on the signs. After that, I prepared a draft response to a complaint that we had received. I cleared that through the commissioner and that was dispatched.
Senator FARRELL: Did the AEC engage a translator on the day to determine what the signs actually said?

Mr Pirani: The answer to that is no. We saw in one of the tweets that we received a translation of what the message was on those signs, and we accepted that as prima facie value. We did check it later on in the day, because one of our staff members speaks Chinese. She confirmed that the translation that was contained in the tweet was reasonably accurate.

Senator FARRELL: That is presumably in the public domain?

Mr Pirani: It's in the petitions. They have the translation that is in the petitions. It's also in a response that was provided by the first respondents to the petitions.

Senator FARRELL: Are you able to provide the exact translation of these signs?

Mr Pirani: The matters are before the court. I do understand, however, that both the petitioners and the first respondents have agreed to third-party access to the petitions and the responses, and they've been reported in the media.

Senator FARRELL: At what point on election day did you determine that the signs did not constitute a breach?

Mr Pirani: That is in the petitions and it's in our response to the petitions.

Senator FARRELL: Did any other AEC officials have a different view?

Mr Pirani: No.

Senator FARRELL: When were the AEC officials advised that the signs did not need to be removed, and did this happen across all booths at the same time?

Mr Pirani: We have no power to remove signs that are placed more than six metres from the entrance to a polling booth. Our powers under sections 340 and 348 of the Commonwealth Electoral Act provide us with no power to remove signs, full stop. There was an email from me which went down to our colleagues in Victoria, where I indicated that no action should be taken to remove signs.

Senator FARRELL: Was that after discussion with the commissioner?

Mr Pirani: Yes.

Senator FARRELL: Were there any discussions or communications between the AEC and the Liberal Party about the signs, either on election day or afterwards?

Mr Pirani: Not from me, because we didn't find any breach in relation to it. But I am aware that my colleagues in Victoria did have some communications with candidates in Chisholm and Kooyong on polling day.

Senator FARRELL: Liberal and Labor candidates?

Mr Pirani: My understanding is that it went to all candidates.

Senator FARRELL: Do I take it that it wouldn't have mattered what was on these signs—the issue for the AEC was proximity to the polling booth?

Mr Pirani: No, that's not correct.

Mr Rogers: I think I'm probably nervous about going further on that for a whole range of reasons in any case.
Senator FARRELL: I'll ask this question and you can choose whether to answer it or not. Does that mean there is some wording that could have appeared on signs that would have constituted a breach of the Electoral Act?

Mr Pirani: Section 329 of the Electoral Act contains an offence in relation to misleading or deceiving an elector. I'll quote the wording to make sure we are all very clear as to what it actually says:

A person shall not, during the relevant period in relation to an election under this Act, print, publish or distribute, or cause, permit or authorize to be printed, published or distributed, any matter or thing—

This is the key—

that is likely to mislead or deceive an elector in relation to the casting of a vote.

It's that phrase 'the casting of a vote', which there is judicial authority on, that constrains the AEC as to how that provision is applied.

Senator FARRELL: So there is case law on the subject.

Mr Pirani: There is direct case law. There are two High Court decisions—Evans v Crichton-Browne and Webster & Deahm—and there is a Federal Court decision in Peebles v Honourable Tony Burke. They all reached the same conclusions as to the scope of the offence that's contained in section 329(1).

Senator FARRELL: Just so I'm clear, it wasn't just the proximity issue of the signs to the place of voting; it was your determination that they didn't breach that section of the legislation?

Mr Pirani: The proximity of the signs was irrelevant.

Senator FARRELL: I must have misunderstood you earlier.

Mr Pirani: It was outside the six-metre rule, so we had no power to deal with it. As I understand it, the petitioners have included material saying they were placed next to some AEC signs that say 'polling place' in relation to some polling booths. That is a matter in the court.

Senator FARRELL: What is the significance of the six-metre rule?

Mr Pirani: It's our power to remove something. We have no power to remove any property, signage or anything else that is outside the six-metre rule.

CHAIR: It might be a while since you set up a booth, but if you try to set up your materials too close to the entrance, the AEC will ask you to move it further away.

Senator FARRELL: I'm familiar with that. Perhaps I'm missing a point here, Mr Pirani, but I thought you were saying that once a sign is more than six metres from the place of voting you can't remove the sign.

Mr Pirani: That is absolutely correct.

Senator FARRELL: So, even if you deem the sign to be misleading voters in accordance with the section of the act that you just read, you still wouldn't remove that sign?

Mr Pirani: We have no power to remove the sign. The normal process is that we would first ask the campaign workers to voluntarily remove the sign. If they refused to do it then my only option is to go to court under section 383 of the Commonwealth Electoral Act to seek an
injunction ordering the signs to be removed. But we have no power ourselves to go out and order the removal of signs.

Senator FARRELL: So any candidate could put up a misleading sign that breached that section but you could not ask them to remove that sign?

Mr Pirani: We could ask them.

Senator FARRELL: You couldn't force them to remove it without some sort of order from the court?

Mr Pirani: That's correct.

Mr Rogers: Speaking in the abstract, as I am, the point to make, though, is that, by and large, the vast majority of parties and candidates voluntarily comply when we phone them and say, 'There's an issue with one of your signs or what you're doing, would you please remedy that?' 99.99 per cent of the time, they absolutely do that—and expeditiously as well.

Senator FARRELL: My understanding is that at some point during the day that request was made to the Liberal Party. Do you understand that?

Mr Pirani: There is something in the petitions where they have claimed that, at two polling places, an officer in charge asked for action to be taken.

Mr Rogers: But again we won't comment on that, because that's in the petition and before the court.

Senator FARRELL: Yes. Is it standard practice for the AEC to make submissions in these sorts of proceedings?

Mr Rogers: Under whichever section of the act it is, the commissioner has the right to be represented in those actions and particularly to assist the court. That is our view, and that's exactly what we have done in this particular case.

Senator FARRELL: So did they ask you to—

Mr Rogers: No, it's a power we have under the act to be represented in those cases.

Senator FARRELL: There's some legal word for that—'friend of the court', is it?

Mr Rogers: 'Amicus curiae'. But this is not one of those cases; it's just that, given our involvement in the process, we feel that we can assist the court in its deliberation. That's why, I think, the act is written that way: to give us the power to be involved in any Court of Disputed Returns matter.

Senator FARRELL: So you made the proactive decision to provide the information to the court?

Mr Rogers: We made the proactive decision to be involved in the process.

Mr Pirani: Section 359 of the Commonwealth Electoral Act says:

The Electoral Commission shall be entitled by leave of the Court of Disputed Returns to enter an appearance in any proceedings in which the validity of any election or return is disputed, and to be represented and heard thereon, and in such case shall be deemed to be a party respondent to the petition.

That is a right that has been limited by the court, so the AEC should only be there in certain circumstances. This is one of those circumstances, in relation to assisting the court in relation to some of the matters that were in dispute.
Senator FARRELL: Am I correct that, to the extent that you've made submissions, they're submissions about what decisions were made during the course of the day?

Mr Pirani: No, at this stage there are no submissions that have been made by the AEC. We have filed a response to the petition, which was required as part of the court process, and that response is a matter of record because we agreed that there should be third-party access to it, and I believe The Guardian newspaper reported some of the quotes that were in our response.

Senator FARRELL: Is that a surprise to you?

Mr Pirani: No.

Senator FARRELL: What's the significance of The Guardian reporting on it?

Mr Pirani: It was just that that part of our response has been made public record.

Senator FARRELL: So at the moment this is not public record, is it?

Mr Pirani: Not all of it, no.

Senator FARRELL: When does that become public?

Mr Pirani: After the court has made a decision. The court can then decide whether the documents that were before the court can be made public. There's a High Court decision in the case of Harman where documents filed in court cannot be used for any other purpose unless the court agrees; otherwise it's in contempt of court.

Senator FARRELL: How did The Guardian get a copy of it then?

Mr Pirani: Because they were given a right of access by the court.

Senator FARRELL: So they turned up in the proceedings and sought—

Mr Pirani: They asked the court whether they could access both the petitions and response. Of course, the petitions have to be notified in the Gazette. That's a requirement in the High Court rules. So the petitions are a matter of public record. Both the first respondents, the two Liberal Party candidates, agreed that the newspaper should be given third-party access to their responses, and the AEC subsequently agreed to our response being made public.

Senator FARRELL: I will just finish on this topic but I do have quite a few more questions, if I am able to come back to them after.

Commissioner, during budget estimates in April you said that you had a new campaign to combat unauthorised electoral matter on social media called 'Stop and consider'. How did that campaign work during the May election?

Mr Rogers: From our view, it was a good first step. I think we mentioned that it was the first time that we had done that. I might have also mentioned we shamelessly copied part of the idea from the Swedes, who had run a very large campaign trying to inoculate their citizens about what the source of information is on social media. So, to be clear, what we were asking citizens to do was not to make a value judgement about the information presented but to make sure that it was coming from an authorised source. It ran from 15 April until polling day, and we got 56 million social media impressions and 100,000 click-throughs to the AEC website. I think part of the research is showing that people appreciated that campaign and they think the AEC was the agency to run the campaign during the election. I have a view that it should be run more broadly outside of electoral periods as well, but I'm not sure that the AEC is the
organisation for that. I also note there are other countries looking at doing the same thing, if they have not already done so. I know the UK is thinking of doing it and I think Canada is doing something similar as well. So, as a first go, we think it was very successful, and we will be looking at doing something similar again next time.

Senator FARRELL: Would you have expected, having run that campaign, that the Liberal Party would have put an ad like the one that they have put up in Chisholm that is now the subject of the legal proceedings?

Mr Rogers: You are asking me to make a value judgement on that, and it is not for me to make that judgement.

Senator FARRELL: Thank you.

Senator WATERS: Thanks for being here late in the evening tonight. I have a few questions that we haven't touched on and a couple of follow-ups on some of those last issues. Firstly, what was the rate of informal votes this time around compared to last time? I think I have a note here that it was five per cent in 2016; I am interested in the comparison.

Mr Rogers: I will do this as a House/Senate 2016/2019, to give you a view—

Senator WATERS: Thank you. That would be great.

Mr Rogers: The level of informality in the Senate in 2016 was 3.94 per cent. In 2019, it was 3.81 per cent. So the level of informality in the Senate went down. Possibly that's to do with the introduction of the new voting rules in 2016 and people becoming more comfortable. The House of Representatives in 2016 the level of informality was 5.05 per cent, and in 2019 it was 5.54 per cent.

Senator WATERS: Why do you think it went up in the House?

Mr Rogers: There are some sticky metrics with informality—things that we think cause informality. First of all, those electorates where English is a second language tend to have a higher level of informality. The second thing is simply the number of candidates on the ballot paper—the more candidates, the higher the level of informality. The third thing is proximity to a state election where there is a different voting system. So in the state election if they have optional preferential, people get confused and that is what we find. So they are the three sticky metrics. I might have to correct my own figures here—I don't have it in front of me—but up until 2016, traditionally, the top 10 seats for informality were largely all in Western Sydney. I think that's now changed. I think there was one from outer Melbourne in there as well. So it probably backs up English as a second language as one of the key factors.

Senator WATERS: Can we drill down into those figures a little bit more. In 2016 I think roughly half of those informal votes, I believe this is in the House, were left blank. Can you give me the comparative figure for 2019 for the House and Senate?

Mr Rogers: Not yet, but we will be able to after we finish our work. If I think back—again, if I am wrong I will correct it—I think the 2016 election was the first election where the level of deliberate informality overtook what we think was accidental informality. I am pretty sure that's the statistic that we—

Senator WATERS: In the sense of a blank vote as opposed to an error?

Mr Rogers: Either blank or with a special message.
Senator WATERS: Or a special drawing just for you. I am sure you are aware that there was a video that basically went viral on Facebook talking about how people should write, 'No candidate to match my will,' on it and that this was somehow a great way of bringing down the whole parliament. Clearly, that was incorrect information. Do you track how many ballots have had that phrase written on them, and can you tell me those figures for this time around, and for last time, if it happened last time as well?

Mr Rogers: I won't be able to give you those figures; I will be able to give you an indicator. I do wish to say something about that but I worry about saying it because the moment you talk about those things the particular demographic that seems to believe that believe it even more. But let me go there. You are talking about the vote of no-confidence, or VONC as it was called. There was one particular individual who I will name here, a woman whose name, I think, was Karen Brewer. That video became like that game of whack-a-mole when you were a kid—as soon as it was dealt with, it popped up again. As I understand it, the completely fallacious argument that was being used is if you crossed out every candidate and you wrote on the bottom some gibberish like, 'No suitable candidate to express my will,' that was a valid vote to sack the parliament. We were asked questions about this. We were very explicit about the fact that it is complete and utter nonsense.

Senator WATERS: Bunkum.

Mr Rogers: The more we said it was complete and utter nonsense, the particular demographic that want to believe that believed it even more. I personally did see votes like that that had been so marked. So for anyone listening: it's complete and utter nonsense. An intelligent person would not believe it; I don't know why they do.

Senator WATERS: You said you are tracking the number of votes that had that message scrawled on it?

Mr Rogers: We won't be able to track the number other than we will tell you the level of informality. But there are votes that were so marked.

Senator WATERS: You track how many blank votes there are? What is the difference in the ability to track? Just from the scanning?

Mr Rogers: Because there are 15 million votes and we can't go through every vote and copy down what it is there. But it certainly was disturbing.

Senator WATERS: Do you get a sense that it had much of an impact on people's voting behaviour?

Mr Rogers: A very low level impact, but nonetheless it is just disappointing that people are misled that way.

Senator WATERS: What was the reaction by the AEC? Obviously outrage and that it was bunkum, but what specific actions did you take to try to counter that misinformation?

Mr Rogers: I'm now thinking back, and maybe Mr Pirani may help me, but I do believe that we actually reached out to a couple of social media companies and pointed out that we thought that that video breached their own standards. And it was removed on a number of occasions, as I understand it.
Mr Pirani: It was taken down at least twice by Facebook and just kept popping up under a different username. But, certainly, Facebook were very timely, and they took it down at least twice that I'm aware of.

Senator WATERS: Did they require a separate request from you each time it cropped up being posted by different user, or once you had alerted them to the misinformation in the video did they then proactively remove it each time a new user posted it?

Mr Pirani: Certainly, we drew their attention to it twice. I am not sure what happened after that.

Senator WATERS: Perhaps that is something that JSCEM can pursue when we have them before us.

Mr Rogers: The other thing is we were aware of it broadly when it really popped up and of course it has been shared broadly on other media that we won't have access to.

Senator WATERS: Are there any other mechanisms at your disposal to counter misinformation like that, other than a request to Facebook to voluntarily remove it? Is there anything in the act, or are there any other actions that you feel, perhaps next time, you might take, learning from that experience?

Mr Rogers: I think the thing we said to the joint standing committee was that, the first time, we had a very solid relationship with social media companies, who were generally responsive to our requests. That's something we'll be working on again in the intervening period. But we do try and be active in the space. We also tried to monitor social media, to the extent that we could, to make sure that we could counter misinformation when it popped up. We'll continue to do that. We'll continue to work on the Stop and Consider campaign and also to put information on our website. As you know, we also do a lot of public awareness during the election. I do it personally, and many of the staff do it as well. We do that to try and get accurate and correct information out into the public domain, and we'll continue to do it.

Senator WATERS: So you didn't, for example, do a short video of you or anybody else speaking to the camera, explaining why the other lady's video would lead to a vote being wasted?

Mr Rogers: I think we did mention 'vote of no confidence' in a media interview. I'd have to check the record. But we didn't specifically counter it with a video.

Senator WATERS: I'm interested in why that judgement was made. Was it that you didn't want to reinforce the incorrect information?

Mr Rogers: Yes. I'll have to check; we may have put something on our website. But that's why we were dealing with the social media companies—to try and have that message removed.

Senator WATERS: Leading on from that, to talk about your educative role, what resources has the AEC dedicated in the past—and what will you dedicate going forward—to educating people about how to vote correctly, in particular how to vote preferentially. As you rightly point out, it's often different at different levels of government, and people can be confused about that. What have you done about that in the past, and what are you proposing to do going forward?
Mr Rogers: The first thing will sound disconnected, but it's not. In Canberra we run the Electoral Education Centre. Every year in Canberra close to 100,000 year 9 and year 10 students, normally, go through that centre. We get rave ratings for it. We not only tell them about Australia's electoral system; they participate in a vote and they do preferential voting with apples and oranges. It's very well rated, and it's one of, I think, five or six PACER institutions that schools have to visit when they come to Canberra if they want the funding. It's located with MoAD and it works really well. That's the first thing.

The second thing is: we do a whole range of other things with schools. We do teacher education to assist teachers to understand their role in elections. We produce material. We assist schools. We've got a website called Get Voting, where we'll provide materials for schools if they want to run their own elections. We provide as much support as possible. That's before the election. And, as you might be aware, on our website we have a practice voting tool.

Senator WATERS: No, I wasn't.

Mr Rogers: That practice voting tool will indicate to you whether or not the vote that you're casting is valid. We advertise that practice voting tool. At election time itself we run a national campaign alerting people to the election—where they can vote and how to cast a valid vote. That's a national campaign that's well rated; it has good reach. And then, of course, we write to every household in Australia, with a household guide, and that household guide demonstrates the correct way to vote. Our research shows that the household guide and the advertising that we do on TV have a very significant impact on people's awareness of how to vote.

Then, at the polling place itself—and I'm happy for someone to correct me here—we instruct each voter on how to complete a formal vote. We translate many of our materials into something like 28 languages, and we also work specifically with ethnic media and a range of other organisations to try and get the message out about how people should vote.

Senator WATERS: Is there an explanation, just to drill down on that further, of preferential voting as such—if your No. 1 doesn't get in then your No. 2 gets your vote in full value, in the House at least?

Mr Rogers: Yes, there is. And also the practice voting tool on our website has information; there's information about that.

Senator WATERS: Are there any graphics? There's that very famous koala cartoon that I'm sure everybody is aware of. I'm wondering if the AEC has done its own version of that. You're not aware of it? Oh, goodness. Aren't you in for a treat? I'll send you a copy.

Mr Rogers: I look forward to that, Senator.

Senator WATERS: The koalas are not obligatory; it's merely an illustration of the point.

Mr Rogers: We don't have a preferential parakeet or something like that.

Senator WATERS: Oh, I like that. Maybe you should.

Mr Rogers: Maybe we should. But we do have a lot of information about the preferential vote.

Senator WATERS: You mentioned training for polling booth staff and those folk who explain to each voter how to vote. In short form, because I'm conscious there are other folk
with questions and it's getting late, what training is given to those staff? Perhaps you could take on notice to provide me with that training, particularly in relation to how to make a valid vote and the notion of preferential voting. Has the AEC received any complaints about the adequacy of that particular voting instruction given by officials at the booths?

Mr Rogers: Off the top of my head, no, but why don't I take that entire thing on notice and provide you with a package on our training? Just to give you a taste of that: you won't be surprised to hear that the amount of training provided varies depending on the role that you are fulfilling on the day.

Senator WATERS: Sure.

Mr Rogers: We provide a mixed training package, depending on who you are, with most training targeted at the OICs in the polling places and then down from there. But it's good training.

Senator WATERS: I'm interested in the person who has contact with the voter and explains to the voter what to do.

Mr Rogers: Yes.

Senator WATERS: What is the final figure for the cost of the 2019 federal election?

Mr Rogers: I'll say $302 million, and I might correct that figure when I check my figures in a moment.

Senator WATERS: Thank you. I think in response to a question from Senator Farrell you talked about the Stop and Consider campaign that you'd run, which was trying to advise people to think through information that might be in fact wrong. I think you said as a throwaway line that you didn't think that the AEC would be the organisation to run that kind of voter education campaign outside of an election period. Why is that?

Mr Rogers: To be honest, reflecting on the experience of Sweden and other countries that are trying to make a more generic campaign to stop and consider the source of all information on websites—not just about elections—from my perspective, I believe there might be other agencies out of the electoral period who are better able to do that. Today I would still run the same campaign at election time, but I think there is actually scope for that to be a broader community campaign.

I'm just going to amend my figure already and tell you that the cost of the election was $342 million. That's not the final figure, because there are still some things washing through the process, but we should have a final figure fairly shortly.

Senator WATERS: Just out of interest, how does that compare with the cost of the 2016 election and, perhaps a better comparator, the 2013 election?

Mr Rogers: It's significantly more than 2016 and significantly more than 2013.

Senator WATERS: By virtue of population growth?

Mr Rogers: Population, expectation, cyberenvironment and costs that we can't foresee that increase—for example, during the last electoral cycle the New South Wales education department notified us that they would charge commercial rates for the polling places on polling day. There are a whole range of things that cost additional money.
Senator WATERS: Yes, we've talked about the lack of availability. I'm interested that the 2016 election, being a double dissolution, was still cheaper than the 2019 normal half-Senate election. Did you detect any difference in cost for double dissolution elections versus normal elections?

Mr Rogers: No, not really. You've still got to have the polling places and print the paper.

Senator WATERS: So the size of the paper does not really have that much of an impact? I've got some more questions, but I'll put them on notice. Thanks very much.

Senator FARRELL: On the issue of cybersecurity, on 17 September the ABC reported that Australia's security agencies held fears that the AEC may also have been penetrated in the February cyberattack on the Department of Parliamentary Services. What steps did the AEC take to protect the roll?

Mr Rogers: I might answer in a couple of different ways. First of all we make sure that the roll is as protected as it can be. We are fully compliant with ASD's top four mitigation strategies. I think we are also close to compliant with the Essential Eight, which I think, from memory, all agencies have to be compliant with later this year. We then worked during the election itself with a whole range of security agencies and others. There was an Electoral Integrity Assurance Taskforce that was established with the AEC, co-chaired by the AEC and the Department of Finance and supported by a range of security agencies, to assist the AEC in maintaining the integrity of systems in our process. We think that worked very well.

Senator FARRELL: Yes. In this ABC article it was reported that the AEC said there was no evidence it was compromised in the breach. Can you rule out the possibility that the electoral roll was compromised?

Mr Rogers: Yes, I can.

Senator FARRELL: Have there been any further investigations since the original—

Mr Rogers: The Electoral Integrity Assurance Taskforce has been the main measure set up since that event occurred, and we continued to monitor, to implement the strategies that I mentioned before, and to work with ASD and other agencies to ensure that the roll, in particular, is as secure as it can possibly be.

Senator FARRELL: I assume therefore that you've not found any further evidence that the data was compromised?

Mr Rogers: That's correct. We're very aware of the global environment. We do focus on this a lot.

Senator FARRELL: Yes. Is it possible that there was a breach and you don't know about it?

Mr Rogers: I would be extremely doubtful that that was the case.

Senator FARRELL: Do you believe the AEC is adequately funded to ensure the integrity of the electoral roll?

Mr Rogers: You might be aware that at both this committee and the joint standing committee I've made it abundantly clear that our two main election systems, the election management system and the electoral roll, are both towards the latter part of their useful life and do need an injection of capital, and we're working with the Department of Finance and government on that matter as we speak.
Senator FARRELL: And when do you think you'll get a result?

Mr Rogers: I'm hoping it will be very soon. I'm hopeful.

Senator FARRELL: You won't have to wait until the next budget, for instance?

Mr Rogers: We are working with the Department of Finance, and I'm hoping for a good result.

Senator FARRELL: All right. Changing the subject a little, I want to ask some questions about One Nation and its compliance with public funding requirements. As you'd remember, there was a long-fought reform from the opposition that finally linked public funding to campaign expenditure, just prior to the election. This prevented some parties from profiting from the election process by claiming more of taxpayers' money than they spent. Given the new laws, how has the AEC progressed with applying this change?

Mr Rogers: We think fairly well, for a new process. That process is not yet complete. I think it finishes in November, where parties can still submit claims. That process is still underway. It's largely complete. It seems to have worked fairly well, and I don't think we've had any complaints or issues at this stage.

Mr Pirani: If you go to our website you'll see the AEC is now required to have on the transparency register, which is on our website, the actual determinations of public funding. If you go there—and I was there this afternoon having a look—there is a spreadsheet and it has each of the candidates or the parties down there, whether they've put in an interim claim and how the AEC has processed it, and what the final claim was and how the AEC has processed that. It is all there on our website. If you actually go there to the transparency register, have a look at public funding and you will see each of the claims that were put in, just in global terms. It doesn't have the specific details behind it, but it has the interim claims where the AEC accepted that or whether we rejected part of that, and then it's got the final claim. As the commissioner has said, the date for the final claim has not yet expired, so they're still coming in.

Senator FARRELL: Yes. Have there been any issues with the enforcement and ensuring that claims are legitimate and actually reflect what has been spent?

Mr Rogers: I'm not aware of any issues at this stage.

Senator FARRELL: Have there been any issues with the evidence that's been provided by the parties when making a claim for public funding?

Mr Rogers: I'm not aware of any issues. No.

Senator FARRELL: On 1 August you made a determination, refusing part of the claim by Pauline Hanson's One Nation for public funding. What was the reason for that refusal?

Mr Rogers: I'd have to take that on notice. I'm not sure, but I'll take it on notice and find out.

Senator FARRELL: Do you recall making that?

Mr Rogers: No.

Senator FARRELL: This might also have to be taken on notice. How much did One Nation claim in total and how much was accepted? What evidence did One Nation provide
when it submitted its claim? Was this insufficient or incorrect? And has One Nation sought to correct their claim for public funding?

CHAIR: At that juncture, I might just flag the committee is scheduled to have a break at 9:15, but my inclination, as chair and with the agreement of the committee, is to not have that break, if you think you can get through your questions in a reasonable time frame. If you think you're going to be going for a significantly longer amount of time, I think we should have the break as scheduled.

Senator FARRELL: Chair, you indicated that there were more questions from government.

CHAIR: Briefly.

Senator FARRELL: I do have a number of issues I want to raise but I think I can probably put them on notice and I might just go for one more topic.

CHAIR: Sure, that would be fine.

Senator FARRELL: It's not a very long one. Commissioner, I want to return to the funding cuts to the AEC as they relate to the Northern Territory. It's a matter I know you're very familiar with. Given it was the first federal election since funding cuts were imposed in the Northern Territory, what were the issues that arose in delivering the electoral event?

Mr Rogers: I've had long conversations about this at this particular committee. I would have to say at the election—

Senator FARRELL: None.

Mr Rogers: None, because we are staffed up and funded for the election and the election ran very smoothly. As you know, we do a whole range of activities in the Northern Territory at election time, including remote area mobile polling where we send polling teams out into very remote communities to ensure that Australians can have their say. That worked well. We are very proud of the service we have provided in the Northern Territories.

Senator FARRELL: The AEC is responsible for polling services. How many remote polling places were there in the Northern Territory during the election?

Mr Rogers: We do have that figure. Here we go: in 2019, there were 42 remote area mobile teams, 381 localities were visited and 23,503 ordinary votes were taken. It was very similar to the service offering we had in 2016.

Senator FARRELL: Were any complaints received?

Mr Rogers: I would have to take that on notice.

Senator FARRELL: Were the arrangements impacted by the structures in Queensland, for example, providing products and to share enrolment information?

Mr Rogers: We, like all of our colleagues in the states and territories, work very closely with the Northern Territory Electoral Commission. In fact, the commissioner was down with us last week for a fairly long meeting, talking about some of these issues. We don't always see eye-to-eye with all of our state colleagues, but we have a productive working relationship. I think that we're comfortable with where we are at the moment and the work we're doing with the Northern Territory Electoral Commission.
CHAIR: There's just one matter that I want to address, Mr Rogers, before we adjourn. It's about the training of AEC staff, particularly about the Electoral Act and their powers and responsibilities under the Electoral Act. The reason why I'm asking this question is, in my travels during the federal election, at times I encountered AEC staff who I don't think were fully across the Electoral Act.

Senator FARRELL: Especially in Chisholm.

CHAIR: I'm sure there are other senators and members who have had similar experiences. It's not necessary to identify which ones or where, but I will just give you one example to illustrate my point. On a prepoll booth, there was a group of campaigners who had material which was not authorised which they were using to try and influence voters and, upon bringing this to the attention of the supervising AEC official, he informed me that there was no reason for him to take any action because they were engaged in a protest and protests were exempt from the Electoral Act. At least in my reading of the Electoral Act, that is not a provision of the Electoral Act. This was a senior official. What was more concerning about this was that this was not his immediate response on the spot, having been asked. This was his considered response having had time to go away and consider it and come back to me some time later. This was escalated and resolved, but what is the training for particularly supervisory staff at, for example, a polling booth or a prepoll centre?

Mr Rogers: As I said before to Senator Waters, we have a different package of training depending on who you are. For OICs, we do both face-to-face training and online training. The last election, for the first time ever, we provided a very comprehensive series of video resources as well on each aspect of the polling. One of the problems we have is that we have four weeks to get 90,000 people ready, including the 10,000 or 15,000 OICs and polling place liaison officers. There is a limited amount that you can train people during that period. We, by and large, find they're pretty good and, as you said, probably when that was escalated that was resolved because that interpretation that that supervisor came up with was certainly novel and would have been rectified. Particularly a permanent member of staff would have realised that needed rectifying. So, from time to time, we do get some issues, but we do our very best to minimise the number of issues that we have and we continue to evolve that training. That's something we're working on again right now to try to make it digestible but sufficient information for people to understand their responsibilities. But I'll just praise our temporary staff. I know that you know we wouldn't survive if we did not have temporary staff all over Australia. These are ordinary Australians assisting the democratic process and, by and large, they do a great job. We have to do more and more to try to give them the tools they need to perform.

CHAIR: I want to stress the election result did not fall on this matter, but it did take a number of hours, understandably, for the escalation to resolve the issue and for it to come back, by which time a number of voters had cast their ballots and could have been influenced by material which was not authorised. In an ideal world, you would hope for a correct interpretation more quickly than that and that it would not be necessary to escalate in order to resolve that. Going forward for future elections, what can you put in place to ensure that the decision-makers on the ground, if they themselves are not sufficiently educated—and it's not a straightforward piece of legislation, so I appreciate that there's some complexity—can at the very least get quick, correct and accurate advice about their responsibilities?
Mr Rogers: I agree with you fully that we need to do that, and we are working on that. There are even some technical things that we are trying to work towards to give greater connectivity to polling places so we can actually have better connectivity with our staff. We have noted that as an issue we need to work on.

CHAIR: Thank you.

Senator FARRELL: Chair, there is a request from the media to clarify the cost of the election. Was the figure $342 million? Was that the figure you mentioned, Mr Rogers?

Mr Rogers: Yes.

CHAIR: As there are no further questions for the AEC, I thank you very much for your attendance and your evidence here this evening. That concludes the committee's examination of the Finance portfolio. Hearings for the Prime Minister and Cabinet portfolio will recommence on Friday as part of the cross-portfolio hearing on Indigenous matters. I would like to thank ministers and officers who have given evidence to the committee today. I would also like to thank Hansard, Broadcasting and the secretariat for their assistance. I now declare this meeting of the Senate Finance and Public Administration Legislation Committee adjourned.

Committee adjourned at 21:19