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SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE

Tuesday, 19 February 2019

FINANCE PORTFOLIO

In attendance

Senator Cormann, Minister for Finance and the Public Service, Special Minister of State
Senator Seselja, Assistant Minister for Treasury and Finance, Assistant Minister for Science, Jobs and Innovation

Executive

Ms Rosemary Huxtable PSM, Secretary, Department of Finance

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

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
Mr Damien Adler, Assistant Secretary, Budget and Financial Reporting
Ms Donna Degen, Assistant Secretary, Budget and Financial Reporting
Ms Donna Valenti, Assistant Secretary, Budget and Financial Reporting
Mr Geoff Painton, Assistant Secretary, Budget and Financial Reporting
Mr Gareth Sebar, Assistant Secretary, Budget and Financial Reporting
Mr Paul Hupalo, Assistant Secretary, Budget and Financial Reporting
Ms Rachael Spalding, First Assistant Secretary, Budget and Financial Reporting
Mr Martin Graham, Acting 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 Chris Schweizer, Assistant Secretary, Budget and Financial Reporting
Mr Libor Pelecky, First Assistant Secretary, Budget and Financial Reporting
Mr Scott Austin, Assistant Secretary, Budget and Financial Reporting
Dr Stein Helgeby, Deputy Secretary, Governance and Australian Public Service Transformation
Ms Tracey Carroll, First Assistant Secretary, Governance and Australian Public Service Transformation
Ms Angela Baum, Assistant Secretary, Governance and Australian Public Service Transformation
Mr Marc Vickers, Assistant Secretary, Governance and Australian Public Service Transformation
Mr Michael Di Francesco, Assistant Secretary, Governance and Australian Public Service Transformation
Mr Lembit Suur, First Assistant Secretary, Governance and Australian Public Service Transformation
Mr Neil Robertson, Assistant Secretary, Governance and Australian Public Service Transformation
Mr Ian Nicholas, Assistant Secretary, Governance and Australian Public Service Transformation
Ms Rina Bruinsma, First Assistant Secretary, Governance and Australian Public Service Transformation

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

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
Ms Tiffany Karlsson, Assistant Secretary, Commercial and Government Services
Ms Elizabeth Hickey, Assistant Secretary, Commercial and Government Services
Mr Andrew Staines, Assistant Secretary, Commercial and Government Services
Mr Matthew Whitfort, Assistant Secretary, Commercial and Government Services
Ms Lorraine Holcroft, Assistant Secretary, Commercial and Government Services
Mr Andrew Danks, Assistant Secretary, Commercial and Government Services
Mr Jason Ford, Assistant Secretary, Commercial and Government Services
Mr Stephen Sorbello, Assistant Secretary, Commercial and Government Services
Dr Stein Helgeby, Deputy Secretary, Governance and Australian Public Service Transformation
Ms Katherine Jones PSM, Deputy Secretary, Business Enabling Services
Mr Craig Conovan, Acting Assistant Secretary, Governance and Australian Public Service Transformation
Mr Lembit Suur, First Assistant Secretary, Governance and Australian Public Service Transformation
Ms Kim Baker, Assistant Secretary, Governance and Australian Public Service Transformation
Mr Brad Cook, Assistant Secretary, Governance and Australian Public Service Transformation
Ms Rina Bruinsma, First Assistant Secretary, Governance and Australian Public Service Transformation
Mr Gareth Hall, Assistant Secretary, Governance and Australian Public Service Transformation
Mr Michael Di Francesco, Assistant Secretary, Governance and Australian Public Service Transformation
Mr John Sheridan, First Assistant Secretary, Business Enabling Services
Ms Lucelle Veneros, First Assistant Secretary, Business Enabling Services

Outcome 3—Support for Parliamentarians and others as required by the Australian Government through the delivery of, and advice on, entitlements and targeted assistance
Ms Katherine Jones PSM, Deputy Secretary, Business Enabling Services
Mr David De Silva, First Assistant Secretary, Business Enabling Services
Mr Brent Heaver, Assistant Secretary, Business Enabling Services
Ms Lauren Barons, Assistant Secretary, Business Enabling Services
Ms Kristina Hopkins, Assistant Secretary, Business Enabling Services

General
Mr Scott Dilley, First Assistant Secretary, Business Enabling Services
Mr John Sheridan, First Assistant Secretary, Business Enabling Services
Mr Grant Stevens, Acting Chief Financial Officer, Business Enabling Services
Ms Cassie Alexander, Assistant Secretary, Human Resources Branch, Business Enabling Services
Ms Carolyn Driessen, Assistant Secretary, Parliamentary Coordination and Corporate Engagement, Business Enabling Services
Ms Dana Sutton, Assistant Secretary, Legal and Assurance Branch, Business Enabling Services
Mr Dean Edwards, Assistant Secretary, Facilities Management Branch, Business Enabling Services

Independent Parliamentary Expenses Authority
Ms Annwyn Godwin, Chief Executive Officer
Ms Lauren Alcantara, Branch Manager
Mr Michael Frost, Branch Manager
Ms Petra Gartmann, Branch Manager
Ms Jennifer Dal Pozzo, Acting Chief Financial Officer

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

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

Commonwealth Superannuation Corporation
Mr Peter Cargy-Ryan, Chief Executive Officer
Mr Andy 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 Martin Edwards, General Manager, Maritime Services Group
Mr Ashley Menadue, Chief Financial Officer

Committee met at 08:58

CHAIR (Senator Paterson): Good morning. I declare open this meeting of the Senate Finance and Public Administration Legislation Committee. Today the committee will continue the examination of the additional budget estimates for 2018-19. It will hear from the department and the agencies of the Finance portfolio as listed on today's program. The committee may also examine the annual reports of the department and the agencies appearing before it. The committee has fixed 29 March 2019 as the date for the return of answers to questions taken on notice.

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

The Senate by resolution in 1999 endorsed the following test of relevance of questions at estimates hearings. Any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates hearings. I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. The Senate has resolved also that an officer of a department of the Commonwealth shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised, which will be incorporated in the 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.
(Extract, Senate Standing Orders)

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

Officers are requested to keep opening statements brief. I welcome the Minister for Finance and the Public Service, Senator the Hon. Mathias Cormann; Ms Rosemary Huxtable, Secretary of the Department of Finance; Mr Stuart Whiley, Chief Executive Officer and Managing Director of ASC Pty Ltd; and other officers. Ms Huxtable or Mr Whiley, do you have opening statements?

Senator Cormann: I have an opening statement, a very brief one, in the first instance.

CHAIR: Minister.

Senator Cormann: Thank you very much, Chair. By indulgence, in relation to some of the matters raised in the media this morning in relation to some private travel I undertook in January 2018, I have issued a relatively comprehensive statement, which I table for the benefit of the committee.

CHAIR: Thank you.

Senator Cormann: I also table correspondence received this morning from Helloworld in relation to that travel, which is self-explanatory, and I table a timetable in relation to the unrelated but nevertheless referenced procurement arrangements in relation to the whole-of-government accommodation program management services prepared by the department, as well as a briefing note provided to me in 2017 when I was notified of the outcome of that particular tender. No doubt these will be pursued later in the day.

CHAIR: Thank you, Minister. Senator McAllister.

Senator McALLISTER: Before we move on, can I understand how we intend to deal with this in pursuing it later today? The matters raised go across corporate procurement—

Senator Cormann: I'm in the hands of the committee. I've got nothing to hide.

CHAIR: I think it would be appropriate, given that we have ASC and ANI and then Future Fund this morning, that we go through the program as scheduled, but, when we get to the Department of Finance, we will deal with any questions relating to this matter at the beginning and then move on.

Senator Cormann: Yes. If that works for you, I'm relaxed.

Senator McALLISTER: That would work for me. In terms of departmental officials, it may be that we need at the table at that time staff from Procurement who are able to speak to the procurement issues, and possibly also some of the staff associated with outcome 3. Can I reflect on who we need exactly and provide advice via the secretariat?

Senator Cormann: Sure. We will facilitate your line of questioning in relation to this, for sure.

Senator McALLISTER: Thank you.
CHAIR: Okay. In that case, we will continue with the program as scheduled. Ms Huxtable, do you have an opening statement?

Ms Huxtable: No, Chair.

ASC Pty Ltd

[09:04]

CHAIR: Mr Whiley, do you have an opening statement?

Mr Whiley: Yes, I do. I'd like to inform the committee that on 14 December 2018 the ownership of ASC shipbuilding business was transferred from ASC to BAE Systems Australia. However, ASC, together with Air Warfare Destroyer Alliance partners, continues to be responsible for the completion of the AWD program and, via a subcontract with Luerssen Australia, is a shipbuilder for the first two offshore patrol vessel platforms. ASC will deliver its obligations on the air warfare destroyer and the OPV programs, utilising labour from ASC Shipbuilding via a workforce agreement. As ASC and ASC Shipbuilding are now separate companies, issues relating to the future of the shipbuilding workforce are a matter for ASC Shipbuilding and BAE Systems Australia.

ASC continues to have responsibility for the maintenance of Australia's six Collins class submarines, and we have approximately 1,400 employees located in South Australia and Western Australia. The Collins class submarine program continues to perform well as we work collectively as a submarine enterprise to achieve beyond benchmark performance. ASC continues to work closely with government and the submarine industry partners to support the implementation of the Naval Shipbuilding Plan, and we look forward to the future engagement to support the expansion of Australia's submarine industry and capability.

Thank you. I welcome your questions.

Senator GALLACHER: Can that statement be tabled?

Mr Whiley: Yes, the statement can be tabled.

Senator GALLACHER: Thank you for that update. I just want to go to some matters. Noting that the government announced the OPV prime contractor in November 2017 and that in May 2018 this committee was advised that the contract between Luerssen and ASC would be finalised within four weeks, I ask: has that structural separation been finalised?

Mr Whiley: The structural separation is something different to the contract. We actually have finalised the contract with Luerssen. Structural separation is something different.

Senator GALLACHER: Sorry, I missed that.

Mr Whiley: Yes, we have finalised the contract with Luerssen.

Senator GALLACHER: And the structural separation?

Senator Cormann: It's a separate process.

Mr Whiley: That was referred to in my opening statement. That was done on 14 December.

Senator GALLACHER: 14 December.

Mr Whiley: Yes.
**Senator GALLACHER:** So it was finalised on 14 December. The contract between Lurssen and ASC—that's also been signed?

**Mr Whiley:** Yes.

**Senator GALLACHER:** When was that signed?

**Mr Whiley:** I think it was at the end of November.

**Senator GALLACHER:** You did mention in your opening statement, but I want to go through, as we always do, the detail of employees coming and going—apprentices and the like. How many people employed by ASC are currently working on the construction of the OPVs?

**Mr Whiley:** As I said in my opening statement, we don't have the shipbuilding workforce anymore.

**Senator GALLACHER:** It's zero.

**Mr Whiley:** ASC employees specifically working on OPV—it's about seven. The rest of the workforce are hired by a labour-hire arrangement through ASC Shipbuilding—effectively, BAE.

**Senator GALLACHER:** So how many people under that—

**Senator Cormann:** This, of course, is part of the transition to BAE, fulfilling the contract in relation to the build of the nine Future Frigates.

**Senator GALLACHER:** So the answer to 'how many people are employed by ASC?' is seven, and then there's a labour-hire arrangement?

**Mr Whiley:** Yes. So there are currently about 90 sitting on a labour-hire arrangement at thispoint in time.

**Senator GALLACHER:** Is there any projection for an increase in the number directly employed by ASC?

**Mr Whiley:** No. ASC's numbers will stay around seven.

**Senator Cormann:** This is ASC.

**Mr Whiley:** No, this is ASC. Our numbers will stay around seven. The shipbuilding numbers, obviously, will increase.

**Senator GALLACHER:** Can you just go to the detail of the—

**Senator Cormann:** Sorry, just to be clear, when Mr Whiley mentions ASC, he is referring to the shipbuilding related component. Obviously, ASC submarine maintenance continues to employ substantially more people.

**Mr Whiley:** Those numbers I was giving you are just purely related to the Lurssen contract.

**Senator GALLACHER:** Yes, I understand that. I've got a whole range of questions. I'm just asking for detail.

**Mr Whiley:** That's fine.

**Senator GALLACHER:** There's no smoking gun here. I just want to get a picture of the workforce. At the last estimates, on 23 October, Mr Cuthill stated that the total ASC workforce was 871, comprising 837 full-time, including 11 apprentices, and 34 contractors.
and subcontractors. What is the current number of permanent employees, inclusive of apprentices, contractors and subcontractors?

Mr Whiley: As I said in my opening statement—

Senator GALLACHER: I'm sorry, Mr Whiley, you read it to me and I haven't had a chance to read it in detail, so I just asked the question. If you give me an answer, it's fine.

Mr Whiley: ASC is now not responsible for ASC Shipbuilding; ASC is responsible for delivering the AWD and the OPV programs. ASC has, currently, nine people employed, overseeing those projects. The rest of the workforce is hired by ASC Shipbuilding—that is, BAE Systems. Currently, we have 669 people, whom we employ through ASC Shipbuilding, supporting those two programs.

Senator GALLACHER: 669?

Mr Whiley: Yes.

Senator GALLACHER: And it used to be 871?

Mr Whiley: I think 837 were the permanent employees last time we spoke.

Senator GALLACHER: Can you break that 669 down?

Mr Whiley: There are about 93 on OPV and 576 on AWD.

Senator GALLACHER: In those respective categories, are there subcontractors and apprentices?

Mr Whiley: Within those numbers, yes.

Senator GALLACHER: Have you got that breakdown or do you need to take that on notice?

Mr Whiley: No, I haven't got that breakdown. Well, they won't be subcontractors. They are subcontracting labour, so it will be inside those numbers. Apprentices will be inside those numbers.

Senator GALLACHER: Do we know how many apprentices we have?

Mr Whiley: I don't know how many are inside those numbers.

Senator GALLACHER: Perhaps on notice you could provide that.

Mr Whiley: I can, but I think that's really a matter for BAE. We have taken their workforce back, so that number will change, depending on how we work with them. They're not ASC employees.

Senator GALLACHER: So you can't provide it on notice?

Mr Whiley: I will take the question on notice and see what I can provide for you.

Senator GALLACHER: On 21 January 2019 a further 31 jobs were lost at the Osborne shipyard. Who employed those people?

Mr Whiley: On 21 January the announcement was made to roll 41 positions off the Air Warfare Destroyer Program. I don't know if the jobs were lost. It's a matter for BAE, ASC Shipbuilding, how those employees are redistributed inside their workforce. That's not a matter for ASC.
Senator GALLACHER: I'm going to ask you some specific questions on that. Minister, how do those job losses sit with Minister Pyne's media release saying that the valley of death is over? Was that a bit overoptimistic of Minister Pyne?

Senator Cormann: No. That's absolutely right. Of course, what Minister Pyne is referring to is that the coalition has committed to an $89 billion naval shipbuilding program, or 54 vessels from Australian yards, which includes 12 submarines, 12 offshore patrol vessels, nine future frigates and 21 Pacific patrol boats. As we've previously discussed at these estimates, that compares to zero vessels from Australian yards commissioned in the previous six years, when you might recall, the Rudd and Gillard Labor governments were in office. It is very clear that, as a result of the decisions made by this government, the future of naval shipbuilding in Australia is significantly brighter than it would have been if we had remained on the trajectory that we were on under the previous Labor government.

Senator PATRICK: It would have been better with icebreakers and supply ships—just to complete the dialogue that we have every estimates now.

Senator Cormann: I'm just confirming the facts. There were zero vessels from Australian yards in six years, and there is $89 billion in procurements, for 54 vessels, under our government. You might say there should have been more, but 54 to zero is, I would have thought, a pretty good comparison.

Senator GALLACHER: Thank you, Minister, for that contribution. Minister Pyne said: The valley of death is over and we are now seeing a upturn of employment in naval shipbuilding in our state that will only continue to increase as these new projects gain momentum.

But the facts are that, on 21 January 2019, we lost an additional 31 jobs. Is that correct?

Mr Whiley: No. What was announced was 41 positions rolled off the Air Warfare Destroyer Program. They went back to BAE Systems—

Senator GALLACHER: I'm going to ask you about if—

Senator Cormann: AWD, of course, is a program which is coming to an end. The same as, when you're building a new house, you don't keep workers on your house construction site once the house is completed, once these ships are completed, then obviously the need for relevant workers will reduce. But, because we've made decisions about additional procurements—for offshore patrol vessels, for future frigates, for submarines, for Pacific patrol boats—there is of course much more opportunity for future work than there would have been otherwise.

Senator GALLACHER: Mr Whiley, are you looking to redeploy any of those employees to the OPV program?

Mr Whiley: As I said, 41 positions are rolling off, back to BAE. Some of those people may come back on the OPV program as we ramp up, but they're going back to BAE. BAE will look at their entire work scope and whether they can absorb them. I don't know how many are going to be made redundant or not. That is a matter for BAE. Yes, some of them could come back to support OPV at some stage.

Senator GALLACHER: Are there any redeployment opportunities with the Future Frigate program?

Mr Whiley: There may well be, but, as I said, that will be a matter for BAE, not ASC.
Senator Cormann: This is an important point: BAE, obviously, will be managing the Future Frigate build program, though—and I think that Senator Patrick would be very interested in this—as we announced at the time, the Commonwealth retains a sovereign share in ASC Shipbuilding while BAE manages the program, and it's the government's intention that ASC Shipbuilding will revert to Commonwealth ownership following delivery of the ninth ship, thereby ensuring the retention in Australia of intellectual property, a highly skilled workforce and the associated equipment. The separation and transfer of ASC Shipbuilding to BAE Systems completes the second phase of the separation process announced by the government on 11 October 2016. The separation and transfer of ASC Shipbuilding does not affect the build of the offshore patrol vessels, air warfare destroyers or the sustainment of the Collins class submarines and will not preclude—and this is also an important point—ASC Group from pursuing future shipbuilding opportunities. It's very important to put that back on the record.

Senator GALLACHER: Any there any opportunities to redeploy to the Future Submarine program?

Mr Whiley: As I said, these are not my workforce. These people actually sit inside BAE. What they do with them and how they deploy them is really a matter for BAE Systems.

Senator GALLACHER: So the answer's no.

Mr Whiley: I don't know. I don't know what BAE are doing regarding the Future Submarine program.

Senator GALLACHER: Have any redundancies been paid this financial year?

Mr Whiley: Again, that is a matter for BAE, not for ASC. We have not made any redundancies this year.

Senator GALLACHER: So you're not aware of any forced redundancies or any voluntary redundancies?

Mr Whiley: As I said, the announcement on 21 January was to notify 41 people rolling off the program. How that number translates to redundancies is a matter for the exercise ASC Shipbuilding are currently going through. The numbers that roll off will come out of that exercise they are currently undertaking, and timing for that is a matter for them.

Senator GALLACHER: Just to sum up at the end of that: we would just read the paper and see what BAE is doing. There's no point asking you at estimates about workforce numbers, redundancies or redeployment. Is that correct?

Mr Whiley: In terms of shipbuilding, as I said, I can only state: the workforce that comes to support ASC's obligations for OPV and air warfare destroyers, that workforce comes from BAE, apart from the high-level management team with oversight—

Senator GALLACHER: So that's correct—we just read the paper and see what's going on. There's no point in asking you.

Mr Whiley: In terms of shipbuilding, there's no point in asking me.

Senator GALLACHER: I have another few questions on submarines but, clearly, in shipbuilding, there's no point talking to ASC.

Mr Whiley: Correct.
Senator GALLACHER: Because you can't answer questions about redundancy or redeployment and the like, because BAE's responsible.

Mr Whiley: As I've said, we've transferred the workforce to BAE. We do not hold the workforce.

Senator GALLACHER: What's the current number of permanent employees working on the sustainment of Collins?

Mr Whiley: In total, we've got approximately 1,200 people, permanent employees, working on Collins at this point in time.

Senator GALLACHER: The current number of apprentices?

Mr Whiley: We've got 34 in South Australia and 20 in Western Australia.

Senator GALLACHER: Fifty-four. The breakdown of contractors and subcontractors?

Mr Whiley: I haven't got a breakdown, and that number fluctuates very much in terms of the cycle we are in, in terms of maintenance.

Senator GALLACHER: But it's in the 1,200?

Mr Whiley: No, it is outside—those are permanent employees, that 1,200. We would say at our peak in South Australia we would take on probably 200, and probably 200 in Western Australia, so about 400 labour-hire would be supplemented in that number, in terms of delivering our work requirements.

Senator GALLACHER: Are you able to provide a breakdown of the numbers at Osborne and Henderson?

Mr Whiley: I haven't got that in front of me but I can take that question on notice and give you a breakdown of those numbers. It's about 350 in Western Australia. The rest are in Osborne.

Senator GALLACHER: You will provide the exact numbers on notice?

Mr Whiley: Yes.

Senator PATRICK: If I may: you provided an answer to Senator Gallacher last time around that said, in relation to the submarine business, 915 employees and 74 labour hire contractors at Osborne. Is that still the same number?

Mr Whiley: It's about 1,200 total here. Yes, it's approximately the same number.

Senator PATRICK: The permanent workforce numbers that you gave last time were 915 in South Australia and 418 in Western Australia.

Mr Whiley: When I gave the numbers—it's about 350 to 400. I can give you the exact—

Senator PATRICK: That number is a reasonable number less than what you said last time.

Mr Whiley: I haven't got the exact breakdown in front of me here. I've only got the total number. It says 1,204, the exact total to date of permanent employees.

Senator GALLACHER: So we've got 1,200 permanents, labour hire of 400—is that right?
Mr Whiley: Total. As I said, it varies in the year, depending on where we are on the maintenance cycle and what we're doing. I said that, at a peak, there are probably about 400 across the business—labour hire—

Senator GALLACHER: Perhaps on notice, could you give us the exact figures so that we can do the comparison of last year to this year?

Mr Whiley: Yes, no problems at all.

Senator PATRICK: Last time around, it was 1,333 in total. That implies you've lost more than 100 people. Just adding the numbers 915 and 418 comes to 1,333.

Senator GALLACHER: I think they're saying 1,200 plus 400 labour hire, which is 1,600 people, and the break-up varies.

Mr Whiley: I will take the question on notice to clarify the—

Senator GALLACHER: Rather than having to wait until 29 March or something, if you could give the committee that information at the end of the day, that would be much appreciated. Have any employees left ASC since the last estimates to work on the Future Submarine program? It might explain—

Mr Whiley: Obviously we have had employees leave. What they've gone to work on, I'm not sure. A number of people have gone to work with companies that are working towards the Future Submarines. Yes, I can say that.

Senator GALLACHER: Have you had a brain drain with people picking up your well-trained employees?

Mr Whiley: We wouldn't describe it as 'a brain drain', but we're definitely seeing numbers increase in terms of attrition, in terms of the workforce going to Future Submarines, yes.

Senator GALLACHER: Do we know the classifications of those people?

Mr Whiley: What do you mean by 'classifications'?

Senator GALLACHER: Naval architects are like unicorns.

Mr Whiley: They're across the board. Engineering and project management staff seem to be the prime targets at this point.

Senator GALLACHER: At last estimates, it was confirmed that the budget for the Osborne shipyard development project is $530 million and that 30 per cent of that had been expended. Can you give me an update on expenditure to date?

Mr Whiley: Sorry, I'm not sure what that refers to.

Senator GALLACHER: Australian Naval Infrastructure—

Ms Huxtable: I think those questions relate to ANI. They're on after Mr Whiley.

Senator GALLACHER: Not in this session?

Ms Huxtable: Yes. They'll be on as soon as you finish with ASC. Then ANI will give evidence.

Senator GALLACHER: I've finished with ASC. I have one question for the next mob. Is someone here?

Senator PATRICK: I've got questions for ASC.
Senator GALLACHER: I have just one question on Australian Naval Infrastructure Pty Ltd and then I'm finished. Do you want me to do that, Chair, and move along?

CHAIR: Yes.

Senator GALLACHER: Can we get that person to the table to answer that question about the budget? At the last estimates hearing, it was confirmed that the budget for the Osborne south shipyard development project is $530 million and that 30 per cent had been expended. Can I have an update on the spend to date?

Mr Knox: Yes. The predicted spend on the project stands at $560 million. That's to complete all of the work up to the time we hand over to BAE, which will be at the end of the first quarter next year, and also the follow-on work on what we call the brownfield facilities, which is the existing shipyard. The total estimate for completing that work is $560 million, which is five per cent above the original budget.

Senator GALLACHER: How much has been spent to date—well, since last estimates—

Mr Knox: To date, on the southern project, we spent $193 million to the end of January.

Senator GALLACHER: Thank you. Can you please provide the committee with an update on your discussions/negotiations with Naval Group and BAE regarding the development? Is it all progressing well?

Mr Knox: Yes. We've been very much supporting the Commonwealth in their discussions, ultimately for the signing of the strategic partnership agreement. Our small role in that—and it is quite a small role—is to set up the arrangements by which Naval Group will come into the yard and lease the facilities once they're constructed. We've now agreed the terms for those arrangements. We haven't fully signed the document that actually has the full legal aspects of those terms, but we've agreed the framework and the terms for those arrangements.

The second thing we've done with Naval Group is that we've agreed with them how we will work with them when we're still constructing the yard and they supply equipment into the yard—presses and machines that they need to build the submarines. So we've been working on that, and we've agreed something called the coordination agreement which allows them to do that while we're continuing construction of the yard.

Senator GALLACHER: How would you characterise those negotiations?

Mr Knox: They're done.

Senator GALLACHER: No issues or problems arising?

Mr Knox: No, they're done. So basically we know the terms under which Naval Group will occupy the yard once we've completed it, and we also know the way we're going to work together during the construction of the yard at the time when Naval Group wish to come in.

Senator GALLACHER: Thanks very much.

Senator PATRICK: Ms Huxtable, in Mr Whiley's opening statement he said that the ownership of ASC Shipbuilding was transferred from ASC to BAE. For what consideration?
Ms Huxtable: The transfer was part of the set of arrangements around the building of the future frigates. The contract relates to the building of the future frigates. As you'd be aware, the decision of government was that the best mechanism to get the most appropriate outcome for the future frigates was to ensure that BAE was responsible for the workforce and for the complete build, effectively, and to effect that through separation but retaining that sovereign share so that, at the end of the BAE build process, the Commonwealth will be able to step back in.

Senator PATRICK: Sure. I'm supportive of that golden share arrangement, but nonetheless ASC has been built up over a number of years, owned by the taxpayer. The workforce has a particular experience. There would have been equipment involved in that. There would have been a value to that. So someone must have put a calculation—a number on the table.

Ms Huxtable: I'll get the deputy who was more involved in the direct negotiations to come, but I would point out that the separation of ASC was effectively into three elements: the creation of Australian Naval Infrastructure, which was some time ago now—

Senator PATRICK: That's retained by the Commonwealth?

Ms Huxtable: That's correct. In the process of the establishment of ANI, many of the assets of ASC effectively transferred to ANI at that point. Clearly ASC still has a role in regard to the sustainment of the submarines.

Senator PATRICK: So it draws out the point: what was transferred, and what was the price?

Ms Huxtable: Mr Jaggers can go to precisely what was transferred in respect of the BAE element of the separation, but I'm just making the point that this was a multifaceted arrangement.

Senator PATRICK: That's retained by the Commonwealth?

Ms Huxtable: Mr Jaggers can go to precisely what was transferred in respect of the BAE element of the separation, but I'm just making the point that this was a multifaceted arrangement.

Ms Huxtable: The important point, I think, is that many of the assets of ASC had transferred to ANI already.

Senator PATRICK: Sure. I understand, and you're being helpful.

Ms Huxtable: The important point, I think, is that many of the assets of ASC had transferred to ANI already.

Senator PATRICK: Sure.

Mr Jaggers: The consideration was nominal. It was a part of the broader negotiations and tendering process for the Hunter class frigate program. Defence ran that negotiation or that tendering arrangement, and all of the tenderers had before them the arrangements that would be entered into post the awarding of the contract in terms of ASC Shipbuilding. With the contracting arrangements, it was a nominal consideration with a sovereign share arrangement so that the sovereign capability of ASC Shipbuilding is able to be transferred, at the end of the Hunter class construction, back to Commonwealth ownership.

Senator PATRICK: Sure, and I guess that's factored into the price, but you'd be aware that the tender for the future frigate was public and it did not include that transfer arrangement. On my understanding, that transfer arrangement was introduced into the tender much later on in the piece. It certainly wasn't in the original tender documents. Can you provide the additional information that was used by the tenderers to guide them on what their final arrangements would be?
Mr Jaggers: Yes. The tender process was run by the Department of Defence, and you're right in suggesting that it wasn't part of the original tender documentation but was added into the process.

Senator PATRICK: So it can't be added in by Defence because it's owned by Finance. You must have had some involvement of that. Can you table the arrangements that you might have had with Defence or whether they were directly discussed with the tenderers?

Mr Jaggers: Yes. I will talk to Defence about that. There was a detailed—

Senator PATRICK: No, I'm asking you to table something. I don't care what you talk to Defence about.

Ms Huxtable: We have taken the question on notice. I think Mr Jaggers has already taken the question on notice.

Senator PATRICK: Mr Whiley, at the last estimates we talked about how you had lost 24 engineers, very experienced people, 10 per cent of your engineering team. Can you give me an update on that figure since we last met, in terms of experienced engineers?

Mr Whiley: I think since then we've lost probably about another half-dozen. I'll take the question on notice and give you an exact figure. It is about half a dozen.

Senator PATRICK: So around six, understanding that's it's an estimate?

Mr Whiley: Yes.

Senator PATRICK: Is that on an increasing curve? I don't know the period.

Mr Whiley: The attrition level has been pretty constant, sitting at about 10½ per cent in terms of the engineering over the last three to four months.

Senator PATRICK: It's fair to say that people with those sorts of specialties that you've developed and cultured over the years are likely to be of interest to ASC Shipbuilding, now part of BAE, and Naval Group and Lurssen and others. You've got a lot of people that are searching for people.

Mr Whiley: Absolutely.

Senator PATRICK: How are we preserving that very critical workforce required for the Collins class submarines?

Mr Whiley: It is an issue that ASC's putting a lot of focus on in terms of retention strategy. Our main focus is to look at how to improve ASC's value proposition with all this fantastic new work coming through. In that environment it is challenging, but we've got a number of initiatives underway. I think I've said in previous Senate estimates that we've gone to the Future Submarine supply chain. We've engaged with Jeumont, Endel and FIVA and we have JV arrangements to look at creating a collaborative environment to give opportunities for engineers working in the Future Submarine in a tier 1 environment. We're also supporting the A26 in a program in Sweden with some design work. We're also looking at Canada and how we can maybe pass on some of the lessons we've learnt from Collins into that environment, and we're looking at potential exchange of engineers between Canada and ourselves into our environment. The big one that is coming down the track is the life of type extension program for the Collins. That is by far the most exciting submarine work that will take place in Australia in the next five years. That is a key cornerstone of our retention program. That exciting work requires good engineers, and we need to make sure that that
work's available and is coming down the track and we can make it accessible to our engineering department.

**Senator PATRICK:** That sounds exciting, and hopefully you can retain people through that. I put you on notice that I will continue to ask questions about that with ongoing estimates. One of the things we talked about last time around was an ASPI report that had come out into relation to Future Submarine sustainment. That report recommended that the future sustainer of the Future Submarine ought to be engaged very early on in the piece. Clearly, you are the company when it comes to submarine sustainment in Australia. Can you tell me anything about any dialogue that you've had with Defence, particularly the Future Submarine project, in relation to ASC's involvement in Future Submarine sustainment?

**Mr Whiley:** We've had no dialogue regarding Future Submarine sustainment with Defence.

**Senator PATRICK:** I seem to recall at estimates, after we discussed last time, that Defence advised me that they were about to talk to you.

**Mr Whiley:** They haven't spoken to us as yet.

**Senator PATRICK:** So silence.

**Senator Cormann:** To be fair, we're not even close to building the first new submarine, so we've got a bit of time to get ourselves organised for the future sustainment of the next generation of submarines.

**Senator PATRICK:** Respectfully, Minister, ASPI says that's not the case—that you need to engage a submarine sustainer early. That was the point of the context provided.

**Senator Cormann:** We're working our way through all of these steps sequentially and as fast as we can.

**Senator PATRICK:** You'd understand, having lived through the fix of Collins, the Collins sustainment organisation or the submarine enterprise, that is a lesson we learnt from Collins—not getting that sustainment sorted out early. It's cost the Australian taxpayer a significant amount of money and has affected submarine capability through the early stages of the Collins cycle. I'm surprised that people are not talking. Mr Knox, you know the terms in respect of how Naval Group will occupy the yards. What does 'the yards' mean? Has it been determined? Last time there were discussions about where the facilities would be for the Future Submarine. Can you give me some details on that?

**Mr Knox:** We're now working with the Commonwealth and Defence to finalise what's described as the functional requirements that Naval Group have for the submarine shipyard in which the Attack class submarines are going to be constructed. That's at an early stage still, but we are working on that. We're doing it in the form of an integrated team with Naval Group, the Commonwealth, CASG and ourselves. We've appointed Laing O'Rourke to be our managing contractor to construct this yard, once we have absolutely finalised the functional requirements for the yard.

**Senator PATRICK:** How long have you been in discussions on the configuration of the Future Submarine yard?

**Mr Knox:** We've been in discussions with them for some time in a general sense. Obviously, with the recent signing of the SPA and generally, that's taken a major step
forward. We're now in quite detailed discussions with them as to what their functional requirements are. Our role really is inputting into those functional requirements knowledge and advice as to how they'll be constructed and how they'll be put together.

**Senator PATRICK:** In respect of those discussions, have you talked about the use of ASC North for the construction of the Future Submarine?

**Mr Knox:** Yes. Obviously the design of the Future Submarine construction yard is effectively on the ASC North site. You have to remember we also have this brand new, what we call the greenfield area, which is over Mersey Road, which is not a part of the existing ASC North site. That's obviously where we're going to start.

**Senator PATRICK:** But it will involve both of those sites?

**Mr Knox:** Ultimately, yes, it will.

**Senator PATRICK:** Mr Whiley, currently that ASC North yard is occupied by the full-cycle docking facilities. We have just heard that ASC North will be used for the Future Submarine project.

**Mr Whiley:** I'm not sure that that's necessarily a decision that has been made.

**Senator PATRICK:** I've had a pretty definitive answer from Mr Knox just then. That would have major ramifications for your organisation. Just to confirm, ASC North is where you do full-cycle dockings for the Collins class—is that correct?

**Mr Whiley:** That's correct.

**Senator PATRICK:** We've just been told that that yard will be used for the Future Submarine.

**Mr Knox:** It's important to say that the ASC North yard that I'm talking about is a very large yard. It has the greenfield site, which is a huge area to the west of Mersey Road, which is completely unoccupied right now. That's where the majority of the facilities are going to go.

**Senator PATRICK:** Let's be very specific. The facility that is currently being used by ASC to conduct full-cycle dockings on the Collins class submarine—is that area being discussed for use in the Future Submarine build yard that you're—

**Mr Knox:** The current yard, which we're talking about the functional requirements for, largely focuses on the area to the west of Mersey Road, which is a greenfield area.

**Senator PATRICK:** I understand it largely focuses on that. I'm going to the specifics of the discussions that have taken place in regard to ASC North, where we currently maintain or conduct full-cycle dockings on the Collins class submarines.

**Mr Knox:** When I say largely, I'm talking—nearly all the big facilities in which we will build the Future Submarines, the Attack class, will be to the west of Mersey Road.

**Senator PATRICK:** I've got that bit. You've told me three times. I'm now focusing specifically on ASC North.

**Mr Knox:** So the existing yard?

**Senator PATRICK:** The existing yard, used by ASC currently to conduct full-cycle dockings on the Collins class submarines?
Mr Knox: Those decisions on the use of the existing yard are still in front of us. Ultimately, they'll be in the hands of Defence as to how they make those decisions.

Senator PATRICK: This yard is presumably currently owned by ASC, isn't it—or you?

Mr Knox: No. As the Secretary said, the yard is owned by ANI. All the major assets for north and south have been moved to ANI. ASC Pty Ltd occupies that yard for the Collins, as does the AWD program, Lurssen and ultimately Naval Group.

Senator PATRICK: Can you provide the committee with any documentation in relation to discussions that go to the use of ASC North?

Mr Knox: In relation to the existing yard, specific to the current Collins existing yard, it's a matter for Defence as to how that yard is ultimately going to be used.

Senator PATRICK: It belongs to you, Mr Knox.

Mr Knox: It does.

Senator PATRICK: You can take this on notice, but what I would like to have is a copy of any documentation that you have in your possession that relates to the use of the existing ASC North facility.

Mr Knox: I can certainly provide you with effectively the leasing arrangements by which ASC occupy that yard.

Senator PATRICK: I'm not sure whether you're hearing me properly. I understand that you lease that yard. I'm talking about plans for the future, okay? There are discussions going on between yourself and Naval Group over the use of those facilities. I'm asking you to please provide the committee—if necessary we'll end up getting an order for production or we'll get an FOI—but you could actually just say, 'I'll provide those to you if I can.'

Mr Knox: I'll have a look through our records and take on notice what I can provide you with on that.

Senator PATRICK: Mr Whiley, noting what we've just heard, are you aware of any discussions that are taking place, or has anyone discussed with you—we know that of course there has been some documentation obtained under FOI. We know you've done some scoping studies for shifting full-cycle dockings to Western Australia. More recently, since we last met, have there been any discussions with you about shifting full-cycle dockings to Western Australia?

Mr Whiley: Since we last met, I've received a tasking statement to look at four options of potential move to Western Australia, one with a time frame in 2022, one in 2024, one in 2026 and one actually to stay in South Australia.

Senator PATRICK: When is that tasking supposed to be complete?

Mr Whiley: We're aiming to deliver in mid-June.

Senator PATRICK: What are the four options? One of them is to stay in South Australia.

Mr Whiley: One to stay, and there are three FCD source pivot options. Those are around the 2022, 2024 and 2026 dates.

Senator PATRICK: It's a shift to WA, but around three different dates?

Mr Whiley: Yes.
Senator PATRICK: I can see where this is going. Minister, have you got anything you might want to share with us South Australians? We've got ANI talking to Naval Group about the use of the current facility used for FCDs, and we've got the tasking statement that centres around one option leaving FCDs in South Australia and three other options—2022, 2024 and 2026?

Senator Cormann: Obviously, at the right time all of these processes will be brought together in the appropriate way, but it's not surprising that there is a level of exploratory work happening at the level of ANI. Any implications for ASC's current and future operations will have to be considered and addressed in the appropriate way at the appropriate time.

Senator PATRICK: Mr Whiley, in the context of managing your workforce, have you advised the 900 people that are working on submarines, full-cycle dockings, that a potential exists that the government is considering shifting full-cycle dockings to WA?

Mr Whiley: The conversation about transition to WA has been an open conversation for at least two years. The workforce are aware of that potential. It is only potential, from my perspective. We've been asked to do analysis on four options. We'll deliver that analysis, and then a decision will be up to the government.

Senator PATRICK: As part of that analysis about shifting, you're going to have to look at how many South Australians are going to be prepared to shift across to WA. Is that included in your tasking statement, looking at the workforce?

Mr Whiley: Obviously, we will consider the feasibility of moving and how many will move and those types of issues that we consider in the analysis.

Senator PATRICK: I look forward to hearing about that in June, and it's clear there's a move on. Mr Knox, what did you say in relation to the current shipyard build? The $560 million worth of work—when's the scheduled completion?

Mr Knox: We're scheduled to complete and hand over to BAE in the first quarter of next year.

Senator PATRICK: You've spent about $193 million, so somewhere over the next—

Mr Knox: $193 million—you're correct, yes.

Senator PATRICK: Next year you've got about $370 million to spend?

Mr Knox: Yes, we do have to spend a significant amount of money and make significant progress over the next 12 months, and we're fully aware of that. As you said, we're about 40 per cent done right now on the critical path building. The other factor here is, when we hand over to BAE, we will then start work on the brownfield site, which is the existing shipyard, which is currently occupied by the AWD and Lurssen. The 560 includes the funds that we're going to spend on those brownfield works. At handover to BAE, we're expecting to have spent somewhere around $530 million and then we'll spend the rest within the next 18 months.

Senator PATRICK: How are you going in relation to—that alarm doesn't sound good, Chair.

CHAIR: The committee might need to have a short suspension while we work out what's going on there.
**Senator Cormann:** Shall we keep going? Given the line of questioning, just to confirm on the record for Senator Patrick, absolutely no decisions have been taken on Future Submarine infrastructure relating to the existing yard and no decision has been taken in relation to shifting full cycle docking of Collins class submarines. These are all things that, as I said in my previous answer, will have to be considered as the exploratory processes at the various levels come to a conclusion, as you would expect, as to the—

**Senator PATRICK:** So, Minister, as I would expect, you would not make a decision without going through all the processes and the due diligence necessary to make a decision on that?

**Senator Cormann:** Sorry?

**Senator PATRICK:** You clearly need to go through a whole lot of due diligence before you could make a decision like that?

**Senator Cormann:** We want to make sure we make the right decision, obviously. But at this stage—

**Senator PATRICK:** Sure, but you have commenced that due diligence?

**Senator Cormann:** We think that you're asking me about is within the Defence portfolio. I do believe that they're obviously thinking about it but, as I say, no decisions have been made. I think at the moment, essentially there's a lot of thought being given to how all of these different responsibilities can be managed in the best possible way.

**Senator PATRICK:** How much of that tasking statement—what's the value of that particular contract, Mr Whiley?

**Mr Whiley:** We haven't submitted a response to the tasking as yet.

**Senator PATRICK:** Surely, in normal commercial terms, you would scope out what you need to do—

**Mr Whiley:** Yes, I haven't got it in front of me. That's underway. We only received the tasking in very late December, and we're still going through that process.

**Senator PATRICK:** Late when?

**Mr Whiley:** Late December.

**Senator PATRICK:** Does that tasking statement have a dollar value attached to it?

**Mr Whiley:** There's no dollar value on it—I'll take the question on notice. I've not seen the tasking statement, specifically.

**Senator PATRICK:** One presumes that you will get paid to do the work. You're a commercial entity, arm's length, so can you please advise me, on notice, how much money you'll generate—sorry, what the tasking cost is. That would be appreciated.

Ms Huxtable, as we finish up, I just wanted to clear up what I'm after in relation to the consideration for ASC. I'm not trying to be in any way critical that it might have been a low value, but this is, in my view, a company of significant value. I just want to understand what the consideration was, as a number value, that would have been in a contract somewhere. Most companies will announce what they've paid for things and what they've sold things for,
so I would expect it's no longer commercially confidential. But there would have been some methodology to get you to the point by which you came to an agreeable price, and that might have factored in what the value of the golden share arrangement would be, the divestiture of other assets, but must have included all those other things you do when you sell a company like Goodwill and the expertise that was in the company and any capital that was in the company. That's what I'm after, on notice, really, as an oversight—

Ms Huxtable: I understand. I would just say, in regard to the assets, to reiterate the point I made earlier, that the assets of ASC had already transferred to ANI. So there are no assets, in that sense, or very minimal assets. But we can look at what we can provide you in that regard.

Senator PATRICK: Thank you. I was just trying to clarify what I was after. Thank you, Chair. I'm done.

CHAIR: Mr Knox, given you have prematurely come to the table, I haven't invited you to make an opening statement. It's a bit unorthodox to ask you at the end of your testimony, but if there's anything you hadn't conveyed in your answers to questions, you're welcome to do so now.

Mr Knox: Thank you very much, Chair. I think it probably is worthwhile if you allow me to put an opening statement, by way of a closing statement, on the record.

CHAIR: Please.

Mr Knox: You may have other questions following this.

Senator PATRICK: That could be the danger!

Mr Knox: The Osborne South project was 40 per cent complete as at the end of January. Our expected completion date is the first quarter of 2020. BAE will then take occupancy of the facility to prepare to start construction of the Hunter class frigates. The expected construction workforce over the next few months will peak at about 400 people. This is the workforce on the site. The Australian steel content remains in excess of 85 per cent and there are 40 Australian subcontractors providing services to the project. If you visit Osborne South you'll see that the steel raising for the block construction hall is now well progressed.

ANI will also construct the Osborne North submarine construction yard. Laing O'Rourke has been appointed as the managing contractor for this significant infrastructure project. The submarine construction yard will be constructed to Naval Group's functional requirements. ANI and the managing contractor are currently in the planning phase for the design of two key facilities: the combat system physical integration facility and the platform land based test facility.

ANI has also recently agreed terms for the Naval Group to access the Osborne North yard to facilitate their performance of obligation to the Commonwealth under their program contracts. ANI's workforce has now grown to 26 permanent employees. We've been able to offer five engineering students vacation employment opportunities and have engaged a mechanical trades apprentice. ANI has also opened a new office in Port Adelaide to provide a team environment for the submarine construction yard integrated project team. Thank you.

CHAIR: Thank you, Mr Knox. I know Senator Patrick has a quick follow-up.

Senator PATRICK: Yes, I do. You're headquartered in Canberra; is that right?
Mr Knox: No. We're based down at the shipyard, basically. We were originally right on the wharf, but we've gone beyond the size of that office and we've taken an office in Port Adelaide, principally so that we can have an integrated project team for the construction of the submarine construction yard.

Senator PATRICK: Do you have an office in Canberra?

Mr Knox: No.

Senator PATRICK: That's good. Truly South Australian—that's what I like to see.

Ms Huxtable: He uses my office.

CHAIR: If there are no further questions for either ASC or ANI, I thank you for your attendance here this morning and your evidence.

Future Fund Management Agency

[09:55]

CHAIR: I welcome Mr David Neal, Chief Executive Officer of the Future Fund Management Agency, and officers from the Department of Finance, covering program 2.8, Australian government investment funds. The committee has set 29 March 2019 as the date by which answers to questions on notice are to be returned. Mr Neal, do you wish to make an opening statement?

Mr Neal: I do.

CHAIR: Please go ahead.

Mr Neal: Last week, we released our regular update on the performance and positioning of the funds for which the board is responsible. We continue to perform strongly against our objective to strengthen the government's long-term financial position. Up to 31 December, 2018, the Future Fund delivered a 10-year return of 9.7 per cent per annum against a target return of 6.6 per cent per annum. Further, the fund exceeded its target return over all long-term time horizons. These returns have been achieved while carefully managing risk. The Future Fund also produced a strong return of 5.8 per cent during 2018, despite market falls in the second half of the year, highlighting our careful portfolio construction and disciplined risk management.

The Medical Research Future Fund, DisabilityCare Australia Fund and nation-building funds are performing in line with their respective investment mandates since inception, and on 1 February 2019, the Board of Guardians took on the management of the Aboriginal and Torres Strait Islander Land and Sea Future Fund—or perhaps the ATSILS Fund for short. The ATSILS Fund was established with a capital contribution of $2 billion, transferred from the Aboriginal and Torres Strait Islander Land Account.

Finally, at the end of last year we were delighted to welcome a new member of the Future Fund Board of Guardians, John Fraser, who brings a wealth of experience that will be invaluable to the fund. I welcome your questions.

CHAIR: Thank you. Senator McAllister.

Senator McALLISTER: Thanks very much for your statement, Mr Neal. I note that you released a portfolio update at the beginning of this month. Can I just ask you about note 3 in table 1 of that statement, where you make clear that the Future Fund had a loss in the
December quarter and a lower rate of return over the last year. Is that consistent with the broader market?

Mr Neal: It's considerably better than the broader market. I think equities fell probably seven or eight per cent during that period. We defended against the market falls—the diversified portfolio that we have defended against the market falls very well.

Senator McALLISTER: So the market overall was driven by the fall in equities in the period—

Mr Neal: Correct.

Senator McALLISTER: but your evidence is that you had a more diverse portfolio?

Mr Neal: Yes.

Senator McALLISTER: In that same vein you've mentioned you've commenced the sale of $5 billion of illiquid assets. What is being substituted for those assets? In general, what is the investment approach?

Mr Neal: At a very high level—

Senator McALLISTER: That's what I'm asking.

Mr Neal: Essentially, the assets get reinvested into other investments that we find attractive, but the reason we've been making those sales is, in part, because we think those assets have realised their potential, so they're fully valued, and, in part, because we're trying to make the portfolio more flexible. So the assets will be reinvested into more liquid investments, typically listed equities, perhaps a bit of cash, which will allow us more flexibility to manage the portfolio.

Senator McALLISTER: I have some questions about the DisabilityCare Australia Fund and the measure in MYEFO. I am happy to wait until the relevant section in Finance. It essentially goes to budget treatment of the account.

Ms Huxtable: If we could do that in Finance's main portfolio, that would be better, thanks.

Senator McALLISTER: That is fine. Minister, you've re-appointed Mr Costello as the chair of the Future Fund.

Senator Cormann: I, alongside the Treasurer, recommended his appointment.

Senator McALLISTER: He has also been appointed as the chair of Nine. How do you envisage that any potential conflict of interest between these two roles, either real or perceived, will be managed by Mr Costello?

Senator Cormann: In the appropriate way. The Future Fund Board of Guardians has got appropriate policies and arrangements in place to manage conflicts. Mr Costello is very experienced and knows precisely what he has to do. Perhaps Mr Neal might be able to add to that.

Mr Neal: Certainly. Obviously, all board members, including the chairman, make a declaration of all their other significant interests and, whenever there is any business of the Future Fund that does or even just may involve those interests, those board members exclude themselves from any of that consideration.
Senator McALLISTER: Do you think that those arrangements will be sufficient to manage the perceived conflicts of interest that may arise between Mr Costello's two roles given the significance of Nine in the broader media market and the significance of the fund in the broader economy?

Mr Neal: I do. I think that the board is very aware of any potential or perceived conflicts that can arise. We, and the board, are well used to dealing with that. Many of the board members over the years have had significant involvement in a number of significant Australian businesses and so it's something that, I think, is well-managed and the board is well attuned to and practised at.

Senator McALLISTER: Minister, I think you said that you and the Treasurer jointly made the decision to re-appoint Mr Costello.

Senator Cormann: We made the recommendation—

Senator McALLISTER: You made the recommendation?

Senator Cormann: to the cabinet and the cabinet made the decision, yes.

Senator McALLISTER: Why was the decision announced when Mr Costello still had three months left on his term?

Senator Cormann: That is the usual process. You obviously don't wait until the day before. You want to make sure that there is certainty and a smooth transition from one term to the next. Usually, a period of three to six months is good practice for making decisions in relation to renewals or new appointments.

Senator McALLISTER: Did you consult with the Leader of the Opposition or the shadow Treasurer in relation to this appointment?

Senator Cormann: There was no reason to consult with the Leader of the Opposition or the shadow Treasurer. This was an appointment that was made in precisely the same way as it was made under the previous Labor government. I can't remember Senator Wong and Mr Swan consulting with the opposition when they made similar recommendations to the previous government.

Senator McALLISTER: I suppose the issue for the government, Minister, is that that re-appointment, very close to an election, comes after the Prime Minister's chief of staff, Mr Gaetjens, was appointed as Treasury secretary and a number of other Liberal-linked appointments have been made to government boards, like Mr Nutt to the board of Australia Post. The question I think people want to know the answer to is: how big a role do Liberal Party connections play when making appointments of this kind?

Senator Cormann: The first point I would make is that Mr Costello was actually appointed by the Rudd Labor government to the Future Fund Board of Guardians. He was appointed by the Rudd Labor government. I can only assume that he was chosen by the Rudd Labor government on merit. He's been the chair—and he's been a very good chair—consistently since early 2014, and his appointment came up for renewal. It was a decision that the government had to deal with, and we did.

Senator McALLISTER: There was an explicit request for consultation from the shadow Treasurer and the shadow minister for finance. Why didn't you consult?

Senator Cormann: I've already answered that question. We followed the usual process.
Senator McALLISTER: Are you making a concerted effort to appoint as many people with Liberal links as possible before the election?

Senator Cormann: No. That was an appointment that was due. In fact, from memory I think it expired in February.

Dr Helgeby: It would have expired around February, because he was a five-year appointment.

Senator Cormann: He was appointed in early February 2014, and there was the Christmas period in the intervening period, so it stands to reason that it was prudent to make that decision three months prior to the expiry of the term, as otherwise there could have been a risk that there would be no chair and that we would be down a position on the Future Fund Board of Guardians.

Senator McALLISTER: It would also have been prudent to consult with the opposition given the concerns that are being publicly expressed by many people, not just the opposition, about successive appointments politicising key roles in the Public Service and on government boards.

Senator Cormann: That is not something that the now opposition ever did in government. We're following the usual process, and we're publicly accountable for the decisions that we make as the elected executive government.

Senator McALLISTER: Well, you will be publicly accountable.

Senator Cormann: These are obviously decisions that are made by the cabinet, and we are making those decisions in precisely the same way as you made them when you were last in government. I would be very surprised if you chose a different approach should you be successful at some point in getting back into government some years down the track.

Chair, I think Senator Kitching has some questions.

Senator KITCHING: Could I go to the low-fee superannuation stories published in the media on 13 February, last week. There was a series of articles in the Fin Review about the government considering allowing the Future Fund to offer low-fee superannuation accounts and acting as a government monopoly default fund. Has the Future Fund been looking into that?

Mr Neal: The Future Fund has not been looking into that. We are not a superannuation fund.

Senator KITCHING: I'm glad to hear it. It seemed to be a very anticompetitive measure from a so-called conservative government. So you haven't been promoting that, either internally or externally?

Mr Neal: We have not.

Senator KITCHING: Senator Cormann, can I confirm: is this something being considered by the government?

Senator Cormann: No. As the Prime Minister has publicly stated very clearly, it's not government policy for the Future Fund to manage default superannuation. We always consider how we can ensure that Australians saving for their retirement can get a better deal. That's, of course, one of the reasons why we pursued the Protecting Your Super reforms.
which were passed in amended form through the Senate last week. You'd be aware there's been a Productivity Commission inquiry.

Senator KITCHING: I'm going to go to that.

Senator Cormann: There have been various other inquiries at various times. The royal commission has touched on some of these issues. We are focused on making sure that Australians saving for their retirement have the best possible opportunity to maximise their net returns. But, as the Prime Minister has clearly indicated, it is not government policy for the Future Fund to manage default superannuation.

Senator KITCHING: I think in the past estimates we've discussed your fireside chats with Mr Costello. Is that anything you've discussed with Mr Costello?

Senator Cormann: Not in recent times.

Senator KITCHING: But you have discussed it?

Senator Cormann: Some years ago, I seem to recall—and this was the subject of discussions in estimates at the time—there was a front-page story, and I confirmed with Mr Costello at the time that this is not government policy.

Senator KITCHING: In those discussions you had with Mr Costello, did he agree with that?

Senator Cormann: If you want me to provide this on notice, I can. My recollection is that there was a front-page story in The Australian some years ago which referenced Mr Costello and attributed some views to him on the record, and I had a conversation with him, including to explain that that was not government policy. These are matters that have previously been canvassed, but, if you want me to provide more detail, I will have to go back, on notice.

Senator KITCHING: Some more detail would be good.

Senator Cormann: I will check on notice. I will supply the article that caused the conversation at the time.

Senator KITCHING: Thank you. Minister O'Dwyer is quoted as saying that a 'very simple, low-fee government default fund option, via the Future Fund, makes sense for a compulsory system'. Do you share that view?

Senator Cormann: Well, again, I refer you to the Prime Minister's statement. It was made very clear that that is not government policy.

Senator KITCHING: So the Prime Minister had to overrule Minister O'Dwyer?

Senator Cormann: I'll let you provide the running commentary. All I can point you to is the clear statement by the Prime Minister making clear that that is not government policy.

Senator KITCHING: The Productivity Commission rejected this suggestion as creating fiscal risk, so why was it being considered and endorsed by a cabinet minister, given that warning from the Productivity Commission and given that the Prime Minister then had to come and put a different view?

Senator Cormann: Well, look, I'm not going to—

Senator KITCHING: Was it a free-floating thought bubble?

Senator Cormann: I'm not a commentator. All I can say to you is that the Prime Minister has clearly stated the position of the government. In relation to the Future Fund, as I've
indicated to this committee before, it is a financial asset fund that was established with a specific purpose: to accumulate Commonwealth assets to offset the Commonwealth's unfunded superannuation liability. It is not a superannuation fund. It doesn't operate as a superannuation fund. There are no withdrawals made. The Future Fund doesn't have to structure its investments with a view to being able to provide for withdrawals at any time. The Future Fund is a very different construct with a very different purpose.

Senator KITCHING: I think that's correct, yes. There was a recent AFR story that reported on the proposal as being shelved by the government due to concerns it could hurt the coalition in the upcoming election and that said it 'has in effect been put on ice by the government at least until after the election'. Are you planning to resurrect this proposal?

Senator Cormann: No, that's not something that's on the table. As I've indicated and the Prime Minister—

Senator KITCHING: Not on the table now?

Senator Cormann: Well, no, I've said it's not—

Senator KITCHING: Never on the table?

Senator Cormann: I've given you a candid statement in relation to the government's position. This is obviously an issue that has been in the public arena at various times in the last few years, and on each occasion the government has made its position clear. I've made the position clear again today, and I don't foresee any change in that position.

Senator KITCHING: Did the ERC look at it and say, 'That looks like a really bad idea; we're never going to go near it again'?

Senator Cormann: I don't go into cabinet committee processes. What I'm referring you to is the clear and unequivocal public statement by the Prime Minister that what you are putting to me is not government policy.

Senator KITCHING: Currently.

Senator Cormann: That is not what I am putting to you. What I am putting to you is that it is not government policy, full stop.

Senator KITCHING: Can I go to the EIF and the BAF. Firstly, Mr Neal, hello and thank you for your time. The EIF and the BAF were not met for the year to December 2018. Why was that?

Mr Neal: Sorry, the return?

Senator KITCHING: Yes, that was not met—the target rate of return.

Mr Neal: As we touched on before, markets right towards the end of the year were a bit sick. That impacts really all risky investments. Those portfolios are very conservatively invested, but nevertheless they're still impacted a little. I would make the observation that it was 0.1 per cent under for the year, which is a relatively small amount, and I'd also make the observation that they're still beating their mandates over the longer term since inception. They're still well ahead of the target return overall. Just over that one period during a period of market turbulence, it is very slightly behind.

Senator KITCHING: When you say 'long term', what do you mean?
Mr Neal: I mean more than 12 months, but the most important statistic I think is since inception. Over the life of the fund, it is continuing to do better than the target return that was set.

Senator KITCHING: Has the government formally or informally consulted with you about the investment mandate for the Future Drought Fund?

Mr Neal: No—I was going to answer the question in relation to the ATSILS fund. No, on the Future Drought Fund, we've had no discussions.

Senator KITCHING: Ms Huxtable or Dr Helgeby, what kind of rate of return is the department looking at for that fund?

Dr Helgeby: The Future Drought Fund, which is subject to legislation currently before the parliament, is intended to operate in a particular way so that there are program draw-downs of, I think, $100 million a year every year from a certain point in time and yet it builds to a balance which is $5 billion over a reasonable time frame—

Senator Cormann: Over the medium term.

Dr Helgeby: over the medium term.

Senator KITCHING: Over the medium term?

Senator Cormann: That's within the 10 years. The return profile is intended to be similar to that of the Medical Research Future Fund, which is slightly higher than that of the BAF.

Dr Helgeby: The mandate would have to be struck in order to meet those two objectives. That's a process that will take place after the passage of legislation.

Senator KITCHING: Did the government consult you on changing the investment mandate for the BAF in the interim as the legislation is being considered?

Senator Cormann: The investment mandate for the BAF has been the same for some time. Obviously, the context here is that the government policy is to dissolve the BAF, and the policy, as of the most recent half-yearly budget update, is for the funds, the capital, remaining in the BAF to be transferred into the Future Drought Fund.

Senator KITCHING: By 'the most recent', do you mean from December last?

Senator Cormann: From the half-yearly budget update onwards. I think the announcement was made at the Drought Summit by the Prime Minister and relevant ministers. You say, 'Has the government consulted you?' Finance, as is the case for all budget measures, are of course part of the deliberative processes of government. They provide advice as part of the deliberative processes of government, and they did so on this occasion.

Senator KITCHING: Thank you.

Senator McALLISTER: I have a couple of questions about the annual report which was tabled last year. What was the date of tabling, Mr Neal?

Mr Neal: I don't know that I have that information.

Dr Helgeby: Can I just clarify: is it about the tabling of the Future Fund annual report?

Senator McALLISTER: Yes.

Mr Neal: No, I'm afraid I don't have that. It was prior to the October estimates, but I can't give you the precise date.
Senator McALLISTER: That's okay. In fact, I'm happy for you to take that on notice. I want to ask you about the section in the report that deals with exercising your shareholder rights in a range of different environments, I guess. You talk about the circumstances where you find yourself voting against the management of one of the companies that the Future Fund invests in. I wonder if you could talk about that a little bit because I note that there's a reasonably significant difference between the number of occasions that you vote against management in the case of Australian listed companies and the proportion of occasions when you vote against internationally listed companies.

Mr Neal: Can I just be clear about what the question was?

Senator McALLISTER: I'm trying to understand why it is that the number of occasions that you voted against the company board for Australian listed companies is, as a proportion of the exercise of your voting rights, significantly lower than the occasions where you voted against a company board for publicly listed overseas companies. It's the material on pages 24 to 25.

Mr Neal: I think I would probably suggest that that's not a material difference. If we're looking at the same numbers, 6.7 per cent of the time we voted against the company board in Australia—

Senator McALLISTER: Yes.

Mr Neal: and it was 10 per cent in international. Those numbers vary quite a lot. The number is higher for the most recent periods—of course, that information is quite old. The number in Australia was actually higher this year, for example; I think it's probably closer to nine per cent. These things move around depending on what issues are the issues of the day. I can't tell you exactly why that difference exists, but I would say that I think those numbers move around a fair bit and I wouldn't attribute a significant difference there. There is a difference in our approach, but, in terms of the process, the philosophy and the principles that we take into the Australian market are precisely the same as the philosophy and principles that we take into the international market. We, just through practicality, have to rely on our investment managers for the international markets because there are thousands of stocks and many thousands of resolutions, so we're not able to deal with those ourselves, but we do oversee that process and the team that's responsible for it within the Future Fund is looking to make sure that that is consistently applied with the principles that we have.

Senator McALLISTER: You say:

Where a company resolution is found in conflict with our corporate governance principles or does not align with our best interests, we will consider voting against the company board.

Can you give an example of an occasion where a resolution was not aligned with corporate governance principles?

Mr Neal: Absolutely. The most common source of these votes against is remuneration reports. Our interests obviously are to make sure that companies are managed in the interests of long-term value creation. We expect to be shareholders of these companies for a very long time. An important part of that structure within a corporate entity is how they incentivise their senior management, and we get an opportunity to vote on that through the remuneration reports. Often we have a view—and sometimes these are quite marginal decisions, but you have to form a view one way or the other—that the arrangements are biased rather more
towards short-term incentives than towards long-term incentives and, if that's the case, then we will vote against. I say 'often'; it's still very much the minority of cases, but we're certainly not afraid of sending that signal to corporate management if we believe the balance is too biased towards the short term and not enough towards the long term.

**Senator McALLISTER:** You mentioned that there's a team within the organisation that looks after this. What's the name of that team?

**Mr Neal:** It's just changed. It's the ESG and investment stewardship team.

**Senator McALLISTER:** Do they have unlimited delegation to make decisions of this kind or do they need to escalate certain kinds of decisions to you or to the board?

**Mr Neal:** How about I pass that over to Dr Arndt; the team reports to him.

**Dr Arndt:** The process that the board have adopted is that, firstly, we have a set of published investment principles and corporate governance principles, so, in the first instance, the team responsible will take advice from a range of proxy advisers that we subscribe to and our investment managers, and form a view, based on that advice and also our own interpretation of the situation against the corporate governance principles, whether we should support or otherwise any decision. For reasons of practicality, we've divided our portfolio into very small and uncontroversial holdings and larger and more significant holdings, or holdings in more significant companies or companies that have a poor track record in this area. If they fall into that, then those decisions get escalated to firstly to me and then Mr Neal. Ultimately, if a decision is being recommended to vote against, it would get escalated to the chairman.

**Senator McALLISTER:** So the chair is across all decisions to exercise a vote against?

**Dr Arndt:** Not all decisions, but decisions that fall into those categories that I just mentioned.

**Senator McALLISTER:** Do you maintain a record of the resolutions and the entities where the Future Fund has exercised ownership rights to vote against the management?

**Dr Arndt:** Yes, we do.

**Senator McALLISTER:** Is it possible to table that on notice?

**Dr Arndt:** We can. In fact, the report for last year is available on our website, but we can certainly do that.

**Senator McALLISTER:** Your annual report makes it clear that climate risk is one of the factors that you are considering as a risk and you say:

… we incorporate climate risks, where these could pose a material risk to investment performance, into our investment decision-making.

You note:

… investments might be impaired due to regulatory, policy or technological initiatives, or lack of resilience to changes in the natural environment.

Over the last year, have you had cause to exercise your ownership rights in relation to that principle?

**Dr Arndt:** I can't remember the exact dates, but there certainly are cases where we've felt that listed companies have not been sufficiently across these issues and we've either engaged with them or exercised our view that they should lift their game in terms of understanding the
impact of these issues on their own business and I can recall at least in one situation where, as a result of that particular issue, we have exercised a voting right against.

Senator McALLISTER: What example was that?

Dr Arndt: It was an insurance company but I would have to take it on notice as to the specific one.

Senator McALLISTER: I would appreciate if you would take that on notice. I'd be interested to understand which company it was and the issues that were canvassed at the AGM that led you to vote against the management. Your earlier evidence suggests that voting is not the only means by which you pursue these governance principles. I assume you are speaking regularly, as a major investor, to the companies you're investing in?

Dr Arndt: Not all the companies. It depends on the situation. Again, the investment decisions are made through investment managers. From the governance point of view, our policy is where there are very significant issues which cause us concern, or where there are companies which over time continue to exercise behaviour that we don't support, we would engage with them, yes.

Mr Neal: I can answer the question that I took on notice earlier about the date for the tabling. It was Friday, 19 October.

Senator McALLISTER: Thanks, Mr Neal.

CHAIR: If there are no further questions for the Future Fund Management Agency, I thank you very much for your time here this morning and your evidence. The committee is now scheduled to break. We will return at around 10.45 with the Commonwealth Superannuation Corporation.

Proceedings suspended from 10:28 to 10:46

Commonwealth Superannuation Corporation

CHAIR: The committee will now resume. I welcome Peter Carrigy-Ryan, chief executive officer of the Commonwealth Superannuation Corporation; Mr Andrew Young, chief operating officer and officers from the Department of Finance covering program 2.7 public sector superannuation. Mr Carrigy-Ryan, do you wish to make an opening statement?

Mr Carrigy-Ryan: No, I do not wish to make an opening statement. Thank you.

Senator MOLAN: Thank you, Mr Carrigy-Ryan, for your appearance here today. Super is certainly a contentious topic amongst the veteran community. My personal experience of defence super and Commonwealth super is a very, very positive one. But I find it hard to defend Comsuper because of the allegations that are continually made towards me that I receive special attention because I retired a senior rank.

I'm very keen this morning to hear directly from you on a number of issues of super. I'd like to talk about commutation issues, the roles of CSC and the linking within the veteran community—particularly of those who appear before the Family Court and how that impacts on veterans' superannuation—the conflating of disability pensions and even as far as TPI issues. I wonder if, firstly, you would describe Comsuper and what it does in relation to veterans' superannuation, please?

Mr Carrigy-Ryan: Certainly. The Commonwealth Superannuation Corporation was formed in 2011 by the merger of two boards, one that looked after superannuation schemes...
for public servants and a military board which looked after superannuation for military personnel. There are three categories of member whom we look after. They are contributing members—so current members—preserved members and pensioners. The easiest way to understand those categories is of the roughly 730,000 members that we have in those three categories it's almost a third, a third and a third—a third contributors, a third preserved and a third pensioner.

We have a reasonably large workforce of about 470 people. We have two offices, in Canberra and Sydney, and we have representatives in Adelaide, Melbourne and Brisbane. Our military engagement is an extremely high priority for us for each of those categories of members in both closed schemes—for example, DFRDB, military super—and open schemes, our new ADF super scheme that was started in 2016.

A lot of my staff take extremely seriously the role they play and try their very best to provide the best service they can to our military members. They are cognisant of their role in the community, what they do for society and how they do it, and what that earns them, in terms of how we deal with them, which is a high level of respect and regard.

Because of what we do, we come into play with a number of areas of government, a number of policy things, where superannuation may happen to be the flashpoint for a lot of those issues. They might be taxation issues; they might be family law; they might be child support; they might be issues around benefit entitlement. In all of those cases, we do our very best to administer the law and the rules that we are provided with.

We are a statutory corporation, created by the parliament, but also a regulated superannuation trustee, so we are licensed by ASIC and APRA to do what we do. I think it's important for everybody—and we try to explain this as best we can and very often—to know that the rules that we administer are largely not made by us. They are legislative, in our schemes, and that may be either by an act of parliament or by a trust deed that is made by a minister. So they are legislative instruments, in other words. The taxation laws that we apply, the family laws we apply, are laws that apply to members of every superannuation fund in Australia.

Senator MOLAN: Compared to other superannuation funds, with 730,000 members, you must be about the biggest?

Mr Carrigy-Ryan: We're one of the larger funds, yes. We probably have, after the age pension, the second-largest pension payroll in Australia. We pay 230,000 pensions, roughly, every fortnight, to former military and APS staff. So, yes, we are fairly large in that regard.

Senator MOLAN: You work in, as you said, very, very well with many other areas of government and institutions within this country. This government certainly sees veterans as important. I think we spend something like $11 billion out of DVA, and we support several hundred thousand members through DVA. And we've just put before the parliament a covenant. You mentioned that your staff take their role very seriously. What is the Defence part of your business worth, in dollar terms? Can you put a dollar term on it?

Mr Carrigy-Ryan: There are two parts of that. There is a part where we get an amount of income from government, which is of the order of $70 million per annum. The rest of the money to run our organisation is from the funds that we manage. So our total business cost is approximately $420 million per annum. That $70 million is paid for defined benefit scheme
administration, both military and APS. For each of those, we have teams of people that will do benefit assessments, benefit information, claims, pension payments, invalidity—all of those sorts of functions. The exact dollar split, I haven't got with me, as to what we would spend on our military compared to our APS members, but I can certainly get that for you.

Senator MOLAN: If you could, I'd certainly appreciate that. In the community in which I exist, it certainly is a contentious point. Often they're not aware of how much goes into supporting them, either through DVA or through you. You mentioned the rules, and I'd just like to emphasise the point or get a view from you as to this: exactly who sets out the rules of your schemes, and how much discretion do you have in the implementation or application of those rules?

Mr Carrigy-Ryan: That will vary according to scheme, but by and large the rules that we operate with are fairly prescriptive, because they are legislative instruments. They need to be exact. In effect, policy outcomes of governments over many years are represented in those rules, and the term and the entitlement that a member will have to a benefit and the way in which we go about calculating that. There is of course surrounding that some legal advice and interpretation that has occurred over a period of time. That would be the case with schemes whether they be actual statutes or subordinate legislation. So, there is a body of practice, if you will, that has developed over a considerable period of time. This organisation and its predecessors have been around since 1922, so there is a fair body of history going with what we do.

Senator MOLAN: Could people become confused by seeing how model industry super and other commercial superannuation organisations work and carrying that back over to how you work?

Mr Carrigy-Ryan: I suppose we operate in both worlds. We have contemporary superannuation products that we offer to people in the marketplace—

Senator MOLAN: What's an example of that?

Mr Carrigy-Ryan: ADF Super.

Senator MOLAN: That's the 2016 one?

Mr Carrigy-Ryan: That's correct. That's a defined-contribution scheme, where an amount of money is paid into an account. The member is free to join us or any other super fund that they wish. We also have an insurance component that goes with that, called ADF Cover, which was built at the same time as that came in, because, as you'd be aware, our military members are not typically insurable in the general market.

Senator MOLAN: Yes.

Mr Carrigy-Ryan: So, in terms of being straightforward, that would be a relatively straightforward scheme, as would PSSap, which is a defined-contribution scheme for public servants. It is more complex around defined-benefit schemes that have inbuilt disability insurance that comes as part of them—pensions for life with reversionary benefits. And they are old, some of them, dating back quite a number of years. They are complex. A fair degree of expertise is required in order to run and administer them. That is the nature of defined benefits globally, if I can say.

Senator MOLAN: Yes. So, you are a mix.
Mr Carrigy-Ryan: Yes. They are. They are complex schemes. And if you think about it, in the days when those schemes were open, a member joined government or joined the military and had no option but to join those schemes, and they were involved with that scheme for their life, in effect.

Senator MOLAN: And that was a well-intentioned attitude.

Mr Carrigy-Ryan: Absolutely. And the tail of these schemes—I probably shouldn't say this with the minister sitting next to me!—is very long. Three years ago a benefit was still being paid from the American Civil War.

Senator MOLAN: And that was a well-intentioned attitude.

Mr Carrigy-Ryan: Absolutely. And the tail of these schemes—I probably shouldn't say this with the minister sitting next to me!—is very long. Three years ago a benefit was still being paid from the American Civil War.

Senator MOLAN: So I believe.

Mr Carrigy-Ryan: So, they do have longevity.

Senator MOLAN: Thank you for that. What kinds of complaints do you receive from veterans? And can you give us any examples of those?

Mr Carrigy-Ryan: I can actually give you some information on that; I have it with me. The key complaints—and I've got some numbers that I can provide to you, but I won't detail them now—are the ones that I mentioned. They're around taxation, family law, child support and DFRDB commutation.

Senator MOLAN: You don't get the complaints directly on disability support pensions, do you?

Mr Carrigy-Ryan: Yes, we—

Senator MOLAN: But they seem to be conflated quite often with super.

Mr Carrigy-Ryan: Yes. Often those complaints can go to a few different people or organisations who are involved in the process.

Senator MOLAN: But you're not responsible for disability support payments?

Mr Carrigy-Ryan: No, not outside the realm of our scheme. We are responsible for military invalidity pensions, yes, but not—

Senator MOLAN: Is my terminology correct?

Mr Carrigy-Ryan: Yes, as far as I understand.

Senator MOLAN: Disability support payments.

Mr Carrigy-Ryan: Yes.

Senator MOLAN: Are you able to give us—and if you have to go back and do it on notice—the number of complaints you received and the numbers that were outstanding at the end of 2017-18 financial years?

Mr Carrigy-Ryan: I can give you that information—in fact, it's in our annual report to parliament. This is done by scheme. Military super—this is on page 71—in 2016-17, there were 188 complaints received.

Senator MOLAN: 188 complaints received?

Mr Carrigy-Ryan: Yes. 2017-18, there were 155. DFRDB in 2016-17, there were 21; and, in 2017-18, there were 25.

Senator MOLAN: On the scale of your transactions with your customers, would you describe them as large numbers?
Mr Carrigy-Ryan: No, they're fairly small, given the member bases with which we deal.

Senator MOLAN: How do you classify a complaint as resolved?

Mr Carrigy-Ryan: There are probably three stages, when I think about it: we get a complaint and we see if we can resolve it by talking and negotiating with the member about it, understanding what the issue is. If that is not satisfactory, there are appellate rights that we have. We have reconsideration committees internally that are staffed by external staff to hear those complaints. There are, of course, other avenues, such as the Superannuation Complaints Tribunal or the new complaints tribunal—

Senator MOLAN: The Australian Financial Complaints Authority.

Mr Carrigy-Ryan: And, of course, there's always the option for people to litigate. So, a complaint, I suppose, if you take it from that point to the end, can have various starts, various stopping points and resolution points.

Senator MOLAN: If the complainant arrives at the point where they appeal externally to you, is that listed as resolved?

Mr Carrigy-Ryan: No, it's not resolved, because it's outstanding. The member has not been satisfied with whatever has been provided. The complaint is still there, and we of course would be a party to that complaint or appellate process that the member engaged in.

Senator MOLAN: Are you able to provide now, or at a later date, how many cases were referred to the Superannuation Complaints Tribunal or the Australian Financial Complaints Authority in each financial year for the last couple of financial years.

Mr Carrigy-Ryan: I've got those numbers, if you bear with me. In 2016-17—this is total numbers, this is not just military.

Senator MOLAN: I'd rather the military ones, if I may—sorry, can you give me the total ones? That would be interesting.

Mr Carrigy-Ryan: This is SCT, Administrative Appeals Tribunal and courts in 2016-17. SCT is 38, AAT is 11 and court cases are 12—a total of 61. I've got other detail here that I won't go through about decision confirmed, withdrawn, et cetera, but I can provide a list to you. Financial year 2017-18—this is cases received—33 for the SCT, six for the AAT and for court proceedings. For AFCA, which you mentioned before, which is the new appellate body—this is since inception on 1 November 2018—we've had a total of seven, but 21 were pre-AFCA from the SCT, so a total of 28. The difference with that new body is that you don't have to finalise internal dispute or complaints settling procedures to go to that complaint body—in other words, the first we may hear of a complaint is when we get a communication from that body.

Senator MOLAN: Complaints that have gone to litigation or administrative review processes I remember, but I cannot recall in detail statements made by judges in relation to these. Can you recall those—and to the performance of the CSC?

Mr Carrigy-Ryan: In one of the cases that was run last year, the comments were very complimentary. I don't want to sit here and tell you how wonderful we are, but the judge was
very complimentary. We didn't pursue costs or whatever in relation to that matter. Regarding what we are and what we do, we're a fiduciary. The last place we want to be is in a court.

Senator MOLAN: What do you mean by 'fiduciary'?

Mr Carrigy-Ryan: We look after other peoples' money and we look after an important part of their life, which is their retirement, and arguing something in a court with one of our, effectively, customers or clients or members, is not a place that we like to be. We don't like to be in any dispute mechanism, but of course we've got appellant mechanisms that our members must use.

Senator MOLAN: Before getting on to the conflation of super, disability payments et cetera in the family law court, can I take you to the current issue around commutation, please? I refer you to a lot of the information that came out a couple of months ago, in fact—a month ago or so, but it's been running for a couple of months—where veterans accused the federal government of 'ripping off' thousands of retirement benefits. It came through the ABC Sunshine Coast and it quotes one of our true heroes, Lieutenant Colonel Harry Smith, who has looked at commutation in a particular way and claims the government owes him $5,000. I get these complaints all the time, CEO, and they're certainly passionately held. But I haven't seen—I might just be missing it—a rebuttal or an explanation of those. What's your view?

The basic issue is that, if a veteran, regarding his super, elected to commute a certain number of years off his pension in order to fund himself into a residence when he or she leaves the military, their pension is reduced going into the future. There now seems to be an expectation that I certainly wasn't aware of that, at a certain stage, having paid that commutation back, your pension would then rise. There seems to be a belief that, by the age of 72, that should have occurred.

Mr Carrigy-Ryan: To the best of my knowledge, Senator, I'm not aware of any legal basis for a claim to have that entitlement changed in the circumstances that you just mentioned. Again, as I said to you earlier, we are administrators of the rules. That's our interpretation and it has been longstanding. There is an old AAT case in relation to that specific matter and my recollection is that that case held that the position was as I have just explained it. Let's assume that is the case—

Senator MOLAN: As I just—

Mr Carrigy-Ryan: As you just mentioned—yes. There is no legal basis for making a claim for a pension to be increased in those circumstances. If that is the case, then to me it seems there is a policy question, which is beyond my gambit to engage in or comment on. But, if military members feel that their entitlements are not what they should be, then there are all sorts of processes that can be gone through to have that matter heard, debated and whatever. In my case, I administer a set of rules, as I said to you earlier. We administer those based on the best advice we can get and on the basis of our concern and care for our members. But, at the end of the day, that is what it is and that's how we've got to apply it.

Senator MOLAN: To me, it does seem unfair that there does seem to be, somewhere in this argument, an unfairness. Would you be prepared to meet with these people and provide them with at least the technical expertise and the history if veterans groups wanted to take this forward?
Mr Carrigy-Ryan: I'm happy to do that, Senator. In fact, I'm meeting with a group of veterans organisations in Brisbane on Thursday. I have regular meetings with the DFWA. I understand their agenda. I think they understand my position in relation to them, and they understand what our role is in this structure. There's not much more I can do than that.

Senator MOLAN: No, and I think all they'd be requiring from you would be the technical history et cetera, and then they can do whatever they would like to do to carry it forward. I'd like to finish by talking in particular about family law judgements and their impact on superannuation and invalidity pensions, because this is something which is regularly raised with me. This is only partially in your area, but there are issues for veterans who find themselves before the Family Court. When assets are split, the wife receives part of a disability pension, as part of the assets. The disability pension can become severely reduced as a member regains health and no longer suffers from the disability, but the Family Court direction remains in place for the spouse. Have you struck this?

Mr Carrigy-Ryan: We come across people who are aggrieved, obviously, by family law splits, particularly in the case of invalidity benefits. The advice that we have worked on for quite some time is that these pensions are splittable by the Family Court, and we are of course subject to family law orders. I've got some statistics here. If you would like them, there are lots of them. In all of the schemes that we are responsible for—

Senator MOLAN: If we wanted to contest this, where could we take it?

Mr Carrigy-Ryan: I think the starting point that I would have, if I were trying to have a discussion about it, would be the policy question.

Senator MOLAN: Absolutely.

Mr Carrigy-Ryan: The policy question, if it can be simplified thus, is: should there be any divisibility of an invalidity pension in circumstances where there is a marital break-up. That is a hard policy question.

Senator MOLAN: It's not yours.

Mr Carrigy-Ryan: And my views on that are irrelevant, to put it bluntly. But it is a difficult policy issue—

Senator MOLAN: It is.

Mr Carrigy-Ryan: and it would go across a whole range of policy departments within the Commonwealth, I would assume.

Senator MOLAN: Minister, is that something we could bring to you in due course?

Senator Cormann: You can always bring policy suggestions to us in due course, yes.

Senator MOLAN: Thank you. I'd like to conclude, if I could, by saying that the concern I have is for veterans who in many circumstances have a perceived or an actual disadvantage or unfairness, particularly in areas that don't apply to you. I'm aware that this is not your area directly, but, as a manager of the system that the Commonwealth Superannuation Corporation applies, you've often been the target of veterans' concern. I will certainly take the policy challenge to the minister on behalf of various veterans, and I certainly have been greatly assisted in the last couple of months by both the DVA office and Minister Cormann's office and by talking to you. But do you see it as part of your job to take any of these friction points
back to government, not as an advocate for veterans but as an advocate for a better manipulation and management of the scheme?

Mr Carrigy-Ryan: I think my role in that would be to let government and policymakers know that there are points of pain, that there are points of concern and points of argument. That's my job: to let them know that's out there amongst our member community.

Senator MOLAN: Can you do that?

Mr Carrigy-Ryan: I certainly can, and do, do that.

Senator MOLAN: Could I be made aware of that?

Mr Carrigy-Ryan: Sure, absolutely.

Senator MOLAN: Thank you very much.

Senator McALLISTER: I also wanted to canvass some of the areas Senator Molan canvassed, but I do have some outstanding questions about the Superannuated Commonwealth Officers' Association. I understand that CSC, and previously ComSuper, previously distributed promotional material for the Superannuated Commonwealth Officers' Association. Is that correct?

Mr Carrigy-Ryan: My memory of this is distant. It may be the case that we did some time ago. It may have been prior to 2015; I can't recall. In 2015 an organisation called ComSuper, which has now been abolished by the parliament, was merged into CSC. The practice there may have been on occasion to distribute—sorry, can I ask for some clarification. This is the Superannuated Commonwealth Officers' Association that is closing in June?

Senator McALLISTER: Yes. The advice I have is that previously ComSuper, and perhaps CSC, used to insert SCOA membership brochures in letters to Commonwealth superannuants. However, that practice has ceased. What was the basis for doing it in the past and why has the organisation's position changed?

Mr Carrigy-Ryan: I would have to take that on notice. I don't have any information about that with me.

Senator McALLISTER: Are there any other groups that represent these superannuants and their interests?

Mr Carrigy-Ryan: Do you mean our membership base broadly? We have a huge number of military organisations that are member representative organisations. In relation to our APS members, I would have thought that SCOA was probably the stand-out one in terms of numbers. My recollection—again, I don't have the numbers handy—is that it wasn't very big in terms of membership. But I can't vouch for that.

Senator McALLISTER: SCOA obviously has a concern about this. Have you or anyone at the organisation met with SCOA to discuss this?

Mr Carrigy-Ryan: I have discussed a number of issues with SCOA—

Senator McALLISTER: This issue?

Mr Carrigy-Ryan: I can't remember whether this was on our agenda. There were about six or seven items at the last meeting I had with them sometime last year. I can check that up and let you know.
Senator McALLISTER: Was it the beginning of last year, the middle of last year?
Mr Carrigy-Ryan: I can't remember, I'm sorry. I don't have that information with me.
CHAIR: Thank you very much for your attendance and your evidence today.

Department of Finance

[11:17]
CHAIR: We will now begin examination of outcome 1 and then proceed to outcome 2 and 3 of the Department of Finance. I welcome officers from the department. The committee has set 29 March 2019 as the date by which answers to questions on notice are to be returned. Minister and Ms Huxtable, I gather that there are no additional opening statements. As canvassed this morning, if there are questions relating to the minister's opening statement from earlier today, now would be the appropriate time to ask them and officers will be available to assist if necessary. Senator Kitching.

Senator KITCHING: Minister, can I go to your travel. Firstly, I want to go to some stories around five annual weekend trips to Broome that cost about $23,000. That's correct, isn't it?
Senator Cormann: You're referring to stories which were reported two or three years ago and rehashed last week in the Daily Mail?
Senator KITCHING: Yes, I am. There were five trips.
Senator Cormann: These trips, which were reference two years ago in some Fairfax stories and in the Daily Mail at the time, were re-reported last week. They relate to electorate travel over a five-year period.
Senator KITCHING: And you did classify them as electorate travel?
Senator Cormann: Yes.
Senator KITCHING: Accompanying those stories were also photographs of you at the races. Were you at the races?
Senator Cormann: These are obviously trips over a number of years which generally coincided with the timing of the annual general meeting of the Liberal Party branch in Broome or the Durack division or the Kalgoorlie North division AGM, which was usually happening at that time. I think on one occasion there was a Pastoralists and Graziers Association conference. As would be the case with visits in my electorate, whether it is in Kalgoorlie, Geraldton, Albany or Broome, that is local visits including meetings with the local shire and local business associations. Also, in country areas, that can include attendance at the races, where of course you meet more constituents and stakeholders. Indeed, on the one occasion where that was the case, I believe I had attended a Liberal Party event at the races.
Senator KITCHING: But, according to the Daily Mail, it also coincided with another event. That was the latter story.
Senator Cormann: You're talking about the reference to my wife's birthday?
Senator KITCHING: Yes.
Senator Cormann: That was entirely coincidental. I can't help it if my wife's birthday in July is at a time when the local Liberal Party branch have their regular AGMs. May I add, in the lead-up to that particular weekend, we had official electorate business in Broome, which is
in my electorate. I had spent about eight out of 10 weeks in Canberra, including three weeks straight in the lead-up to the budget and a number of weekends. Indeed, you might recall that, in 2014, which is the story that is referenced, the Senate had a Senate-only sitting week. From memory, it was the week of 7 July. So I travelled from Broome, through Brisbane, to Canberra for a sitting week, whereas my family, which included a one-year-old child at the time, travelled directly home from Broome to Perth. I would have thought that that is the sort of circumstance for which limited family reunion travel is made available on the same terms to all members and senators in this parliament.

CHAIR: I take the opportunity to make the point, Senator Kitching, that we have re-arranged the program to facilitate questions to Senator Cormann about his statement this morning. The matters that you are asking questions about now don't seem to relate to that at all. Indeed—

Senator KITCHING: I'm going to—

CHAIR: Order, Senator Kitching! You can respond, if you choose to, after I've finished. If we are to go to historical travel arrangements and use of the family reunion allowance, there are plenty of situations of your colleagues on the Labor side—for example, Mr Tony Burke took a number of family holidays to Uluru—that we could dredge up here, if necessary, even though it is not technically the appropriate time.

Senator KITCHING: Chair, you are not actually—

CHAIR: Order, Senator Kitching! Do not speak over me. You can respond afterwards, if you wish. This is not the appropriate time in the program to go over historical travel arrangements, if that is what you wish to do.

Senator KITCHING: No, I'm—

Senator BERNARDI: It may facilitate things if we stop the dancing. If Senator Kitching has got some allegations that the minister has done anything inappropriate, maybe she could just cut to the chase. Otherwise, it is just a fishing expedition for the media, which I don't think is really helpful.

Senator KITCHING: No, we are—

Senator BERNARDI: Well, cut to the chase.

Senator KITCHING: Don't worry, Senator Bernardi. We are going to get there.

Senator BERNARDI: I am worried about your grandstanding for no particular purpose.

Senator KITCHING: If I could, Chair, I want to confirm something. Senator Cormann, there was $23,000 spent in toto on five weekend trips away to Broome; is that correct?

Senator Cormann: I obviously can't tell you the precise number right now. This is some years ago. But all of this is, of course, publicly reported. Over five work trips, that sounds like it is right. Let me also make the point—

Senator KITCHING: I am pretty sure a lot of Australians would like to go to the races as part of their work. Can I direct you to the subject matter of—

Senator Cormann: I want to respond to that.

CHAIR: Senator Kitching, the minister has the opportunity to respond, particularly if you are going to throw things like that up.
**Senator Cormann:** Given the amount of time spent during the week in Canberra and elsewhere interstate and given that relevant conferences happen on weekends, inevitably these sorts of stock-standard electorate visits, which all of us undertake, happen on the weekend. You're suggesting that I should not have made use of the family reunion travel, which is available to all of us on a limited number of occasions. I don't accept that. Those of us from Western Australia spend a lot of time away from home. We spend more time away from home than people living in Sydney, Canberra or Melbourne. I do appreciate, as a serving senator, after lengthy periods away from home and required intrastate travel within my electorate, that there is the opportunity on a limited number of occasions to be accompanied by my wife and, back then, my one-year-old, whom I would not have seen for weeks on end if it hadn't been for that opportunity.

**Senator KITCHING:** Could I go to the details of the Fairfax story this morning. The overseas trip—did you book the travel in July 2017?

**Senator Cormann:** Yes.

**Senator KITCHING:** Did you personally book it?

**Senator Cormann:** Yes.

**Senator KITCHING:** Your office didn't book it?

**Senator Cormann:** No.

**Senator KITCHING:** So you yourself booked it?

**Senator Cormann:** I personally booked it. I personally supplied my credit card details. I personally gave the instruction for the flight booking to be charged to my credit card. I thought that that had happened. I know that the question is going to be asked, 'Didn't you keep an eye on your credit card?' 'I should have' is the truthful answer. What I would offer by way of explanation, if not by way of an excuse, is that, with the extensive travel I do undertake on a weekly basis, there is a lot of travel-related expenditure that goes through my credit card. Having made the booking, having provided the credit card details, having given the instruction for the payment to be deducted, I assumed that that had happened. The travel did not take place until sometime later, and, certainly by the time I undertook the travel, I was 100 per cent confident that payment had been made. In fact, when the issue was first brought to my attention yesterday, I was 100 per cent confident that payment had been made, until I was confronted with some information which was said to be from within the internal system of the Helloworld business which led me to verify my understanding.

I hasten to add here—I have addressed this in my statement—that at no point did I receive any reminders of an outstanding payment required. As far as I was concerned, I had provided my credit card details when the booking was made and I assumed the payment had been processed. My experience, in general terms, is that, if I have forgotten to pay something, I do get reminder notices; it can happen from time to time when you are on the road a lot. But I did not receive any reminder notices over an extended period until such time as it was raised with me yesterday. On verification, I ascertained the facts that are outlined in my statement, and, as soon as I became aware that the payment remained outstanding, I made sure that the payment was processed immediately. There can't be any suggestion at all that this was ever intended to be free travel or that it was free travel—it wasn't. There was obviously a charge carried in the
system within the business against that travel; a charge that I assumed had been processed against my credit card but, as it turns out, it hadn't.

Senator KITCHING: With whom did you speak?
Senator Cormann: With Mr Burnes.
Senator KITCHING: You spoke with Mr Burnes directly?
Senator Cormann: Yes.
Senator KITCHING: He's the managing director, isn't that correct—
Senator Cormann: Yes, that's right.
Senator KITCHING: Of an ASX-listed company, and he took your travel booking?
Senator Cormann: I made arrangements through him to make a booking—
Senator KITCHING: It's a 717 market capitalised company, and he took your travel booking?
Senator Cormann: I can only tell you what happened. I made a booking through Helloworld, engaging with Mr Burnes; that is right. I provided my credit card details and I asked for payment to be made, and I was assured that that would happen.
Senator KITCHING: Is this the only discussion you have had with Mr Burnes relating to travel where he's also taken your travel booking?
Senator Cormann: I believe that I've booked travel through Helloworld on three occasions and on each occasion I have verified the payment was processed.
Senator KITCHING: Is this the only discussion you have had with Mr Burnes relating to travel where he's also taken your travel booking?
Senator Cormann: I believe that I've booked travel through Helloworld on three occasions and on each occasion I have verified the payment was processed.
Senator WONG: I think Senator Kitching's question went to—it is an unusual thing to call someone at his level to book flights; it says something about the relationship, Senator Cormann. I think the question went to: how many times did you transact with the CEO of this large company personally for your flights?
Senator Cormann: On three occasions, I believe.
Senator WONG: So for all your personal travel, you ring him?
Senator Cormann: In more recent times, that's right; through Helloworld.
Senator WONG: It's not just through Helloworld, sorry. You don't just ring one of their employees; you ring the boss. Is that how it works?
Senator Cormann: He was my contact that I knew at Helloworld, and I made travel arrangements through him, that's right—through his office.
Senator WONG: That's an odd arrangement.
Senator Cormann: Well, that's—
Senator KITCHING: How did it work? Did you say, 'I've got the following dates available for travel,' or 'my family does', and he went through and found the flights for you? Is this all on the phone?
Senator Cormann: No.
Senator KITCHING: How did this conversation work?
Senator Cormann: The way it would work is that I would ask for travel bookings to be made and for me to be invoiced and charged. Obviously I don't know what the arrangements are within his office.

Senator McALLISTER: Minister, it is a very unusual arrangement. Most Australians don't have a direct line to a CEO of a travel company to undertake their travel bookings. How did this arrangement come about between yourself and Mr Burnes? Did he offer to facilitate your travel or did you approach him about becoming your travel agent?

Senator Cormann: Helloworld is a travel business, and—

Senator McALLISTER: They are, but they don't advertise the CEO's phone number broadly for general public use. I'm wondering about the circumstances that see you phoning the CEO of an organisation—

Senator Cormann: The circumstance is that I organised to travel, and I booked travel and I paid for it.

Senator McALLISTER: How do you know Mr Burnes?

Senator Cormann: I've known him over the years. It's a matter of public record that he has been involved in the Liberal Party for some time.

Senator McALLISTER: How far back does your association with him go?

Senator Cormann: I'd have to take that on notice. I think six or seven years, perhaps.

Senator McALLISTER: But it's only in recent times that you've commenced booking with him directly?

Senator Cormann: These three trips would have been in the last three or so years, yes. I can take that on notice.

Senator McALLISTER: So, sometime in the last three years, you moved away from whoever had previously been navigating your travel for you and you started phoning Mr Burns directly?

Senator Cormann: I made travel bookings through Helloworld, that's right, yes.

Senator McALLISTER: Again, I ask you: who initiated this arrangement where the CEO would be available to you personally to take your call in relation to your family holiday bookings?

Senator Cormann: To be fair, in more recent times, I had more interaction with him in the context of his involvement with the Liberal Party. That is where the occasion arose where I was able to make those bookings.

Senator McALLISTER: Did he offer to you, or did you ask him to establish, such an arrangement?

Senator Cormann: I take responsibility for having made the bookings, it that is the question.

Senator McALLISTER: I'm asking more broadly about the arrangement. When you call him, do you call him on his mobile?

Senator Cormann: I think it varies.

Senator McALLISTER: So you've got all of his contact details?
**Senator Cormann:** I run into him from time to time.

**Senator KITCHING:** Where did you meet? Did you meet at a Liberal Party function? Where did you meet?

**Senator Cormann:** I've known him over the years. I honestly can't remember the first meeting.

**Senator McALLISTER:** There is a point, though, isn't there, where somehow, between the two of you, it becomes—ordinary people ring Helloworld through a 1800 number, I suppose; I haven't attempted to do it. But you ring the CEO on his personal mobile. I'm trying to understand how you came to be in such a relationship with Mr Burnes, where it was possible for you to ring him on his personal mobile and he would write down your credit card details?

**Senator Cormann:** As I've said, I've known him for a number of years, going all the way back to the opposition years. It's a matter of public record that he's been involved at senior levels in the Liberal Party for some time, which, incidentally, didn't prevent his company from securing a contract through a merit based proper tender process in the period of the previous Labor government.

**Senator McALLISTER:** You are not answering my question, Minister.

**Senator Cormann:** I am answering your question.

**Senator McALLISTER:** You are not. Knowing someone is very different to coming to an arrangement where you will phone them directly on their mobile and ask for a travel booking.

**Senator Cormann:** I have—

**Senator McALLISTER:** I don't know anybody like that, actually.

**Senator Cormann:** I've got to say: I've got a close personal relationship with Mr Burnes, and I don't think it's unusual to ask somebody who owns a business to sell products and services to you on commercial terms.

**CHAIR:** I know someone like that. The Leader of the Opposition, Mr Shorten, has been reported to book flights on the private jets of billionaires with phone calls from time to time.

**Senator WONG:** That's not appropriate—

**Senator KITCHING:** Chair, could you chair the meeting and not editorialise?

**Senator WONG:** Hang on; that is not appropriate from the chair.

**CHAIR:** I thought it was just a relevant observation.

**Senator WONG:** If you run interference, and it is contrary to Senator Cormann saying he has nothing to hide and he's prepared to answer questions, then you don't need to try and run—

**Senator Cormann:** I'd like to think that you actually believe I'm answering questions very candidly.

**Senator WONG:** Correct, and you don't need assistance with that kind of interference from the chair.
CHAIR: Senator Wong, I just thought it was a relevant observation given that Senator McAllister said she didn't know anyone like that. But I do.

Senator WONG: Who's got the call, Chair?

CHAIR: Senator McAllister has the call.

Senator McALLISTER: We may come back to the establishment of these arrangements. Can I just check that the actual travel was undertaken in 2018? What were the precise dates of that travel?

Senator Cormann: I've got to take the precise dates on notice.

Senator McALLISTER: Are you serious?

Senator Cormann: Yes, I'm serious, sorry.

Senator KITCHING: Was it in summer?

Senator McALLISTER: Surely this is a reasonably significant—

Senator Cormann: It was in January. It would have been around the second and third week of January 2018.

Senator KITCHING: That was to Singapore?

Senator Cormann: Yes.

Senator KITCHING: What about the other two times you phoned Mr Burnes to organise your travel?

Senator Cormann: That would all have related to travel to Singapore.

Senator KITCHING: So there were three trips to Singapore?

Senator Cormann: Yes.

Senator KITCHING: Did you go anywhere else after Singapore?

Senator Cormann: No.

Senator KITCHING: So it was Perth-Singapore, Singapore-Perth?

Senator Cormann: Yes.

Senator KITCHING: Did you use Comcars to get to the airport?

Senator Cormann: No; this was private travel.

Senator KITCHING: I only ask because some of your colleagues have done that.

Senator BERNARDI: Chair, could I just make a point. It's entirely legitimate for Senator Kitching to ask Senator Cormann about the one unpaid instance but it's not appropriate to investigate his private travel arrangements that he's paid for himself and hasn't used any Commonwealth department—

Senator KITCHING: I was asking about Comcars, Senator Bernardi.

Senator BERNARDI: No, you were originally asking about the other trips that he'd taken, which has no relevance whatsoever to this.

Senator KITCHING: Yes, it does.

Senator BERNARDI: No; it's private travel.

Senator KITCHING: You would know about similar factors.
Senator WONG: Hang on. There's an issue here. Senator Bernardi, I think Senator Kitching was just clarifying whether this was the only trip where these arrangements had occurred. It's been asked and answered. I'm sure Senator McAllister has plenty more questions.

Senator BERNARDI: Senator Wong—through you, Chair—I'm not trying to be obstructionist.

Senator KITCHING: Yes, you are.

Senator BERNARDI: No, this is about protocol. Senator Kitching was asking about subsequent private travel outside of this trip and whether it was to Singapore or anywhere else. That's of no-one's business in this place.

Senator McALLISTER: Chair, may I have the call?

CHAIR: Senator McAllister.

Senator McALLISTER: Just to confirm the evidence you just provided to Senator Kitching: you did not use Comcars for this trip or, indeed, any of the other trips that you have raised in your evidence so far?

Senator Cormann: No.

Senator McALLISTER: And each of the three trips that you have referenced in your evidence were to Singapore and back, and did not involve any other associated travel to other destinations?

Senator Cormann: No; that's right.

Senator McALLISTER: Which airline did you fly with?

Senator Cormann: In 2018 it was Singapore Airlines—I know that because I've recently checked that—but I'd have to check the other two trips. I feel that it was Singapore Airlines on at least two occasions but I'd have to check.

Senator McALLISTER: Can I also indicate that, earlier, you were only able to provide approximate dates for the 2018 travel—

Senator Cormann: I'll provide the proper dates on notice.

Senator McALLISTER: I think that would be helpful.

Senator Cormann: Yes, sure.

Senator McALLISTER: The amount cited is $2,780, including taxes. That seems fairly cheap for—who travelled, incidentally? Was it four return tickets?

Senator Cormann: Yes; four return economy fare tickets with two toddlers, aged two and four, and it was a booking that was made six months prior to the travel. Obviously, the closer to the time of travel that you make the booking, the more expensive the trip becomes. My firm advice—and I did verify this after questions were raised yesterday—was that this was a standard commercial fare, economy return, for two adults and two small children.

Senator McALLISTER: If you look up a standard economy—

Senator Cormann: And, remember, this is from Perth to Singapore, not from Sydney or Melbourne to Singapore.

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE
Senator McALLISTER: If you go onto the Qantas website today and seek to fly from Perth to Singapore in January 2020—quite a long way away—the cost for two adults and two children will be $4,641, as a sample. You did seem to get a very good deal. Was there any indication that the travel ultimately charged to you was provided at a discount?

Senator Cormann: No, absolutely not.

Senator McALLISTER: There was no special deal from a special friend—

Senator Cormann: No, categorically not.

Senator McALLISTER: on speed dial?

Senator Cormann: Sorry?

Senator McALLISTER: A special deal from a special friend on speed dial?

Senator Cormann: No, definitely not.

Senator KITCHING: So you were booked under a Helloworld staff and family account with a staff and family customer number?

Senator Cormann: No. I was not aware of the fact that—apparently, that was an internal ledger used by that particular company—until I was asked questions in relation to these matters yesterday. Given the implication of that proposition, I did ask the explicit question of whether I received any discount compared to what the normal commercial fare would have been. I was reassured that, no, the fare was the standard commercial fare. In fact, one of the documents I've tabled for the committee today is a letter that was sent to me this morning by the chief financial officer of Helloworld indicating the four airfares were standard return economy airfares on normal commercial terms.

Senator KITCHING: I just want to confirm: you booked four seats?

Senator Cormann: Yes. That's right.

Senator KITCHING: You were No. 8 on the family, so it's 10008. My understanding is that there were 12 of these accounts. You don't have any idea about other—for example, maybe Mr Hockey was No. 2?

Senator Cormann: I've got no idea. Honestly, I really don't know. I know in relation to my arrangements, and I've booked travel on a number of occasions. We've gone through that. I always worked on the basis that that was travel on normal commercial terms. As a matter of practical convenience and privacy, it is true that, in the context of the job I do, that was the way I decided to make this relevant travel arrangement, but it was based on normal commercial terms.

Senator McALLISTER: Did you receive any upgrades from the airline when travelling?

Senator Cormann: I don't believe so. I'll have to check that. Yesterday, a journalist asked whether I had received any upgrades facilitated through Helloworld. I can categorically deny that. I'll just have to refresh my memory in relation to the trips otherwise.

Senator KITCHING: So you didn't sit in business class?

Senator Cormann: No.

Senator McALLISTER: Just to clarify that evidence: you did not receive an upgrade for the trip in January 2018?
Senator Cormann: No.

Senator McALLISTER: You need to clarify whether or not you received an upgrade for the other two trips that have been referenced?

Senator Cormann: The question that I was asked yesterday, which I did verify—I was asked a question yesterday by a journalist whether, at any time, Helloworld or Mr Burnes had used frequent flyer points to upgrade flights for me and/or my family. I can categorically say, no, that is not the case. I can already categorically say that the trip in January 2018 absolutely was an economy class trip and there was no upgrade. In relation to the other trips, which were some further time away, I'll verify that.

Senator McALLISTER: Who provided you with that advice in relation to the upgrades yesterday?

Senator Cormann: Firstly, I had a very firm recollection that no such upgrade was provided.

Senator McALLISTER: Okay.

Senator Cormann: That's No. 1. No. 2: because, clearly, in the context of the propositions that were put to me on the outstanding unpaid invoice, I obviously had to reach out—at the suggestion of the journalist, incidentally—to Helloworld. I asked various questions, including this one, and they confirmed my recollection.

Senator McALLISTER: Who specifically did you speak to?

Senator Cormann: I spoke to Mr Burnes.

Senator McALLISTER: To Mr Burnes again?

Senator Cormann: Yes.

Senator McALLISTER: You've tabled a statement signed by Michael Burnett, the chief financial officer of Helloworld Travel. How did he become involved?

Senator Cormann: That's a matter for Helloworld. I can only assume that that is a matter for them.

Senator McALLISTER: Did you speak to him?

Senator Cormann: No.

Senator WONG: But presumably the letter arrived as a consequence of the discussions you've had?

Senator Cormann: I sought reassurance, firstly, that the payment had been processed. I also sought confirmation of the statements that I've made to you this morning. I sought confirmation from the company that, indeed, I had provided the credit card details at the time for payment to be made and processed. Obviously the statement by the company is self explanatory.

Senator WONG: Just to confirm evidence you've given: all of these reassurances and confirmations were a consequence of your conversations with Mr Burnes yesterday after the story became known to you, or how—

Senator Cormann: I was somewhat at a disadvantage. I was in estimates yesterday, as you might remember. A journalist approached me in relation to some travel some time in the past and put some propositions to me. My initial reaction was that I had paid for the travel
concerned, and I explained that obviously my financial records were back in Perth, not here in Canberra, and asked how much time I would have to review my records. The proposition was put to me that the deadline was 4.30 pm yesterday afternoon and that I should verify my information with the business concerned, which I did.

**Senator WONG:** So you rang Mr Burns in the lunch break or after the jounro called you—Is that right?

**Senator Cormann:** Some time yesterday.

**Senator WONG:** How many times did you speak to him yesterday?

**Senator Cormann:** A couple of occasions. I didn't count.

**Senator WONG:** Mobile to mobile—you called him personally?

**Senator Cormann:** Yes.

**Senator WONG:** He arranged for the letter?

**Senator Cormann:** I can only assume that he had a conversation internally and that they verified their facts. I received this letter this morning.

**Senator McALLISTER:** Did you request the letter?

**Senator Cormann:** I requested, obviously—

**Senator McALLISTER:** Did you request advice in writing?

**Senator Cormann:** I requested evidence that I had made the payment. I also requested from the company, from their point of view, what the process was in relation to this travel.

**Senator McALLISTER:** Can we talk a little bit more about the timetable yesterday. You spoke two or more times to Mr Burns. What did you do in relation to the department? Did you advise Ms Huxtable or anyone else in the department that these matters were the subject of a media inquiry?

**Senator Cormann:** Late yesterday I advised Ms Huxtable initially of some approaches that I'd had from the media and this morning. As a courtesy, I provided Ms Huxtable, at our morning briefing, with a copy of the statement that I was about to release.

**Senator McALLISTER:** What then is the source of the other document that was tabled this morning, the whole-of-Australian-Government accommodation program management services procurement?

**Senator Cormann:** That is a document that was provided to me, I believe, by the department.

**Ms Huxtable:** Yes, that's right.

**Senator McALLISTER:** When was that document provided?

**Senator Cormann:** I received this document yesterday. In terms of when precisely it was provided to my office, I'd have to take that on notice.

**Senator McALLISTER:** You informed Ms Huxtable late yesterday?

**Senator Cormann:** Late last night, yes—6.30 or seven. After the initial media inquiry had been dealt with.

**Senator McALLISTER:** Did anyone else in your office speak with the department about the media inquiry?
**Senator Cormann:** Not yesterday. Bear in mind, I spent most of the day at this table here yesterday, as you would well know. The journalist yesterday interacted with me directly. I don't believe that my office would have been in touch in relation to this with the department yesterday, no.

**Senator McALLISTER:** I'm trying to understand the circumstances whereby, by nine o'clock this morning, this document prepared by the department was able to be tabled. Perhaps Ms Huxtable can explain. Perhaps she's seeking additional advice?

**Senator KITCHING:** While we're waiting for that, Senator Cormann, could I ask: were you aware of any other Liberal MPs who've received travel from Helloworld?

**Senator Cormann:** I can't speak for others. I suspect that there are other people who organised travel from time to time.

**Senator WONG:** You can't speak for others, but—

**Senator Cormann:** I'm not aware.

**Senator WONG:** To your knowledge?

**Senator Cormann:** To my knowledge, I'm not aware.

**Senator KITCHING:** Not even informally?

**Senator Cormann:** I don't know what that means.

**Senator KITCHING:** I'm thinking of some other—

**Senator Cormann:** I'm not aware of the private travel arrangements of other members and senators, if that is—

**Senator KITCHING:** The question is whether there is actually a separation between private and political. So you're not aware of any other arrangements that other Liberal parliamentarians might have made through Helloworld, including some senior Liberal parliamentarians?

**Senator Cormann:** I'm not aware of the travel arrangements entered into by other members of parliament, no.

**Senator McALLISTER:** Minister, you prefigured in your earlier statement that you expected a question about—

**Senator Cormann:** I wasn't aware, but I understand that my chief of staff, who I did inform of the inquiry that I had received—and I also informed my press sec—had a conversation with the department yesterday.

**Senator McALLISTER:** What time was that, Ms Huxtable?

**Ms Huxtable:** I think that was around midday. It wasn't actually a conversation with me, which is why I wasn't sure of the genesis of this document, but it was a conversation with one of my deputies.

**Senator McALLISTER:** So your deputy then took it upon himself or herself to prepare this document in relation to the contract; is that correct?

**Ms Huxtable:** I think the nature of the discussion was just to have a clear time line around the tender and the evaluation process.
Senator Cormann: I hasten to add that I do appreciate that Richard Baker and Nick McKenzie, in their piece, heavily qualified and were at pains to say that they did not suggest any wrongdoing in relation to the tender process. However, obviously, there was likely to be an implication that somehow there was a link, even though there wasn’t. I was very keen to have information in front of me about the precise time line that had been followed at arm’s length by the department in conducting this tender.

I also hasten to add that this contract, with the same company and the same CEO, was first issued as a result of a tender process under the previous Labor government. The process then would have been the same as what it was on this occasion, completely and utterly at arm’s length from the government of the day, subject to all of the appropriate probity arrangements, subject to the requirement under the PGPA Act and Commonwealth Procurement Rules and Commonwealth policies and all of the other requirements, which was, of course, signed off by the probity and legal advisers as part of the process prior to the preferred tenderer being identified.

Senator McALLISTER: You spoke with Ms Huxtable. You also spoke with your chief of staff about the media inquiry. You spoke with Mr Burnes on two, or perhaps more, occasions. Was there anyone else that you spoke to about the media inquiry?

Senator Cormann: I think I spoke to my wife, actually.

Senator McALLISTER: Anyone else associated with Helloworld?

Senator Cormann: No.

Senator KITCHING: Did you have any discussions with Mr Hockey?

Senator Cormann: No.

Senator KITCHING: With Ms Babbage?

Senator Cormann: No.

Senator KITCHING: She’s on the financial advisory committee. I just ask because it seems very close-knit.

Senator WONG: Can we explore that a little? Is it your evidence that, in all the time you worked with Mr Hockey and knew Ms Babbage personally, no discussion about Helloworld came up?

Senator Cormann: I don’t think that was the question. I was asked a question about yesterday.

Senator WONG: Sorry, yes.

Senator Cormann: I was answering questions in relation to yesterday. If your question is on whether I’ve had interaction with Joe Hockey and Ms Babbage together with Andrew Burnes over the years, yes, of course I have. I don’t think that is any secret and I don’t think that would be any surprise to anyone.

Senator WONG: You may not think it’s surprising, Senator Cormann—a substantial donor to the Liberal Party who gets a Commonwealth contract, who has a lot of interaction with the finance minister and the treasurer—

Senator Cormann: If I might just say—
Senator WONG: I hadn't finished—the finance minister and the treasurer of the company, and we'll go on further to talk about that. But I don't think it can be dismissed as not surprising.

Senator Cormann: I would like to respond to that, Chair. When this process got underway under our period in government, that particular business held the contract which had been provided by the previous Labor government—I believe when you were the Minister for Finance.

Senator WONG: My party didn't take any donation—or I don't know that he's a donor. He's certainly not the treasurer of our party, and I don't recall getting any free flights from him.

Senator Cormann: I didn't get free flights either. There was a stuff-up, which is embarrassing and which I obviously regret. But, in relation to the business concerned, the business participated in a tender process under your period in government. It was the same CEO and the same business. Mr Burns, at that time, had been the honorary treasurer of the Liberal Party in Victoria and, even so, the business was able to secure a contract going through the proper process. The process that was followed on this occasion was precisely the same process. I had absolutely no involvement in that process whatsoever. In terms of who the successful tenderer was or what the contract outcome was, that was something that was appropriately handled at arm's length, independently by the department, subject to all of the relevant requirements.

Senator KITCHING: We'll come to that.

Senator McALLISTER: I'm interested in this relationship with Mr Andrew Burnes. I think your evidence is that over the last six or seven years you've come to know him through his involvement in the Liberal Party. That's a personal relationship, isn't it?

Senator Cormann: Sorry?

Senator McALLISTER: It's a personal relationship you have with Helloworld, with Mr Andrew Burnes?

Senator Cormann: I don't have a personal relationship with Helloworld, but I do have a relationship with Mr Burns. That's right. Incidentally, just in relation to the pricing that you quoted to me for travel from Perth to Singapore next January, I can see that there is a quote now through Webjet for flights from Perth to Singapore return at $2,510.74.

Senator McALLISTER: How often do you talk with Mr Burnes?

Senator Cormann: Sorry?

Senator McALLISTER: How often would you say you talk with Mr Burnes? Once a month? Once a year?

Senator Cormann: No, not once a year. It varies. He's on the federal executive, so I obviously see him there and I do engage with him socially on occasion.

Senator McALLISTER: Would you call him a friend?

Senator Cormann: Yes.

Senator McALLISTER: He is a friend to the government, isn't he? He's made a number of personal donations to senior ministers over the years.
Senator Cormann: Well, he's the honorary federal treasurer of the Liberal Party and has previously been the honorary treasurer of the Liberal Party in Victoria. In between those two periods, his business secured a contract from a federal Labor government, which would have been done through all of the appropriate, proper processes then, in the same way as it was done through all of the proper and appropriate processes on this occasion.

Senator McALLISTER: In 2010, he made a personal donation to Mr Hockey, into North Sydney FEC. He made a donation to Mr Morrison in 2007. Have you personally received donations from Mr Burnes?

Senator Cormann: Firstly, I'm not aware of donations that were made to other campaigns. What I can say is that Mr Burnes, on one occasion that I can recall, would have attended one of my fundraising dinners, which are attended by about 200 people.

Senator McALLISTER: Any donations from Helloworld?

Senator Cormann: I'll have to check. I don't know who paid for Mr Burnes's attendance at my fundraising dinner. As I say, the dinners range between 180 and 220 people. I don't know whether he paid for that personally or who paid for it. I'll have to check.

Senator McALLISTER: I understand.

Senator Cormann: I don't believe that I ever received a donation from Helloworld otherwise.

Senator McALLISTER: Or from its predecessor, AOT?

Senator Cormann: Or from its predecessor.

Senator McALLISTER: The Australian has reported today that Liberal president Nick Greiner and his honorary treasurer/chief fundraiser Andrew Burnes have begun flogging seats to a private dinner with the PM and much of the Morrison ministry at a price of $10,000 a head. Will you be attending the dinner?

Senator Cormann: I'm not aware of the specific event that you're referencing. It might well be that that is going to be on my program. I'd have to review my commitments into the future. I would just make the general point that I understand that both Labor and Liberal-National frontbenchers attend fundraising events from time to time. It is a part of our electoral process.

Senator McALLISTER: I would observe that government ministers seem very keen to help the government out. I'd like to table a social media post that Ms O'Dwyer made about the company.
Senator WONG: Sorry; to help Helloworld out. While that's occurring, if Senator McAllister doesn't mind, Senator Cormann, do you know how much money over the years Mr Burnes and this company have donated to the coalition or to the Liberal Party?

Senator Cormann: I do not. All donations, whether they're from unions or from business or from individuals, have to be reported in the appropriate fashion. I assume that that's all a matter of public record.

CHAIR: This is straying a little bit, also, from the minister's responsibilities—how much an individual has donated to the Liberal Party's—

Senator WONG: We're talking about an individual who's donated money who's got a very lucrative government contract, so I think it's entirely appropriate, Chair.

Senator Cormann: Who first received that contract from your government, when you were—

Senator WONG: We'll talk about that.

CHAIR: Sorry, Senator Wong; the point that I'm making is that questions in estimates are to the departments and to the activities of those departments. The finance department has no visibility on the donations to a political party, or no role in managing them.

Senator WONG: Well, I'll ask Senator Cormann. We've done a quick analysis and we believe that the company and Mr Burnes have collectively donated over half a million dollars to the Liberal Party over a number of years.

Senator Cormann: Are you suggesting that there is anything unlawful in the donations?

Senator WONG: No. I'm suggesting it's not a great look, where you have a donor of that magnitude receiving a very lucrative government contract.

Senator Cormann: What are you suggesting?

Senator WONG: I'm asking you whether you think that looks fine.

Senator Cormann: What I can say to you is that the tender process and the process of awarding the contract for the incumbent contractor at the time, who had held that contract since May 2012, was completely at arms-length from the government, as these processes appropriately must be, subject to all of the appropriate probity requirements. It was certified by relevant external probity and legal advisers as having complied with all of the relevant requirements in the PGPA Act, Commonwealth Procurement Rules, Commonwealth policies and all of the various other documents, like the request for tender and the evaluation plan as well as the probity plan. In the end, in the same way as somebody shouldn't be excluded from competing for work under a Labor government—on the same basis—I don't think that somebody should be excluded from work under a Liberal-National government just by virtue of the fact that they participated in the democratic process. I think that what matters is that the process is conducted with the utmost probity, which it was. I encourage you to ask questions of the department in relation to these matters. I personally had no involvement in this tender process. I did not seek to have any involvement in this tender process. This was a process that was conducted at arms-length from the department in the usual way.

Senator WONG: Senator Cormann, you've raised a number of times that I was the finance minister in 2012. It is the case, isn't it, that, under you, what occurred is that the contract for government travel which was previously split between five travel managers was
then provided to a single contractor, which was Helloworld's QBT unit in 2014? I'm at a disadvantage, obviously, because I can only look at public records, but that was reported in December 2014.

**Ms Huxtable:** We'll just have to check when the whole-of-government—

**Senator WONG:** I'm happy to come back to that because my colleagues have some questions. But I'll just take up Senator Cormann's invitation before I flick back to my colleagues, and that is: did Senator Cormann discuss this tender process with you, Ms Huxtable?

**Ms Huxtable:** No.

**Senator WONG:** Ever?

**Ms Huxtable:** Well, last night, but not previous to that.

**Senator WONG:** No concerns were raised by him with you about the running of this tender?

**Ms Huxtable:** No.

**Senator Cormann:** I can assist you because I think I know where you're going. Because of the circumstances, I was extremely cautious. It's in my statement that, from time to time, people involved in procurement processes may provide feedback in relation to aspects of the process with me. Invariably, what I would do in that circumstance is not involve myself in the process, because that would be improper, but encourage anyone providing such feedback to contact the secretary of the department. I don't involve myself in any aspect of this process. I haven't involved myself in any aspect of this process on this occasion. When aspects of the process are raised with me by others—and as has been the case on a number of occasions over the last four or five years—invariably what I have done, and what I did on this occasion, is direct them to the department for the department to take any action if and as they consider appropriate.

**Senator McALLISTER:** Senator Kitching has a follow-up, but did you personally—just to clarify that evidence—encourage them to make their own approach to the department or did you facilitate their interaction with the department?

**Senator Cormann:** I did not. Somewhere along the way, I received feedback that the procurement process on this occasion—

**Senator McALLISTER:** From whom?

**Senator Cormann:** This was from Mr Burns. I received feedback that the procurement process on this occasion—and this is consistent with feedback that from time to time is provided—was more robust than on the last occasion. I explained very clearly that it would not be appropriate for me to get myself involved in any way, shape or form in a procurement process and that if there were any concerns then the appropriate course of action would be for him to make contact with the department to raise any issues. Beyond that, I've not had any involvement.

**CHAIR:** I believe Senator Waters has questions on the same matter and I want to give her an opportunity to have a go before lunch.

**Senator KITCHING:** Can I ask one question?
CHAIR: Is there an actual point that I can—

Senator KITCHING: I want to ask one question on that specifically, Chair. It was common knowledge within Helloworld that Mr Burnes was extremely unhappy about the procurement process and was extremely unhappy about Mr Sheridan. It was common knowledge within the company that he had complained to you about the process. How many times did he do that? My understanding is he complained up hill and down dale to you—

Senator Cormann: No, that's not right.

Senator KITCHING: and certainly within the company.

Senator Cormann: That's not right. As I've indicated in my statement, I did receive feedback. By that time the preferred tenderer had been identified. The process had come to a substantive conclusion. But I did receive some feedback from Mr Burnes that, in his view, the process this time around, compared to the last time round when it took place under the period, I guess, of the then Labor government, was more robust. If you look at the outcome, the outcome is that, over the five years of the Labor-period agreement, a $63 million saving was achieved, which was obviously a good benefit, but this saving was taken further, with a 42 per cent reduction in the APM booking fee, which led to a further $4½ million saving on an annual basis, compared to the '15-'16 financial year fees that were paid. What I essentially said, very clearly, was: 'This is not something that I can get myself involved in; if you've got any issues, the best thing I can suggest is that you raise them at the appropriate level in the department.'

Senator KITCHING: And what about Mr—

CHAIR: I'm going to give the call to Senator Waters.

Senator WONG: Can I just ask this? We'll come back to this. Ms Huxtable, if you or the relevant officers have any notes or other recording of what occurred as a consequence of the minister passing on—or, these complaints from Mr Burnes—

Senator Cormann: I did not pass on complaints by Mr Burnes.

Senator WONG: Okay. Sorry.

Senator Cormann: This is very important—

Senator WONG: Okay. However it was raised with you, I wonder if, in the intervening period, those officials could obtain that information? I understand Ms Waters has questions—

Senator Cormann: Let's be very clear: I did not pass on complaints on behalf of Mr Burnes.

Senator KITCHING: And what about Mr Sheridan?

Ms Huxtable: I can help you with that issue now, if you wish.

Senator WONG: Okay. What do you want to do, Chair? I was actually just trying to be polite and give Senator—

CHAIR: Well, since you've asked the question, I think we should allow Ms Huxtable to answer it, and then we'll go to Senator Waters.

Ms Huxtable: I can advise you that Mr Burnes rang my office directly. He left a message for me. I returned his call some days later. He informed me at that time that he was part of the AOT tender proposal that was in the process of being finalised. I didn't have any great
visibility of the process inside the department. As the minister said, he did raise concerns with me that he felt the negotiation process had been very robust and had resulted in a very good value deal for the Commonwealth. I asked if he wanted to make a formal complaint about the process, in which case I'd refer that complaint to the probity adviser. He advised me that he did not wish to make a formal complaint, he just wanted me to receive feedback about the process, and that, by that stage—which, I'd say, was after negotiations had concluded—they were in the process of proceeding to sign the contract.

Senator WONG: That's quite a lot of—sorry.

Ms Huxtable: I have a recollection of that conversation. I don't have any notes from that conversation. And, as he did not seek to make a formal complaint, I didn't produce any sort of notes, so others in the department who were involved in the tender process weren't aware of that interaction.

Senator WONG: I have quite a few questions as a consequence of that answer, so do you want me to proceed?

CHAIR: I think, to be fair, I should go to Senator Waters, but, obviously, we'll be coming back to you. Senator Waters.

Senator WATERS: Can we just step back? A Liberal Party treasurer got a contract for his travel company renewed after making a $170,000 donation to federal and state Liberal Parties. He then accidentally forgot to charge the minister for a flight, which I understand the minister has now rectified. Can either of you see why the public thinks that politicians are corrupt?

Senator Cormann: I think that's a bit of an unfair question to Ms Huxtable. What I would say in response is that the same company, with the same CEO, was successful in securing a contract to provide the same services during the period of the previous Labor government, and I've got no reason to believe that that was anything other than on merit, as a result of an arms-length process—the same process, substantively, as the process that took place on this occasion. I had no involvement. I had no visibility of the process that took place. I did not seek to influence the tender outcome or the contract negotiations, and I did not influence the tender process or the contract outcome. In fact, what was secured by the highly professional people in the department, through that independent process, was a very good deal. I think it's fair to say that the deal that was negotiations back in 2012 was a good deal that led to a $63 million saving, or thereabouts. And in relation to this $21 million contract, there was another $4½ million annual saving as a result of a 42 per cent reduction in the booking fee. I should say here that, contrary to what was asserted in the papers this morning, the total value of this contract, as I was advised when notified of the outcome of the process, is about $21 million over the period of the initial term to the end of June 2020, and not $1 billion, as was indicated in the article in the paper today.

Senator WATERS: Is there not a rule that says that people who are on the executive of a political party shouldn't be allowed to bid for government contracts? Is there such a rule anywhere?

Ms Huxtable: We went through an open approach to market in respect of this offering, and companies bid in respect of that rule, and the evaluation process that was associated with that tender was conducted in the normal way.
Senator WATERS: Is there a rule that says political party executives can't apply for government contracts?

Ms Huxtable: We don't have any visibility of those issues. We conduct this tender in accordance with the Commonwealth Procurement Rules.

Senator Cormann: This business was the whole of the contract, which was being retendered. So, they were the incumbent contractor. Are you suggesting that because of somebody's participation in the democratic processes of our nation they should not be able to do their day job the way they were doing it before the change of government? Why is it okay for a Liberal Treasurer, as CEO, to secure a contract with a business he runs under the Labor government but not under a Liberal-National government—particularly if the process, as it must be, was run completely above board, at arms length, subject to all the relevant probity requirements and all the requirements in the PGPA Act, the Commonwealth Procurement Rules, Commonwealth policies, requests for tender, and evaluation plans? In the end, you go to market to get the best possible deal, and I think it's fair to say, looking back, that the work the department did through that process delivered the best possible deal for taxpayers. It's unfortunate that obviously this oversight has complicated the perception. Of course that's unfortunate; I deeply regret that. It's highly embarrassing for me personally, and I'm quite unhappy about it. But that does not in any way suggest that the process that was run by the department, independently, at arms length from me and the government, was anything other than entirely proper and with the utmost integrity.

Senator WATERS: What I was asking was: is there a rule in any of your processes, procedures or legislation that says that political party executives may not apply for government contracts?

Ms Huxtable: We apply the Commonwealth Procurement Rules.

Senator WATERS: And, for the third time, do those rules say anything about whether political party executives can apply for tenders?

Ms Huxtable: No, they don't, because they're about achieving value for money.

Senator WATERS: Have they ever, at any time in the past?

Ms Huxtable: Not that I'm aware of.

Senator WATERS: But is the government going to consider that?

Senator Cormann: Let me ask you the question the other way, then: are you suggesting that a business that on its merit can deliver the best possible value to the Commonwealth and as such for taxpayers should be excluded so that taxpayers have to pay more because one of the officers in that business is involved in the democratic process? I mean, the reverse argument that you're running is that you're suggesting that the taxpayer should be exposed to higher costs and lower value in order to ensure that anyone who is involved in politics is excluded from the process. What matters here is that the process delivers the best possible outcome for taxpayers, and in order to achieve that there is a merit based, competitive tender process, which is run completely at arms length from the government of the day. It is today; it was then. Nobody can possibly suggest that I had any involvement in the decision-making around preferred tenderer or the ultimate contract outcome. I did not.

Senator WATERS: Minister, will your party be returning those donations?
Senator Cormann: I don't know why you would ask that question.

Senator WATERS: Well, it's just for you to answer the question.

Senator Cormann: Under our laws, Australian individuals and Australian businesses and Australian unions, and others—as they do for the Greens—are entitled to contribute, within the framework of the electoral laws that are in place from time to time, to the political process, and these donations have to be appropriately declared and can be scrutinised, and that's also part of the democratic process.

Senator WATERS: Do I take it then that your party won't be returning the donations?

Senator Cormann: I don't speak for my party, but I can't see what the proposition is here—

Senator WATERS: So you won't be suggesting that that money be returned, given the stench that's surrounded this whole incident?

CHAIR: Senator Waters, I think I've been generous in allowing these questions, but they're really not related to the Department of Finance.

Senator WATERS: Thank you, Chair. I will move on. Is there any rule that says that political donors shouldn't be allowed to bid for government contracts?

Ms Huxtable: No. As I said before, we operate in accordance with the Commonwealth Procurement Rules.

Senator Cormann: The rule is, and should be, that, through a competitive, open market tender process, you get the best possible value at the end of a process that complies with all of the relevant probity and integrity requirements and all of the requirements in the PGPA Act and Commonwealth Procurement Rules. That is the requirement. I don't think you can decide to exclude individuals because of their political affiliations or convictions.

Senator WATERS: Minister, can I ask whether your government's proposed body—whatever you call your version of the ICAC that doesn't have any teeth—would cover a situation such as this?

CHAIR: That's not relevant to this committee, Senator Waters.

Senator Cormann: I think you're asking me for a legal opinion, so—

CHAIR: Take that up in Legal and Constitutional Affairs, Senator Waters.

Senator WATERS: It's on the record politicians won't be covered by this commission—

CHAIR: Again, Senator Waters, that's not a question for this committee—that's Legal and Constitutional Affairs, clearly.

Senator WATERS: Given the minister's situation in the last 24 hours, I'm just asking whether the minister will now be suggesting to his colleagues that the scope of their proposed very weak body might be expanded to include politicians.

Senator Cormann: I'm happy to make a comment here. What I'm doing as minister, as I believe I must, is answer your questions in this committee. I'm always accountable for my actions, and where issues arise that I ought to address, there is the opportunity, and I think it's been energetically and enthusiastically embraced, for senators from all parties to test and scrutinise my activities and my performance as a minister.

Senator WATERS: So I'll take that as a no?
**Senator Cormann:** What I'm saying is: to the extent that you're suggesting that I'm not being accountable, yes, I am being accountable. I'm appearing in front of this committee and candidly answering all of the questions.

**Senator Waters:** Thanks, Chair.

**Senator McAllister:** Earlier I sought to table this document, which is a tweet from Ms O'Dwyer: 'It was wonderful to be in Ashburton today with Treasurer Scott Morrison MP visiting businesses including Helloworld Travel Ashburton.'

**Chair:** I think it has been tabled.

**Senator McAllister:** Members of the government are very keen to associate themselves with this business. I note also that Senator Ryan disclosed recently that Mr Andrew Burnes flew him on a private charter from Melbourne to Canberra on 17 June. He's close to a range of people, and I'd like to table that extract from Senator Ryan's statement of senators' interests. But the key thing I want to discuss really is Mr Hockey's relationship with this company. There are a number of news articles dating back a number of years which I'd like to table which see Mr Hockey associating himself very closely with AOT and then with Helloworld Travel. This article shows Mr Hockey, at that time an MP in Sydney, down in South Melbourne opening their global headquarters. Can you explain why Mr Hockey would have been in South Melbourne at that time, Minister? It wasn't in his electorate.

**Senator Cormann:** Sorry, say that again?

**Senator McAllister:** Mr Hockey, the member for North Sydney, is down in South Melbourne, opening the global headquarters of Helloworld Travel.

**Senator Cormann:** I'm really sorry, but I can't assist you in that.

**Senator McAllister:** Can't explain it.

**Chair:** Senator McAllister, questions about a former Treasurer's travel many years ago don't really relate to this area of the Department of Finance or any area of parliament—

**Senator Wong:** It goes to the relationship between the Liberal Party and the company—

**Senator Cormann:** I understand the point that Senator McAllister is making, but, in all sincerity, I'm doing my best to answer the questions candidly, openly and honestly, I can't possibly be expected know about it. It is some time ago.

**Senator Wong:** Sure, then you don't have to, but it's not assisted by the Chair running protection, which is against your openness and candidness. Maybe he could actually run the same position.

**Chair:** Senator Wong, it is my job to uphold the standing orders.

**Senator Wong:** It is completely appropriate when a company has got this sort of tender for questions to be asked about coalition MPs being cosy with them.

**Chair:** I'm just trying to ensure, Senator Wong, that the questions that you're asking are—

**Senator Wong:** Can you just let her ask the question, Chair.

**Chair:** Senator Wong, order! I'm just trying to ensure that the questions you're asking are relevant for this committee and not irrelevant.
Senator WONG: You're the one making it look like a cover-up. He's trying to answer the questions according to him, so why don't you just let her ask the questions.

CHAIR: Senator Wong, you can ask the questions.

Senator WONG: No, Senator McAllister is asking the questions. I'm trying to facilitate it.

Senator McALLISTER: Mr Hockey is now a shareholder of Helloworld, isn't he?

Senator Cormann: I'm not aware of what Mr Hockey's—

Senator KITCHING: He's in the top-20-shareholder listings.

Senator McALLISTER: I will table the annual report to shareholders, which indicates that he is, in fact, a top-20 shareholder. 'Rear Window' in the AFR reported, about the same time that you were getting on a plane, last year:

It is a marvellous coincidence that in January 2016, former Treasurer Joe Hockey commenced as Australia's Ambassador to the United States in Washington and the merger between Andrew Burnes' AOT Group and Qantas spin-off Helloworld was approved by shareholders.

Hockey and Burnes are best mates, with the tourism entrepreneur assuming the thankless role … of Liberal Party federal treasurer as a favour to his friend, it's a very close relationship with the Liberal Party, isn't it?

Senator Cormann: I think we've gone through this on a number of occasions now. It is a matter of public record that Mr Burnes has been the honorary federal treasurer of the Liberal Party for a number of years, that he previously served as the honorary treasurer for the Victorian division of the Liberal Party and in the intervening period, as CEO of his business, was able to secure, through a merit based tender process, the whole-of-government accommodation contract, back in 2012, during the period of the previous government.

Senator McALLISTER: Did Mr Hockey introduce you to Mr Burnes?

Senator Cormann: I think that's right—in opposition, incidentally.

Senator WONG: In opposition—is that what you said?

Senator Cormann: In opposition, yes. I first met him in opposition.

Senator WONG: How did he—what was it: 'This bloke's a good bloke. This bloke give lots of flights'?

Senator Cormann: We might have been in the same get-together at the same time.

Senator WONG: A Liberal Party get-together or a social get-together?


Senator KITCHING: At Parliament House?

Senator Cormann: Yes.

Senator McALLISTER: I assume you know Mr Hockey's wife—

Senator Cormann: I do.

Senator McALLISTER: and you're aware of her relationship with AOT?

Senator Cormann: I know Mr Hockey's wife. I do not know about her relationship with AOT, but I'm sure you will tell me.
Senator McALLISTER: Is it correct that in 2014 Mr Hockey's wife was appointed to the advisory board of AOT?

Senator Cormann: I honestly don't know. I don't follow all of the internal affairs, as much as you might think otherwise, of that business.

Senator McALLISTER: AOT were given an extension to their contract in May 2015. Ms Huxtable, can you advise what the value of that extension was?

Ms Huxtable: One of the officers can certainly advise that.

Senator Cormann: I hasten to add, should you think otherwise, that did not involve me in any way, shape or form in the process. As I understand it, the initial contract that was let in 2012 actually did provide for a number of extensions.

Ms Huxtable: We will have to take it on notice, Senator. We don't have the exact number.

Senator McALLISTER: But that extension did take place in May 2015, and in June 2015 she quit the advisory board.

Senator Cormann: I'm looking at the timetable, which I tabled, of course. The accommodation arrangement, which was advised to Minister Wong on 4 May 2012, commenced on 2 July 2012 with an initial term of three years to 30 June 2015 plus extension options to 31 December 2017. My understanding is that these were triggered in the automatic course of events.

Ms Huxtable: Those were exercised, yes.

Senator McALLISTER: This is a company that is flying senior members of the Liberal Party around, has Liberal Party members and former Liberal Party ministers as significant shareholders and has other members of the Liberal family on the board, and we now find ourselves with this company being provided with a contract in a period when it was also providing undeclared gifts to you, Minister.

Senator Cormann: Firstly, I reject the proposition they provided a gift. That was clearly—

Senator McALLISTER: We might come back to that.

Senator Cormann: Let me just say I most vehemently reject the proposition that there was a gift. There was no free travel, and there was never intended to be free travel. There was an oversight and an error in relation to the processing of a payment that was due and that was recorded, as I'm advised, within the company systems as outstanding and being due.

Senator McALLISTER: We might come back to that.

Senator Cormann: I'm happy to go back to it.

Senator KITCHING: We might come back to that, because I have documentation that says that it wasn't.

Senator Cormann: I'm happy to go back to that. I'm just telling you from my point of view—

Senator WONG: Just so we're clear—

Senator Cormann: If I can just finish my sentence, the proposition that you're just putting to me effectively is that a company that was able to secure, through a merit based tender process, a contract during the period of the previous Labor government for an initial three
years, with the option for a two-year extension, should not have had its contract extended and that the contract should have been stopped because there had been a change of government and because there were—

Senator KITCHING: They are your words, not mine, Minister.

Senator Cormann: That is the implication of what you're suggesting.

Senator KITCHING: The proposition I am putting to you is that it's a great coincidence.

Senator Cormann: When you're saying it's inappropriate, I was not involved in awarding the initial contract. I was not involved in exercising the options that were part of the original contract.

Senator KITCHING: But you are on speed dial with the CEO.

Senator Cormann: I was not even in government when the original contract was let, so there was no involvement by me whatsoever, and there was no involvement by me in the subsequent tender process, the decision in relation to the preferred tenderer or the final contract outcome.

Senator WONG: Senator Cormann, I request that you and certainly Mr Sheridan and Ms Huxtable be available after the lunch break for this.

Senator Cormann: Yes, of course.

Senator WONG: But isn't the problem that this looks cosy and questionable? A bloke who's donated $500,000—is that right?—to the Liberal Party happens to be a mate that Joe Hockey introduces to you. People have seemed very happy, as Senator McAllister has identified, to rock up to events that promote the company and then you get free gifts—I understand you say it wasn't a free gift; you've now paid it back—from the company.

Senator Cormann: I haven't paid it back. I've paid the outstanding amount.

Senator KITCHING: The documentation would indicate—

Senator Cormann: I understand the observation that you're making, but all I would say is that this is a company with the same CEO which secured, as a result of a merit based tender process, a contract which ran up to five years initially, including, of course, the option for that two-year extension.

Senator WONG: But, Senator Cormann—

CHAIR: On that note, the committee will now—

Senator WONG: Well, he's just made an assertion about me.

Senator Cormann: No, I haven't made an assertion about you. I said it was a merit based tender process.

Senator WONG: He's not the treasurer of the Labor Party.

Senator Cormann: I did not reflect on you at all.

Senator WONG: The former Labor treasurer is not on the board—sorry, is not a shareholder.

Senator Cormann: In my statement, I actually recognised the fact that the contract that was entered into in 2012 delivered a $63 million saving to the Commonwealth and hence to taxpayers.
Senator WONG: True.

Senator Cormann: What I would put to you is that we—we as in the department, through their process—have been able to take that even further. I put to you what I put to Senator Waters earlier. If you're suggesting that a business should be excluded because of the participation of one of its executives in the political process, what you're essentially saying is that taxpayers and the Commonwealth should be forced to pay more and not have the advantage of the best possible value offering at the end of a process, and I don't think that's right. I think that the Commonwealth and taxpayers should have the opportunity to, through a proper process, obtain the best possible value offering, and I believe that this is what happened on this occasion as a result of the department, independently and at arm's length, going through all of the relevant processes that they must.

CHAIR: Thank you, Minister. On that note, the committee will break for lunch as scheduled.

Proceedings suspended from 12:34 to 13:36

CHAIR: The committee will now resume its examination of the finance department.

Senator KITCHING: Senator Cormann, there were three trips to Singapore, and we might have another date for you. One was mid-2017. There's the one that you've disclosed, on approximately 6 January 2018. Can you remember the date of the third trip?

Senator Cormann: I've taken the specific dates on notice. I think that there would have been one after the 2016 election, in August.

Senator KITCHING: A bit of a celebratory trip.

Senator Cormann: No, it was like a recovery trip, reconnecting with my family on a private trip after having obviously spent—as all of us did—extensive time away. In the ordinary course of events, I think the next one would've been in January 2017 and then the one in January 2018. But that's off the top of my head. I have to verify those dates and I told you I'd take the precise dates on notice.

Senator KITCHING: Yes, I understand. Why Singapore?

Senator Cormann: It's close to Perth.

Senator KITCHING: Were you aware that your parliamentary colleague Mr Goodenough was in Singapore at the same time?

Senator Cormann: No, I wasn't.

Senator KITCHING: It was sponsored travel by Anson Bond, and Anson Bond of course is the migration and PR event company who organises Singaporeans and Malaysians to go visit his lobster farm—

Senator Cormann: I had absolutely no awareness of that whatsoever.

Senator KITCHING: the one where there are commissions gathered et cetera by Mr Goodenough as business partners.

Senator Cormann: It was a purely private trip.

Senator KITCHING: So you didn't see any other parliamentarians on those three trips in Singapore?

Senator Cormann: Not that I can recall, no.
Senator KITCHING: Were you facilitated by the mission?
Senator Cormann: No.
Senator KITCHING: So you didn't have any contact with DFAT staff?
Senator Cormann: I would, as a courtesy, let them know that I'm in country. I would not ever have any expectations of any facilitation. I think on one occasion I might have caught up for a drink with the ambassador at the time, but I don't think that that was any of these three trips.
Senator KITCHING: They didn't meet you at the airport or do the facilitation.
Senator Cormann: No.
Senator KITCHING: And there were no onward flights. It was just Perth international to Singapore to Perth international.
Senator Cormann: There was no onward travel in terms of what was booked through this private arrangement. On one occasion—and I have to get the dates—I travelled back with my family to Perth, left them at home and then went back to the airport for a separate official visit overseas, but that was completely unrelated.
Senator KITCHING: Do you remember which trip that was?
Senator Cormann: I'd have to take that on notice.
Senator KITCHING: And there were no upgrades.
Senator Cormann: I was asked a question whether at any point Helloworld organised an upgrade through frequent flyer points, and I'm 100 per cent certain that they did not. I've taken on notice the question, in relation to all of my travel, who that was with and what the arrangements were. The travel in January 2018 was definitely an economy-class fare and economy class travel with Singapore Airlines.
Senator KITCHING: Could we move now to the procurement process itself.
Senator McALLISTER: Ms Huxtable, I want to go back to the answer you provided to Senator Wong before the break in relation to Mr Burnes' complaints about the robust process that your department was conducting. He rang your office directly and he left a message for you, and you returned his call. At the time that you spoke with him, where was the procurement process up to?
Ms Huxtable: At that time I believe the procurement process was pretty much complete, so the process of negotiation around value-for-money outcomes were pretty much complete and were very close to finalising the procurement.
Senator McALLISTER: What date was that?
Ms Huxtable: Because it was a phone call, I don't have a clear note on it, but my recollection was that I rang him around 12 July.
Senator McALLISTER: Was that last year?
Ms Huxtable: It was the year before.
Senator McALLISTER: It was 2017.
Ms Huxtable: Yes, that's right. It could have been the 11th, it could have been the 13th, but it was around that time.
Senator McALLISTER: And so when you say that you were into the negotiations, a preferred tenderer had been identified by that point.

Ms Huxtable: Yes. We were past that point, in a sense. The officers can take you through the more detailed time line. In fact, the minister has provided that to the committee already, but if you look at that more detailed time line—

Senator Cormann: As I answered previously—I have the timetable here—26 May 2017 was when AOT, I'm advised, was selected as the preferred tenderer and I'm also advised that by 28 June there were negotiations with the preferred tenderer to prove the value-for-money position had been finalised and that the delegate had approved the negotiation strategy and outcomes. That was 28 June 2017.

Senator McALLISTER: So by 12 July this selection process had effectively been concluded.

Ms Huxtable: Yes, that's correct.

Senator McALLISTER: You said that Mr Burnes raised concerns with you that he felt the negotiation process had been very robust and he said that he didn't wish to make a formal complaint but he wanted you to receive feedback. What was that feedback?

Ms Huxtable: It's a phone conversation that happened quite a long time ago. My recollection is that he felt that in the process of the negotiation—to be clear, the way in which it works, and the officers have more information about this than I do, is that there's an evaluation process that's conducted by an evaluation committee which comprised in this instance and generally does comprise representatives from other organisations. That forms the basis for the evaluation report. Following that, there are then negotiations to improve the value-for-money position. The officers can take you through that. My recollection is that he felt that, in the process of those negotiations, which was after the preferred tenderer had been selected and then there were value for money negotiations occurring, there were times when they hadn't had the opportunity to properly consider the offer that was being put to them. They didn't have enough time, and he felt that the Commonwealth had driven a very hard bargain in its negotiation.

Senator McALLISTER: So the complaint was, essentially, that it was a tough negotiation that was perhaps not procedurally fair to them as the preferred tenderer, specifically because of timing issues?

Ms Huxtable: I don't think he used those words. He wanted to give me feedback on the process as he saw it but he didn't wish to make a formal complaint about the process.

Senator McALLISTER: Did he raise the behaviour of any staff in your department in that conversation?

Ms Huxtable: I don't recall precisely that. Certainly, he had some concerns about whether the evaluation team had given them enough time to consider their position.

Senator McALLISTER: Who led the evaluation team?

Mr Hunt: The evaluation team would have been led by the assistant secretary of the procurement management branch. As Ms Huxtable said, the evaluation team consisted of representatives from a relatively large number of departments: Environment and Energy,
Human Services, Defence, the Australian Bureau of Statistics and—then—Immigration and Border Protection. That evaluation occurs very much in a closed off circumstance.

**Senator McALLISTER:** I don't need to be reassured on that point, though perhaps we might come to it later.

**Senator KITCHING:** Initially there was five companies. Did all five companies share—

**Senator Cormann:** I think there's a misunderstanding here. You're going on the basis of what Senator Wong said earlier. That was actually not an accurate presentation. The contract that was let following a proper arms length competitive tender process back in 2012, and subsequently extended and then tendered, was the same contract. The issue that Senator Wong referred to relates to different contracts altogether.

**Senator KITCHING:** It was extended to 2015, is that correct?

**Senator Cormann:** No. This contract that we're talking about here was issued in 2012, initially for a period of three years with an option to extend by a further two years and it was extended to 2017. The issue that you raise there is a separate issue altogether.

**Senator KITCHING:** I understand. What I want to know is how many companies tendered.

**Mr Hunt:** I may have to take that on notice but there were a number of companies. It was a competitive process and there were a number of companies that made it through to the evaluation process.

**Senator KITCHING:** How many?

**Mr Hunt:** We will check.

**Senator McALLISTER:** You said that the person who led the evaluation team was the assistant secretary. Who was it at that time?

**Mr Hunt:** Ms Collins.

**Senator McALLISTER:** You'll be aware that the article published in *The Sydney Morning Herald* today makes reference to Mr Sheridan. What was Mr Sheridan's role in the evaluation process?

**Mr Hunt:** Mr Sheridan was the delegate. He wasn't directly involved in it. The evaluation occurred, led by the evaluation team, and then a report went to Mr Sheridan for sign off.

**Senator KITCHING:** Is it the secretary's delegate?

**Mr Hunt:** It's the delegate under the internal delegations in the department with the authority to sign off on that particular arrangement.

**Senator McALLISTER:** Is it the evaluation team that leads the post-evaluation negotiations, Ms Huxtable?

**Mr Hunt:** No. It's a separate team, as I understand it—

**Senator McALLISTER:** Who led that team, Mr Hunt?

**Mr Hunt:** Mr Sheridan led the negotiation team.

**Senator McALLISTER:** So we're all on the same page, for the remainder of the conversation, how shall I describe that role that he performed?

**Mr Hunt:** He would have been the head of the negotiation team.
Senator McALLISTER: He was the head of the negotiation team, okay.

Mr Hunt: Essentially, the evaluation determines, of the suppliers who have bid, a relative ranking of them, and it will identify some areas, for example, in the draft contract or the draft deed where there may be a proposition by the supplier to depart from the draft deed that was provided. The terms of the contract, elements of the pricing and the exact service offering are finalised through that negotiation process.

Senator KITCHING: I see. Do you have any extant notes from that period? Does the department hold any notes?

Ms Huxtable: I'm sure there'd be records of the negotiation process.

Mr Hunt: The evaluation team finishes their work and then a detailed negotiation plan is developed, which, essentially, defines the parameters of the negotiation and the elements that will be negotiated on. Then the negotiation follows that negotiation plan. That's something we get our legal and probity advisers to sign off on—that the negotiation was conducted in line with the plan.

Senator McALLISTER: Is the plan developed by the negotiation team, Mr Hunt?

Mr Hunt: It's developed by the evaluation team.

Senator McALLISTER: By the evaluation team, but then implemented by the negotiation team after sign off from the probity team?

Mr Hunt: The independent probity adviser.

Senator McALLISTER: I'm not making light of this; this sounds like a very serious process.

Mr Hunt: It is important.

Senator McALLISTER: It is important. I understand.

Mr Hunt: There are a number of different parties involved who look at it. The probity adviser is an external independent adviser who looks at various steps of the process and signs off that it's in line with the representations that were made for the market.

Ms Huxtable: Can I just add to that: there's also a legal sign off. I'm not sure if you said that?

Senator McALLISTER: He did.

Mr Hunt: The independent legal adviser, yes.

Senator KITCHING: Is the independent external probity adviser external to the department? Is that person from another department?

Mr Hunt: No, it was Maddocks.

Senator KITCHING: Okay, so that's how you do it.

Ms Huxtable: External for—

Senator Cormann: That's in the time table that I previously tabled. It actually references that, 17 May 2017, Maddocks probity and King & Wood Mallesons legal signed off that the process complied with the PGPA Act, the Commonwealth Procurement Rules and Commonwealth policies et cetera.
Senator McALLISTER: Mr Sheridan was leading the negotiation. The *Sydney Morning Herald* says:

Departmental documents and a source involved in the tender suggest Mr Sheridan had annoyed some of the bidders, including Helloworld, when he sought to cut margins and save the government money.

Was that the view he expressed to you, minister? I should say: is that the view Mr Burnes expressed to you when he raised these concerns, noting your earlier answer about how you responded to that.

Senator Cormann: The short answer is no. That is not the view he expressed to me. The view that he expressed to me, as I've indicated earlier, is that he provided feedback that the process was more robust than it had been when he went through the same process five years earlier. I immediately indicated to him that this was not something that I could be involved in, in any way, shape or form, obviously being very conscious, in particular, of his role. I said that the only proper course of action, if he had genuine and legitimate concerns with the process, was to approach the department directly and for the department to make whatever judgement they considered to be appropriate.

Senator McALLISTER: Are you able to provide the date of that conversation?

Senator Cormann: Are you asking me?

Senator McALLISTER: Yes, I am asking you.

Senator Cormann: It would have been towards the end of June. I believe it was after the negotiations with the preferred tender, to improve the value for money position, had been finalised.

Senator KITCHING: Ms Huxtable, you had a discussion with Mr Burnes on around 11 or 12 July?

Ms Huxtable: Yes.

Senator KITCHING: And, Senator Cormann, you think you had a conversation prior to Ms Huxtable's conversation?

Senator Cormann: I said this earlier. What I said earlier was that when I was—and you've got to understand it is in this context: from time to time people approach me in relation to what they perceive to be the way my department does its business. And in relation to procurement processes—the stock standard approach that I take—these are not matters that I can involve myself in, in any way, shape or form. If you want to raise any issues that you believe are legitimate, you need to approach the department directly—but you can't do this through me—which I understand subsequently happened.

Senator KITCHING: Was that the only subject matter of that conversation?

Senator Cormann: It was broadly—and this is consistent with what Ms Huxtable subsequently related about the conversation she separately had. It was broadly that the process had been somewhat more robust and a view—would it perhaps not as fair as what it had been previously.

Senator KITCHING: I have—and I'm happy to table it—a ticket image here and the ticket booking is 13 July 2017. So, the reason I ask you about the subject matter of your discussion with Mr Burnes is: did you discuss or did he make an offer that you should travel, and you made the booking—
Senator Cormann: No.

Senator KITCHING: This would have been for a trip on 6 January to 18 January 2018, but the booking appears to have been made on 13 July 2017—

Senator Cormann: He did not make an offer, no.

Senator KITCHING: When you had that discussion and he was complaining about the process, and Mr Sheridan and whatever else he might have complained about, did he say to you 'Look, do you want to have a trip soon'?

Senator Cormann: No, obviously not.

Senator KITCHING: Don't you think this is all very tight—the dates. Again, there's another coincidence around dates and people—

Senator Cormann: No, I don't accept that. The truth is that every year, in January, I take two weeks off to generally go on holiday with my family and every year, in the second half of the year, in the period July to September, I make relevant travel arrangements, which I've done on this occasion and it was not—you've got to remember, I did not have and I did not seek to have any involvement in any procurement process whatsoever. In relation to this booking, when the booking was made, my credit card was available and my credit card was meant to be charged. This was never intended to be free travel, as was the suggestion today in the media reports. It was always meant to be consistent with past practice—travel that was paid for—

Senator KITCHING: I'm not suggesting about the cost or not of the trip or whatever. I'm asking you that, in the conversation you had, where Mr Burnes was complaining about the procurement process, he also raised the possibility of travel, of booking of travel with you in that conversation—

Senator Cormann: No, he didn't.

Senator KITCHING: Do you have a very clear memory of that discussion?

Senator Cormann: Yes, I have a very clear memory of this—

Senator KITCHING: So, you phoned back again, did you?

Senator Cormann: Let me again—

Senator KITCHING: Didn't you say that you phoned him to make the booking. You phoned the CEO of a—

Senator Cormann: Can I answer?

CHAIR: Senator Kitching, please don't interrupt the answer—

Senator KITCHING: large entity to make a travel booking?

Senator Cormann: You have to look at this in this context: I never, ever have any involvement in any procurement processes. What I do every year, though, is organise travel. It is true, and it's a matter of public record, that Mr Burnes is a friend and that I have, in recent years, organised my travel through Helloworld—that's also a matter of public record—always on the basis of paying my own way for my private travel, on appropriately commercial terms. From where I sit, the steps to organise the family travel for January 2018 were not different to the steps undertaken on previous occasions to organise family travel, and it was completely unconnected to anything else that was going on that I was not involved in.
CHAIR: Senator Kitching, can I seek assistance from you? You're seeking to table this?
Senator KITCHING: I thought Senator Cormann might want to have a reference—
Senator Cormann: Is this document I am holding what you are looking at?
Senator KITCHING: No.
CHAIR: No, it's a different document. My concern is that any kind of identifying or personal information is taken out of this. It is some kind of airline document with lots of different numbers on it that I don't recognise. It could be credit card numbers and membership numbers and stuff like that.
Senator KITCHING: We know there are no credit card numbers on it, Chair.
CHAIR: How do you know that?
Senator KITCHING: Firstly, from looking at it and, secondly, because Senator Cormann has obviously given his credit card numbers and they haven't been processed—as your evidence stands from this morning—
CHAIR: I don't have the confidence that you have, Senator Kitching.
Senator Cormann: I supplied my credit card details—
Senator KITCHING: I'm happy to read it. It is a booking.
CHAIR: Senator Kitching, if you can tell me what all these random numbers and letters are, with confidence, I will be impressed.
Senator KITCHING: These are costs. Perth to Singapore Airlines and then an amount: $272. Then it is Perth and then to other destinations AUS60—
Senator Cormann: What destination?
CHAIR: Senator Kitching, some of the things on there are identifiable, but many of the things on there are not identifiable. It is not clear what all those are.
Senator KITCHING: I was merely trying to give Senator Cormann the benefit of the document—
Senator Cormann: Maybe you can privately share it with me, because I don't know what—
Senator KITCHING: That booking is 13 July. Ms Huxtable has given evidence that she spoke to Mr Burnes on the 11th or the 12th. Senator Cormann has given evidence that around the end of June or around the end of the negotiating period he spoke with Mr Burnes who complained a lot—
Senator Cormann: I was not involved in any negotiations—
Senator KITCHING: and complained sufficiently that it was well known within the company that he was very unhappy and unhappy about Mr Sheridan, and that he was going to get Senator Cormann—
CHAIR: Senator Kitching, I am just to resolve what we are doing with this document. Can we deal with that first, before—
Senator Cormann: Would you mind privately sharing it with me?
Senator KITCHING: I'm happy to privately share Senator Cormann's air ticket with Senator Cormann.
CHAIR: It doesn't look like an air ticket.

Senator Cormann: It doesn't sound like an air ticket if it involved travel to unknown locations.

Senator KITCHING: It says air ticket image.

Senator Cormann: I don't know what you have. What I do know is that I did not travel anywhere other than Perth to Singapore and back. If you're suggesting otherwise, that's not right.

Senator KITCHING: I'm not suggesting otherwise. What I'm saying to you is that the booking was 13 July 2017 and Ms Huxtable has given evidence that at approximately around that time she took a phone call from Mr Burnes—on the 11th or 12th.

Ms Huxtable: No, that wasn't my evidence. It was that I returned a call.

Senator KITCHING: Whatever your general discussion might be about booking the travel?

Senator Cormann: I've answered that question and the answer is a categorical no. These were completely unrelated and distinct conversations. The truth be told, I was not aware when Mr Burnes rang the secretary and I was obviously not party to the conversation. I did not make any—

Senator KITCHING: But didn't you tell him.

Senator Cormann: Sorry?

Senator KITCHING: When you phoned him up, let's say you did have a conversation at the end of June or whenever—and we can go back to the Hansard—and you said 'I can't have this discussion with you.' Isn't this your evidence: 'I can't have this discussion with you,' and you said 'But you could phone the department and have a discussion with them about the process.' Is that correct, firstly?

Senator Cormann: I have already made this point. I made it very clear when concerns were raised with me in the way that I've already described, that my immediate and clear reaction was that this is not something that I can deal with. The only appropriate course of action available to you, if you believe that there is a legitimate grievance, is to take that up within the processes of the department.

Senator KITCHING: And he did.

Senator Cormann: Sure.

Senator KITCHING: He phoned Ms Huxtable and Ms Huxtable returned the call approximately on 11 or 12 July. Is that correct?

Ms Huxtable: Yes.

Senator KITCHING: On 13 July you make a booking for travel. I'm asking you: in that conversation was there a discussion not just about the procurement process but also around
travel? But you are saying that you had another conversation with him—lots of conversations with Mr Burnes; very cosy.

Senator Cormann: It's not very cosy.

Senator KITCHING: You had a discussion with him again, where he took your airline booking—the CEO of an ASX-listed company.

Senator Cormann: It is true that at some point in July I made my booking for private travel in January 2018. That's right.

Senator KITCHING: In July.

Senator Cormann: That's a fact.

Senator McALLISTER: Can I try this another way, Senator Cormann? After Mr Burnes and Ms Huxtable had the conversation that she's spoken about to the committee, did Mr Burnes speak to you again about the matters that he'd raised or about the conversation that he'd had with Ms Huxtable?

Senator Cormann: Not at that time. I'm aware that subsequently—and this is well after the process was finalised, later that year—there was a debriefing session of sorts, in November or December or something. That is the only other awareness I have.

Senator McALLISTER: My apologies, a debriefing session involving who?

Senator Cormann: This is involving the secretary of the department—

Senator McALLISTER: And yourself?

Senator Cormann: No, not involving me at all. No, no, no.

Senator McALLISTER: My question is about conversations with you, Minister. So Ms Huxtable and Mr Burnes have a conversation on 11 or 12 July. Is there any subsequent conversation of any kind between yourself and Mr Burnes in relation to the procurement process?

Senator Cormann: I don't believe so. I mean, the only conversation I've had at any time is that these are not matters that I can assist with because these are matters that are appropriately dealt with by the department.

Senator McALLISTER: It goes not to content but to whether or not a conversation took place.

Senator Cormann: My recollection is that I had an initial conversation. I was approached with some feedback about aspects of the process, which were broadly described as more robust and perhaps less fair than he perceived to have been the experience on the previous occasion, some five years earlier. I made clear that there's nothing that I could do in relation to this, because there was a process—

Senator McALLISTER: This is the first conversation, and I'm asking if there was a second one after he spoke to Ms Huxtable.

Senator Cormann: I did not have any further conversation that was in any way different.

Senator McALLISTER: I see. So you're saying you may have had another conversation, but your response was the same?
Senator Cormann: There may have been; I don’t specifically recollect a conversation. But what I can say to you absolutely categorically is that at no point did I, in any way, shape or form, engage with the substance of the tender, negotiation or contracting process. These were matters that were handled appropriately, entirely independently and at arm's length, by the department.

Senator McALLISTER: I think that you said earlier that Mr Sheridan was not directly raised with you by Mr Burnes in that conversation that took place towards the end of June.

Senator Cormann: He raised with me the general robustness and his perceived experience during the process, which I gather he subsequently raised with the secretary, which was the appropriate thing for him to do.

Senator McALLISTER: Ms Huxtable, when you spoke with Mr Burnes, did he raise concerns with you about Mr Sheridan specifically?

Ms Huxtable: I think I answered that already.

Senator McALLISTER: My apologies.

Ms Huxtable: It's some time ago, so recollecting all the detail—

Senator McALLISTER: Of course.

Ms Huxtable: My recollection is that he had concerns about the way in which the negotiations, post a preferred tenderer being selected and into the negotiation phase, were conducted. Whether he raised Mr Sheridan directly, to be honest, I don't have a really strong recollection of that. The discussion we had at that time—and certainly I do have a strong recollection of this—is that I immediately asked him if he wished to make a formal complaint about the process.

Senator McALLISTER: And he said no?

Ms Huxtable: And he said, no, he wanted to give me feedback on the process. Pursuant to that, and further to what the minister has said, I said to him, 'At some point down the track it would be good if we could have a meeting for several reasons.' One was that he could provide me further feedback, noting it was a phone conversation. I hadn't met him. He was a supplier of whole-of-government services, and so I was very keen to be open. And I did have that meeting—

Senator McALLISTER: And that's the debrief that the minister referred to?

Ms Huxtable: The minister referred to it as a debrief. I would say that that meeting covered a range of things about the services they provide. It was a sort of meet-and-greet in a sense. And that meeting occurred in November.

Senator McALLISTER: For clarity, was Mr Sheridan's involvement in the contract raised at that point?

Ms Huxtable: I think that, in that sit-down meeting, he raised a range of issues, and I think he probably did say that he thought that John was very forthright in his negotiation approach.

Senator McALLISTER: He was 'forthright'. In relation to the first conversation that you had with Mr Burnes in July, what did you do as a consequence of that conversation? Did you take any action?
Ms Huxtable: Well, Mr Burnes had made clear that he didn't wish to make an official complaint.

Senator McALLISTER: Yes, I understand.

Ms Huxtable: I didn't have very great visibility of the process, as I wouldn't expect to. I did ask the relevant deputy secretary, who is sitting next to me, to have a look—

Senator McALLISTER: That was Mr Jaggers at that time?

Ms Huxtable: That was Mr Jaggers at that time. He was acting in the position at that time. I did ask him to have a look at the probity sign-off, and that was really the extent of it. The reason I did that is that I wanted to assure myself that the process had been conducted in alignment with the probity requirements—the probity adviser, the legal sign-off, basically the whole process.

Senator McALLISTER: Was it your view that the issues being raised by Mr Burnes went to probity?

Ms Huxtable: Well, no. But the reason I asked—

Senator McALLISTER: It's confusing that your instruction was at that point—

Ms Huxtable: The reason I went to that is that the probity process basically covers the way in which the evaluation is being conducted. When we say 'probity', it's small-p probity, I guess, to ensure that, at every step in the process, there have been the appropriate sign-offs—that there's authority. That had been obviously conducted for the duration of the tender.

Senator McALLISTER: But that wasn't the nature of the complaint being made by Mr Burnes, was it?

Ms Huxtable: Well, he was raising issues around the process. The only place I could go to assure myself was to go to the process, and the probity arrangement is really the thing that underpins the process.

Senator McALLISTER: Including the negotiation process?

Ms Huxtable: Yes.

Senator McALLISTER: Mr Jaggers, what did you do upon receiving that instruction from Ms Huxtable?

Mr Jaggers: I spoke to Mr Sheridan and asked for a copy of the probity plan and—

Senator McALLISTER: When was that, roughly?

Mr Jaggers: It would have been around that 13 July sort of period.

Senator McALLISTER: So immediately?

Mr Jaggers: Yes, that's right, Senator. I also asked to see the probity adviser's sign-off. The probity adviser's sign-off will usually contain detail about what steps the probity adviser has taken to ensure that the process that was undertaken was done in accordance with the evaluation plan and in accordance with the agreed steps in the process. That was provided to the secretary.

Senator McALLISTER: Sorry, did you say you spoke to Mr Sheridan?

Mr Jaggers: Yes.
Senator McALLISTER: What did you tell Mr Sheridan? What did you ask him about? What was the purpose of the conversation?

Mr Jaggers: I just asked him for the details to be provided, and my recollection is that I didn't provide a lot of context about it.

Senator McALLISTER: I see. You sought his assistance to gain access to the probity information?

Ms Huxtable: I'd requested the probity information, and Mr Jaggers requested the probity information.

Senator McALLISTER: From?

Ms Huxtable: From Mr Sheridan.

Senator McALLISTER: Thank you.

Ms Huxtable: It's just a normal process.

Senator McALLISTER: The article that's published in the Herald today states, amongst other things—and the writers assiduously name both their sources. They say 'a source' within the department and internal 'department documents' confirm concerns about Mr Sheridan. Specifically, they say they 'suggest Mr Sheridan had annoyed some of the bidders, including Helloworld'. Do you know what departmental documents the article may be referring to, Ms Huxtable?

Ms Huxtable: No, I don't know what documents.

Mr Jaggers: No, Senator.

Senator McALLISTER: There are no such documents in the department that suggest that Mr Sheridan annoyed bidders when he sought to cut margins and save the government money?

Ms Huxtable: Not that I'm aware of.

Senator McALLISTER: So, if we do an FOI, it won't produce any documents of this kind?

Ms Huxtable: There are no documents that I'm aware of, Senator.

Senator Cormann: Incidentally, the outcome, which was conducted appropriately—in the appropriately competitive, arm's-length way—did deliver better value for the Commonwealth. It did further cut the cost of these services for the Commonwealth. Indeed, the APM booking fees were reduced by another 42 per cent, leading to a $4½ million a year saving on top of the $63 million saving that had already been secured previously over the five years of the previous contract.

Senator McALLISTER: Mr Jaggers, just to close off your part in this story: you obtained the documents via Mr Sheridan. You reviewed them?

Mr Jaggers: Yes, I did review them.

Senator McALLISTER: Then you provided advice to Ms Huxtable; is that correct?

Mr Jaggers: Yes. The documents—

Senator McALLISTER: Was it written advice?

Mr Jaggers: No. I provided the documents to Ms Huxtable—
Senator McALLISTER: That was the extent of your role?

Ms Huxtable: There was probably another step in there. When I asked for that process of advice, I asked Mr Jaggers to just have a look at it, to assure himself that it was all consistent with the evaluation plan and the probity plan. I think actually what you did was say that you had assured yourself.

Mr Jaggers: Yes.

Senator McALLISTER: Sorry, I couldn't catch that last part.

Ms Huxtable: My recollection is that I didn't actually look at the probity—the documents—myself. I asked Mr Jaggers to assure himself, and he did, and he advised me that he had assured himself.

Senator McALLISTER: That's your recollection of the events also, Mr Jaggers?

Mr Jaggers: It is. I did look at the documents. I did review the content of them and did assure myself that the process had been conducted in accordance with the original plan.

Senator McALLISTER: Okay. I'd like to ask Mr Sheridan a couple of questions. Is it possible for him to come to the table?

Ms Huxtable: Sure.

Senator McALLISTER: I apologise, Mr Sheridan. It is, I'm sure, difficult to be the subject of such a lengthy discussion. I just want to ask you a couple of questions. I'm sure you're aware of the article and you'll have read it. Are you aware of any departmental documents that suggest that you might have annoyed bidders when you sought to cut margins and save the government money?

Mr Sheridan: No, Senator, I'm not aware of any such documents.

Senator McALLISTER: You were involved in the ways that Ms Huxtable and Mr Jaggers described when Ms Huxtable was reviewing the probity arrangements? They sought your assistance in obtaining those documents?

Mr Sheridan: Mr Jaggers sought the documents from me, which I provided. I wasn't aware that the secretary was involved. Indeed, until this morning, I did not know that the secretary had spoken to Mr Burnes.

Senator McALLISTER: The journalist indicates that questions to you were directed towards the department's media organisation. You were aware that this story was coming, I suppose, Mr Sheridan?

Mr Sheridan: On 30 January, I received a letter addressed to me at the department privately and confidentially. I opened the letter. I read the contents, which were a request for an off-the-record interview by the journalist. Within five minutes I had given it to the deputy secretary, and that was, to my mind, the end of the matter.

Senator McALLISTER: The article refers to you having been 'moved sideways'. You are not in the role that you were previously—that's correct?


Senator McALLISTER: After the contract was concluded? When did it change?

Mr Sheridan: The change date was 24 July, when I ceased being responsible for whole-of-government non-ICT procurement and became responsible for the internal IT work of the
department as well as the other whole-of-government ICT services I had been providing for some time.

Senator McALLISTER: Do you consider that a normal change?

Mr Sheridan: I think that, like all senior executives, I work under the direction of the secretary, and it was quite reasonable for the secretary to move me around whenever she felt the need. I'd worked in whole-of-government procurement in IT procurement since 2008 and in non-IT procurement since 2013, and I was able to move to something that I particularly enjoyed.

Senator McALLISTER: So you are, as the reporter describes you, a 'veteran'? You won't take that offensively?

Mr Sheridan: I'm certainly old!

Ms Huxtable: We're all veterans!

Senator McALLISTER: You are well experienced in the procurement space, Mr Sheridan?

Mr Sheridan: I did it for a long time, Senator.

Senator McALLISTER: All right. I just wanted to confirm those details. I don't require any further from you, I don't think. Do you, Senator Kitching?

Senator KITCHING: No, I don't think so. Thank you.

CHAIR: Can I just seek some guidance about how much more time we'll be spending on this matter? We haven't really proceeded through the program as scheduled, and we haven't really begun on outcome 1.

Senator KITCHING: I want to ask some questions just around some of the details of the cost of the trip.

CHAIR: Is it just Senator Kitching who has further questions on this, or, Senator McAllister, do you also have further questions?

Senator McALLISTER: I think it is probably the case that we need another half-hour. Would that be your best guess, Senator Kitching?

Senator KITCHING: I'd be surprised if we weren't able to conclude it in that time. Does that assist?

CHAIR: Thank you. It does.

Senator KITCHING: Senator Cormann, I'm happy again to share this with you. I'm expecting some more copies to come up, by the way, but I'm happy to share this with you. I think the figure in the Sydney Morning Herald article was the total cost of these tickets—or you've repaid $4,778? Is that—

Senator Cormann: Two thousand, seven hundred—

Senator KITCHING: Sorry. You've repaid $2,780.82?

Senator Cormann: Yes. I've got to say that, when I was first approached by the journalist yesterday—and I was still working on the basis that the airfares had been paid—the cost that was put to me by the journalist was $2,560.02, which apparently was based on some internal document, which I've only ascertained subsequently, in one part of the internal system within
Helloworld. It was not actually the cost. The $2,560.02 understated the actual cost. The actual cost to me of this trip was $2,780.82.

**Senator KITCHING:** I think that, when you add those up, it comes to $4,778. I'm just wondering—

**Senator Cormann:** Say that again.

**Senator KITCHING:** The total of these tickets appears to be $4,778.

**Senator Cormann:** I don't see that.

**Senator KITCHING:** When you had the discussion yesterday about the amount that was owed or that you were going to pay back, how did you arrive at that? How did you assure yourself that the amount you paid, $2,780, was the amount?

**Senator Cormann:** It went like this. The journalist rings me and says, 'We believe that there is an amount outstanding which is recorded within'—words to that effect; I haven't got the right words. They were words to the effect: 'There is, to this day, an amount that is left unpaid and that is recorded within the Helloworld system as unpaid involving travel for you and your family to Singapore.' I said: 'I find that very hard to believe because, while I have undertaken such travel privately on occasion, I have paid my own way. I provided my credit card for payment to be processed.' My recollection is that the particular trip that he was referencing had been paid. But, given that the suggestion was made, I said that I would verify my records.

Given the time lines involved, the only way I could verify, to satisfy myself that the payment had indeed been made, was to ring Helloworld, which I did. I've got to say that the initial response I got from Helloworld was also that their recollection was that the payment had been made. It turns out, on further investigation, that the payment for the air fares booked in July, even though my credit card had been supplied and the instruction given for the payment to be processed against my credit card, that that had not happened, as a result of an administrative error within their accounts department, which is, of course, what the chief financial officer of Helloworld has since also confirmed in writing. I then asked—I said, 'Before we do anything else, now that I'm aware that there is an outstanding amount that is due and that remains unpaid, before we deal with any other issues, I want to make sure that that payment is processed as soon as possible. What is the outstanding payment amount?' The advice that I received was that the outstanding payment amount was $2,780.82, and the letter that I received from Helloworld today, among other things, certifies that that payment of the full outstanding amount has now been processed. I don't know the status of the ticket advice within their system; I don't know what is and what isn't included. All I can say is that, having asked the question and having asked them to verify that payment had been made, the advice back to me was that the outstanding amount on investigation was $2,780.82, which payment was processed yesterday.

**Senator KITCHING:** Have you asked them, if there needs to be any further reconciliation, to phone you, or for Mr Burnes to phone you?

**Senator Cormann:** I have been advised this is the only outstanding payment. I assume that if there was any other outstanding payment, given the events of the last 24 hours, that that would have been brought to my attention. I do know for certain that previous trips were
properly processed against my credit card, as this one should have been, and as I asked for this one to be.

Senator KITCHING: Do you know if all of the ticketing information had staff and family travel? It says, 'Customer'. I'm happy to share this document with you.

Senator Cormann: It's obviously been—I mean, that question was put to me—

Senator KITCHING: It says, 'Cormann: Staff and family travel'.

Senator Cormann: The question was put to me by the journalist yesterday. It's obviously mentioned in the article today. The honest truth is that I obviously don't know what their descriptions of their internal ledgers are. From my perspective, I booked travel, I provided my credit card details to pay for the travel, I asked for the payment for the travel to be processed on the credit card details that I provided, and I was completely oblivious when asked yesterday morning—I was completely unaware that payment hadn't previously been processed.

Senator KITCHING: When you had the conversation and you were booking the travel, were you given an amount? Were you given a cost or did you just say, 'Book it on the card'?

Senator Cormann: I would have been given a cost and I would have said, 'Yep, that's it; that's great, let's go for it.' Like, 'Let's book it'.

Senator KITCHING: So you didn't check for a couple of years?

Senator Cormann: Well, I understand that question. What I would put to you—and obviously with the benefit of hindsight, I wish I had—but the truth is that in this job we do travel a lot, we spend a lot of time in a great variety of hotels, there's a lot of travel that goes through my credit card. I should have verified but this was a booking that was made in July for travel in January. I did not go back to verify that what I thought had happened did, indeed, happen. To be fair, my normal experience in these sorts of circumstances, when there is an outstanding payment—and from time to time when I'm away from home for a period, there could be delays in paying the water bill or the electricity bill—my usual experience in these circumstances is that I receive a reminder notice. And I can say that, in the whole period when apparently—I now find out—this travel was recorded as, like, payment still outstanding, at no point did I receive a reminder notice. Obviously somebody in the business must have been aware that it was unpaid, because presumably that is how the information got into the public domain. I wish they had approached me to follow through on the outstanding payment rather than to provide me with a reminder notice through the media, but that is the way it happened. But I can only explain what happened from my point of view.

Senator KITCHING: Was any accommodation or ground transport or were any trips or anything booked as well?

Senator Cormann: Accommodation was paid for directly at the hotel. With 'ground transport', do you mean taxis and the like?

Senator KITCHING: Or car hire—you know sometimes you can book all sorts of things and add—

Senator Cormann: No, hire car and no other—

Senator KITCHING: Singapore Zoo tickets, for example.
Senator Cormann: We did go to the Singapore Zoo with our kids, but those tickets were bought at the entrance walking into it.

Senator KITCHING: So you didn't book your accommodation through Helloworld?

Senator Cormann: The accommodation would have been booked through Helloworld, but paid directly to the hotel.

Senator KITCHING: Do you know if that was on a staff and family account as well?

Senator Cormann: Again, all of the travel, I have been assured, was entirely on a commercial basis. There was no special discount. I understand that the description of the ledger is what it is. I was completely and utterly unaware of that fact. All I can say is that I paid for private travel on commercial terms.

Senator KITCHING: I'm just going to ask you again: are you aware of any other parliamentarians who have booked any travel—I'm going to include accommodation as well—with Helloworld?

Senator Cormann: I'm not aware.

Senator KITCHING: You haven't discussed it? It hasn't come up at a dinner or—

Senator Cormann: Not that I can recall.

Senator KITCHING: And Mr Burnes' name has never come up in a discussion you've had—you and Ms Huxtable have never discussed him?

Senator Cormann: I did not approach Ms Huxtable in relation to Mr Burnes. At some point, and this is in relation to procurement more generally, I asked the question, on a hypothetical basis, 'If somebody involved in a procurement process—bearing in mind that I do not want to be involved and I cannot be involved—has what they believe is a legitimate inquiry in relation to a procurement process, what would be the proper and appropriate way for them to pursue that, bearing in mind that I cannot be involved in any way, shape or form?' The advice I received, in the context of a hypothetical circumstance, not referencing a particular name with Ms Huxtable, was that the most appropriate course of action would be for them to call her as the secretary of the department.

Senator KITCHING: Was that in approximately the middle of 2017?

Senator Cormann: To be honest, there have been a number of similar conversations. Over the years, other people involved in procurements have approached me in relation to their perceived experiences. I can't stop people approaching me, explaining their experiences to me. I guess what matters is how I respond to it from there.

Senator KITCHING: Yes.

Senator Cormann: I invariably—it's my stock standard approach—refer them to the department and the departmental secretary in the first instance. There were some people, as part of a conference somewhere, that raised what they perceived to be systemic issues and I raised systemic issues with Ms Huxtable, which I believe has led to the establishment of a consultative forum, which Ms Huxtable can talk about, to engage with businesses that are involved in government procurement. But that is completely unrelated to this particular instance.
**Senator KITCHING:** Yes. At the time that you had the hypothetical discussion about what's the process if someone was unhappy about procurement, was the government travel procurement process the only one—

**Senator Cormann:** No, this is what I'm saying to you. At various times in recent years, when—

**Senator KITCHING:** You understand what I'm asking: could Ms Huxtable have excluded others and known which one to which you were referring?

**Senator Cormann:** I did not raise Mr Burne with Ms Huxtable in the context of a hypothetical example, if that's what you're asking me. What I can say is that, at various times over a number of years, I received feedback about the perception of people engaged in government procurement, about how the Department of Finance engaged with business through those processes. Perhaps putting it positively, at various times the perception was what if there was an opportunity for more consultative processes, in a generic sense, which I think is something that Ms Huxtable, off her own bat, decided to pursue through a consultative committee with relevant stakeholders in the sector.

**Ms Huxtable:** That's correct.

**Senator Cormann:** I think that you might want to ask Ms Huxtable about this.

**Senator KITCHING:** Ms Huxtable?

**Ms Huxtable:** Yes; that's correct. I'd need go back and remind myself of the actual dates—note that I became secretary in October 2016, in an acting capacity—but I certainly was aware of feedback from the broader procurement sector that they felt that they didn't have adequate opportunity to engage with the department. I had a meeting, in fact, with one of the—these aren't suppliers; these are industry bodies, sort of peak organisations. I had a meeting, I think towards the end of 2016, with one of the people involved in that. Listening to the issues that they were raising, I thought it was very important that we had a very open and collaborative way to engage on procurement issues. I'm talking about procurement policy issues.

**Senator KITCHING:** Ms Huxtable, I was lucky enough to be the deputy chair of the Select Joint Standing Committee on Government Procurement where we had the benefit of Mr Sheridan's evidence, so I understand—

**Ms Huxtable:** You know about the roundtable?

**Senator KITCHING:** Yes; we had quite extensive evidence from the department. The broad answer is best, but—

**Ms Huxtable:** Just to finish—I won't take long. I did seek to establish a procurement consultative roundtable. I'm not sure exactly when it first met. One of the officers might be able to help me. It continues to meet. In fact, we've sort of revamped it a bit in recent months. We had a meeting the week before last, two weeks ago. One of the things I'm really trying to achieve is to enable a more strategic dialogue, not just with us but across government, and so at that meeting there were also representatives—in fact there were secretaries from the infrastructure department and the jobs and small business department, and representatives at a deputy secretary level from Defence and Industry and Foreign Affairs. It was a very rich discussion that focused on innovation in procurement, in particular, and that's the process that
we will continue. There's a range of things in the procurement space I could talk about, and you can certainly come back to them under the appropriate outcome.

**Senator McALLISTER:** I think we're probably coming to the end of what we can usefully explore, but I do want to ask you this, Minister: you've said that there are some things that are regrettable, that you would have done differently, and they go particularly to the payment of your outstanding account. I want to ask you whether there are any other things about the circumstances that have been explored today that you think are regrettable?

**Senator Cormann:** One of the things that I think is regrettable is that the line of questioning today seems to imply that certain businesses and certain people should be excluded from competing for business with government, even though that can actually help drive down the cost of providing those services for taxpayers and the cost of providing those services to the Commonwealth. I believe that Commonwealth procurement must be conducted with the utmost probity and integrity, but I also believe we need to draw from the broadest possible pool of potential suppliers in the relevant circumstances to get the best possible deal.

Some of the propositions that were put to me by Labor and Greens senators today would suggest that a business should be excluded if one of their officers has a political affiliation with the Liberal or National parties. I would throw the question back to you: can you give an absolute guarantee that during your period in government no business ever successfully tendered for government work, through a competitive tender process, where that business or the individuals involved made donations to the Labor Party or were office bearers in the Labor Party? I suggest to you that you can't. I'm not even suggesting that there's anything wrong here. We've got to make sure we don't throw the baby out with the bath water here. I've just got a reference here. Some of the questions did go to this point. The suggestion was made: because of donations to an office bearer in the Liberal Party, should they be excluded?

**Senator McALLISTER:** I think that might have been Senator Waters.

**Senator Cormann:** Senator Waters, and I think there were some questions by Senator Wong which raised donations. Just for the benefit of Senator Waters, in response to her question, I would just make this point. The Commonwealth Electoral Act says:

A person must not discriminate against another person on the ground of the making by the other person of a donation to a political party, to a State branch or a division of a State branch of a political party, to a candidate in an election or by-election or to a group:

(a) by denying him or her access—

(b) by not allowing him or her to work or to continue to work—

et cetera. I don't think we want to go down the path where people are excluded from participating in tender processes—

**Senator McALLISTER:** No, Minister.

**Senator Cormann:** through a proper open and merit based competitive process, because of their association with a political party. I just wanted to make sure that that was well understood.
Senator McALLISTER: Minister, can I say this: you say that, ideally, we have the broadest possible pool of potential suppliers. The successful supplier in this case is a firm run by an office bearer of the Liberal Party, a regular donor, a person who organises fundraisers for the Liberal Party, a person whom you have on speed dial for your personal travel arrangements, a person who provides charter flights for other members of the government to fly around the country. Do you think that other travel providers in this country would look at today's evidence and think: 'Yes, I've got a fair go?' Do you think they would think they have any hope whatsoever of winning business if that's what it takes to win a contract?

Senator Cormann: I completely reject the proposition of 'that's what it takes'. I would again point out—and I know that you want to ignore this point, but it's a very salient and material point—that the same business, AOT, the same individual, Mr Burnes, having participated in a competitive tender process at arm's-length from the government of the day—

Senator McALLISTER: I can tell you that, when flying around, they weren't flying Labor ministers around the country—

Senator Cormann: If I can finish—secured this contract in the first instance, a contract of up to five years, back in 2012. That contract was a good contract then. I'm not suggesting any wrongdoing whatsoever. But what you seem to deliberately ignore is that the service provider was the existent holder of the contract and it was a contract that was signed up to in 2012.

Senator McALLISTER: But he had 65 per cent at that point, not 100 per cent.

Senator Cormann: I don't know that that's correct.

Mr Hunt: That's not right. I think there's a conflation of two different procurement processes. One is related to the whole travel management, but the accommodation management provider was a single supplier with AOT under the previous contract, and then the competitive process this time—

Senator McALLISTER: But, Mr Hunt, it's the case that the other contract that you refer to was previously held by a panel of five companies and now this company has all of that business. That was a decision made in 2014—

Senator Cormann: No, no, no.

Senator McALLISTER: I have your media release and I'm happy to table it.

Senator Cormann: You're mixing different contracts.

CHAIR: Order!

Senator Cormann: It's not the same contract.

Senator McALLISTER: They are different contracts, but they are the same—

Senator Cormann: AOT was not—

CHAIR: Order, Minister!

Senator KITCHING: In fact, it was QBT Pty Ltd at that point.

CHAIR: Senator Kitching, please wait.

Senator KITCHING: Let's say it's—

CHAIR: Order!
Senator KITCHING: Chair, come on! Senator Cormann is being very—

CHAIR: Senator Kitching, order! Before we go any further—

Senator Cormann: Maybe let the—

CHAIR: Order, Minister, please! As much as I dislike senators and ministers talking over each other, I dislike even more senators talking over public servants when they are midway through their answers. Senator McAllister, I acknowledge that's very unlike you! Perhaps we can allow the public servant to finish his answer before ministers and senators slang political points at each other. Minister, did you have anything to add?

Senator Cormann: If I may, before we pass back to Mr Hunt: there are two different contracts. The contract that was relet in 2017 was substantively the same contract as the contract in 2012. QBT, which back then was not part of AOT—

Senator McALLISTER: It is now.

Senator Cormann: held a different contract.

Senator KITCHING: Yes, it did.

Senator McALLISTER: It's just converging—

Senator Cormann: No, the contracts have not converged.

Senator KITCHING: You might like to go back to the media release of 12 December 2014.

Senator Cormann: It does not relate to the tender process in 2017.

Senator KITCHING: That's your media release.

Senator Cormann: It is a completely different contract.

Senator McALLISTER: We understand that, and I think I have made my point. The broader point is that this is not a good message. If you are doing business in this country and what you see is a business out there courting the upper echelons of the Liberal Party with a view to cultivating business arrangements, I think it would be very dispiriting indeed.

Senator Cormann: That is just not accurate.

Senator McALLISTER: We're not going to agree on this.

Senator Cormann: Given that you've made the assertion, I've got to respond.

Senator McALLISTER: You may respond, but I heard the same evidence as everyone else.

Senator Cormann: The process in 2017 followed by the department in relation to substantively the same contract was precisely the same process as in 2012 except that in 2012 there was a Labor government. But the department would have managed its process at arms length from the government then. In 2017 there was a Liberal-National government. Ultimately the same business, and the same individual in that business, was successful in relation to substantively the same contract.

Senator McALLISTER: Did the Minister for Finance in 2012 have their CEO on speed dial? I don't think so—and that is a very important distinction.

Senator Cormann: I disagree, because I did not have any involvement in this procurement process. And I don't think that anything that has arisen today in any way detracts
from that firm evidence that I have given consistently now. I did not seek to influence, and I did not influence, this tender process. Let me make this final point. The reason there was a level of feedback about the robustness of the process is that, under our government, we actually got a better deal for that process. The officers in the department did their job, and nobody prevented them from doing their job. They did their job properly, professionally and independently, subject to the appropriate probity arrangements, and the taxpayer got the best possible deal and a better deal than the taxpayer got in 2012.

Senator KITCHING: Helloworld has a profit margin of about $21 million. It is making that profit because it has lucrative government contracts. And, of course, some of that money is going back into the Liberal Party in the form of donations. So you can understand why people think it is a bit cute and cosy.

Senator Cormann: So you are suggesting that no business that makes donations to the Labor Party has ever been successful in securing a contract? So Maurice Blackburn—

Senator KITCHING: What I am saying to you is that in this instance, where you are on the staff and family account, has lucrative contracts and it is giving back money to you. In fact, he is spruiking an upcoming fundraiser will. He is one of the hosts.

Senator Cormann: If you want me to provide you with a list of businesses who have profitably secured business having made donations to the offices of the Labor Party, I am quite happy to. People are entitled to participate in the democratic process.

Senator KITCHING: You say in the foreword of the Commonwealth Procurement Rules that there is accountability and transparency. That is in your own foreword.

Senator Cormann: Well, there is accountability and transparency.

Senator KITCHING: We had this discussion last night about the gifts register and the fact that no minister, other than the former Prime Minister Malcolm Turnbull and Senator Fierravanti-Wells, has made a single disclosure or paid any money to the Collector of Public Monies. This is another example; it is just that you have now repaid it. Otherwise, it would be caught under that rule.

Senator Cormann: I completely reject that proposition. The travel that I undertook was never a gift and it was never intended to be a gift.

Senator KITCHING: Well, maybe will write to the Collector of Public Monies and ask them to do an audit of the fact that this ministry has actually never made—no one has made any disclosures.

CHAIR: Order! Senator Kitching, you are constantly speaking over the minister and officers at the table.

Senator Cormann: Senator Kitching, you are not interested in the fundamental—

Senator KITCHING: Minister, you say everyone has complied—and obviously you hadn't complied either.

CHAIR: Order! Senator Kitching, it is really unhelpful for you to constantly talk over the minister and others at the table when they are providing evidence. You are entitled to ask questions as robustly as you like, but after asking a question please pause for a deep breath to allow them to answer a question. And if you wish to ask follow-up questions, please do so.

Senator KITCHING: Can I ask a specific question, Chair?
CHAIR: If the minister has finished answering your previous question.

Senator KITCHING: Minister, if you had not repaid the money yesterday, you too would have been caught as having received a gift over the $300 threshold which you had not declared. You say you didn't realise it, but will you take seriously the discussion we were having last night and the fact that not a lot of your colleagues have actually complied with that?

Senator Cormann: I do take it seriously, but I reject the basic premise of your proposition. I never ever took this to be a gift. I always worked on the basis that this was paid travel. I booked travel with the instruction for the payment for that travel to be processed on my credit card. I had provided credit card details. At no point was there an expectation, in my mind, that this was a gift. It was not a gift. To be frank, I was mortified when I realised that the amount remained outstanding. Let me just say, if it was meant to be a gift, why do you think the business continued to carry it within their system as an unpaid invoice that remained due?

Senator KITCHING: Which, as you say, no-one ever reminded you of?

Senator Cormann: Sure. But, if the intention had been to make it a gift, I put it to you that they would have written it off or something. That's not what happened. It obviously continued to be carried as something that had not been finalised and needed to be finalised. I wish that they had reminded me personally earlier. That didn't happen. So I've got to deal with it as it now sits. But, at the earliest opportunity I became aware that the payment remained outstanding, I immediately paid it.

Senator KITCHING: When you were reminded by a journalist?

Senator Cormann: I wish that the person who advised the journalist had advised me that there was a payment that was due and hadn't been made because I would have made it immediately then. If anyone had reminded me or had made me aware that there was an outstanding invoice or an outstanding amount that remained to be paid, I would have paid it on the spot.

Senator KITCHING: Senator Cormann, you're going to give us the dates of the other travel—

Senator Cormann: Yes.

Senator KITCHING: and any other accommodation or other parts of travel that might have—

Senator Cormann: It's pretty straightforward. Yes.

CHAIR: As there aren't any further questions on this matter, we can now turn to outcome 1. As in previous rounds of estimates, as far as humanly possible we'll try to move through the outcomes in sequential order, noting that no officials of the department will be dismissed, unless by agreement of the committee. We'll start with program 1.1, budget and financial management. Senator Stoker, I think you might have indicated you have questions in this area.

Senator STOKER: I do. It will be nice to actually talk about the MYEFO. Now, at last, we can actually talk about the budget. When we talk about this subject, there's often a focus
on the position of the tax receipts that are coming in for government and the impact of the improvement in tax receipts on the budget position. But I'm interested in the government's efforts to constrain payments growth. Has there been a constraint in payments growth and what affect has that had on the budget position?

Mr Fredericks: Yes, I think it is fair to say that, in recent years, there has been some considerable degree of success in constraining payments, in particular. Of course, when payments are constrained that improves the budget position. I think relevantly for you, Senator, there are two particular indicators of that success in constraining payments. The first one I draw your attention to is the fact that, in the most recent 2018-19 MYEFO, when you compare nominal payments to those as at budget 2018-19, nominal payments across each of the years of the forward estimates or four years reduce. In addition to that, the total for nominal payments over the forward estimates is around $3.5 billion lower over the four years from 2018-19. In our world, that is a very strong indicator of constraint in payments when, across the forward estimates and in total across the forward estimates, the total amount of nominal payments has reduced.

The second indicator that I draw your attention to is one that we have referred to before in these Senate estimates, and that is the payments-to-GDP ratio, which is an important indicator of the level of payments by government. I'd again just note that what MYEFO shows is that, whilst the payments-to-GDP ratio in 2018-19 is 24.9 per cent, that ultimately will fall to 24.6 per cent in 2021, and that is below the 30-year average. The 30-year average of payments-to-GDP is 24.7 per cent. What MYEFO tells us is that, by 2021, the payments-to-GDP ratio will be less than the 30-year average.

Senator STOKER: What does this tell us about the government's performance in repairing the budget by constraining spending?

Mr Fredericks: I think, again, the best thing I can do is just give you some evidence of that performance and, in many ways, it is a consequence of the success of the government in passing a range of budget repair measures. That has been a real focus particularly in the last year or two. So, again, what MYEFO tells us is that the quantum of budget repair measures that have been passed as at MYEFO, in totality, is $56 billion. As at the budget 2018-19, so six months before, that total was $41 billion. Just in the period between budget 2018-19 and MYEFO 2018-19, there has been the passage, effectively, of a further $14 billion worth of budget repair measures.

It's instructive to know some of the more significant ones. For example, the black economy package, combatting illicit tobacco—$3.6 billion in saves; the Social Services and Other Legislation Amendment Act—$1.3 billion in saves; the black economy package—$1.4 billion in saves; and the firmer stance on tax and superannuation debts—$1.2 billion. Most recently, since MYEFO, we've seen the passage of the super package capping fees and banning exit fees et cetera—$1.1 billion.

They're significant saves. They're important for two reasons. They're significant saves in contributing to the budget outcome over the forward estimates, but I should note that a large number of those saves were also structural saves. Frankly, for the Department of Finance and for the budget, we place a premium on structural saves, because they see saves that occur not just through the forward estimates but saves that stretch out into the medium term as well.
They're very important saves and, as I say, in terms of giving evidence, they're probably the best metrics I can give you of the government's approach to budget repair.

**Senator STOKER:** Some of those medium-term analyses reflect medium- to long-term sorts of changes rather than short-term cuts, for instance.

**Mr Fredericks:** As I say, the benefit of structural saves is that they do perform an important role in constraining expenditure over the forward estimates, and that's important in terms of the government's objective of returning the budget to surplus. It's important in terms of the government's objective of constraining payments as indicated by those indicia that I referred to. But, as I said, it's also of great utility for the budget and for the economy in achieving saves that will have enduring value, achieving saves that will continue to be saving money to the budget in five, eight, 10 years time. A budget will always be subject to pressure out in the medium term. There's greater uncertainty about what expenditure might be necessary out in the medium term, and it is very useful to know that you've locked in now a capacity to make savings out in the medium term. Those savings could well become very important.

**Senator STOKER:** Thank you. That's impressive. The 2018-19 MYEFO reports, if I'm understanding it correctly, that over $56 billion in budget repair measures have been implemented since the 2016 PEEFO. First, is that right? Are you able to break down for me and provide an update on the measures that have been implemented since the budget?

**Mr Fredericks:** Senator, in fairness, I feel I've answered that question in substance. Just to your last point, yes, the important measure that has been legislated since the 2018-19 budget is the measure known as Protecting Your Super Package—capping passive fees et cetera. That achieved a saving of $1.1 billion over the forward estimates. Yes, Senator, you're right. In the 2018-19 MYEFO, it states that, up to that time, there has been $56 billion worth of budget repair measures implemented since the 2016 PEEFO.

**Senator STOKER:** In addition to implementing the longer term meaningful changes which you've referred to before, does this also mean that the government has been able to successfully implement the vast majority of its planned budget repair measures from previous budgets?

**Mr Fredericks:** That is very important. The answer to your question is yes. So the government has successfully implemented a range of budget repair measures, as I've just quantified. There's a consequence of that, Senator. The consequence of that is that, with all of that activity, if you like, the current net impact of remaining unlegislated budget measures announced prior to the 2018-19 MYEFO is now down to $4.3 billion. So $4.3 billion over the forward estimates is the total value of unlegislated budget repair measures as announced prior to the 2018-19 MYEFO. I should just note that, of those, the $4.3 billion is composed of $3.8 billion of increased receipt measures that haven't been passed, but, from the point of view of the Department of Finance, the value of the payment saves—savings measures that are unlegislated—is down to $0.5 billion now. That's a very small amount. As I say, the counter side of that, if you like, is that $56 billion in budget repair measures that I referred to earlier.

**Senator STOKER:** So the vast majority of efforts to implement savings have been achieved?

**Mr Fredericks:** I think that's a fair statement, Senator.
Senator McALLISTER: Minister, can I start with the speech that you made to the Sydney Institute in December last year. It was a broad-ranging speech. You listed savings measures that the government had implemented. You cited net savings of around $80 billion from a more sustainable foreign aid budget. Can you confirm that that is an $80 billion cut to overseas development aid?

Senator Cormann: What I can confirm is that is the value of the medium term of the reform that the government pursued, which put foreign aid funding on a fiscally more sustainable trajectory for the future, at a time when the budget was in deficit and when spending growth that we inherited was fiscally unsustainable.

Senator McALLISTER: So you don't want to use the word 'cut', but it is a cut, isn't it?

Senator Cormann: It's a saving.

Senator McALLISTER: It's a saving—others would call it a cut to the budget for overseas development aid, but it is $80 billion. Does that figure contemplate any further cuts to the aid budget or does it simply represent the medium term impact of changes to date?

Senator Cormann: Obviously in any budget and budget update, if decisions are made, the fiscal impact of any decisions are over the forward estimates and the medium term at that point. The $80 billion figure is essentially the value of the reform that we pursued through the funding arrangements in relation to foreign aid in previous budgets. It is not based on future decisions, if that is your question.

Senator McALLISTER: That is exactly my question.

Senator Cormann: I can run you through—I mean, so we—

Senator McALLISTER: No, I don't you need to do that.

Senator Cormann: Just quickly, it takes me five seconds. There were four measures—one in the 2014-15 budget, in the 2014-15 MYEFO, in the 2017-18 budget and in the 2018-19 budget—which involved either reprioritisation of funding or maintaining the level of official development assistance.

Senator McALLISTER: In relation to that latter matter, when will the current freeze on the indexation of overseas development aid end?

Senator Cormann: Obviously, policy decisions have to be made in the context of any budget and budget update. The $80 billion figure is based on, obviously, the current decisions and the fiscal impact of decisions to date. I would just make the observation that, in 2018-19, while the deficit is substantially lower than the one we inherited, at 0.3 per cent of a GDP, we continue to be in deficit until we deliver a surplus in 2019-20.

Senator McALLISTER: You haven't answered my question. I'm trying to understand when the current freeze on indexation for overseas development assistance ends? Does it end or is it just perpetual?

Senator Cormann: Okay, at the moment, the effect of decisions that were made go to the end of the relevant forward estimates period which at this point is the 2018-19 forward estimates period, which goes to 2021-22 but further decisions, of course, would have to be made in the future.

Senator McALLISTER: I don't want to tease you too much but, 'further decisions will be made in the future,' is not a very helpful contribution.
Senator Cormann: That is just a statement of fact.

Senator McALLISTER: It is a statement of fact. In fact, it's tautological. I don't need to have it explained to me that further decisions will be made in the future.

Senator Cormann: With the greatest of respect, the question you asked me is what you— you asked me to speculate on what decisions may be made in the future.

Senator McALLISTER: I'm not asking you to speculate. I'm asking what the impact of current decisions is.

Senator Cormann: The impact of current decisions—

Senator McALLISTER: Could you please listen to my question and I will try and be more precise? At the end of the present forward estimate period, is there a resumption of indexation or is the current freeze a government policy decision in perpetuity?

Senator Cormann: I might have to take it on notice, because I'm advised that maintaining the level of ODA does go beyond the period of the forward estimates, but I've got to make sure that I get the information precisely right given this is not directly in our portfolio. We'll provide that answer on notice.

Senator McALLISTER: You did make a speech about it which is why I'm asking you.

Senator Cormann: The speech is accurate to the extent that it says net savings of around $80 billion were made from a more sustainable foreign aid budget and that is over the medium term to 2028-29.

Senator McALLISTER: I want to ask about the announcement that the budget has been brought forward to 2 April 2019. When was this decision made?

Senator Cormann: Sometime towards the end of last year. In terms of a precise date, I'd have to take that on notice. Obviously, it was connected to the decision-making also, in relation to the timetable in the lead-up to a likely election. I'm advised on 27 November—that's when it was announced.

Senator McALLISTER: The 27 November is when it's announced. That is not the same as the decision date.

Senator Cormann: No, but the decision would have been not too long prior.

Senator McALLISTER: Who made the decision?

Senator Cormann: I'll take that on notice. It would have been made through the normal process, but I'll get you the precise information.

Senator McALLISTER: What is the normal process for making a decision of this kind?

Senator Cormann: Obviously government decisions—which involve aligning parliamentary timetables in the context of an earlier budget, because the election means that the budget can't take place at the usual time—involves a number of ministers as well as the Prime Minister. I'll get you the information on precisely who was involved in the decision, but I can't specifically recollect.

Senator McALLISTER: Were you involved in the decision?

Senator Cormann: Yes.
**Senator McALLISTER:** When was the Department of Finance told that the budget would be brought forward?

**Ms Huxtable:** Senator, we received advice from PM&C and Treasury—we might have to check the exact date—in early November that there was consideration of whether the budget would be brought forward. Not that there had been a decision in that respect, but off the back of that we did some of our own preparations to be able to advise a potential timeline et cetera.

**Senator McALLISTER:** Ms Huxtable, I didn't quite catch the latter part of your evidence. You said, off the back of that advice, which I assume was provided by PM&C?

**Ms Huxtable:** PM&C and Treasury, I believe.

**Senator McALLISTER:** PM&C and Treasury provided advice to you in early November and then you undertook further analysis to examine—?

**Ms Huxtable:** Collectively the three agencies discussed what a potential timeline might look like in respect of the budget processes that we manage; what would be the implication of a budget held earlier on the processes we manage.

**Senator McALLISTER:** So a kind of risk assessment?

**Ms Huxtable:** Just looking at our timelines, really.

**Mr Fredericks:** It is fair to say that the three agencies together, through late October and early November, were involved in some prudent planning, based on what the potential budget dates might be. That's something that would be expected of us, that we would be in a position to be able to ensure that whatever date the government ultimately landed upon, we were in a position to deliver a budget on that date. I should just note, in terms of background, that it was relatively well known in October and November that the traditional date of a budget in the first week of May, given the potential election timetables driven by the Constitution, meant that we needed to plan for some other scenarios. That's what we did.

**Senator McALLISTER:** Ms Huxtable said that you received advice in early November from PM&C and Treasury, but in fact your advice, Mr Fredericks, is that prior to that point you were already in discussion with those agencies about timelines?

**Mr Fredericks:** On behalf of this department I was the senior official involved in that. I have very good colleagues in PM&C and Treasury, as we all do.

**Senator McALLISTER:** Of course.
Mr Fredericks: And we worked together on that.

Senator McALLISTER: Did Finance raise any risks with the proposition that the budget would be brought forward?

Mr Fredericks: I think at all times Finance's role has been to identify any issues that would emerge in the event of a different time frame to what we're all used to. Our job as professionals responsible for the budget is to ensure that we address and overcome any of those issues.

Senator McALLISTER: Sure. And what are those issues?

Mr Fredericks: The shortest is of course the fact that the budget preparation is currently being done to a tighter time frame, if you like, than what we are used to. But, to be fair, the government made its announcement about the earlier date on 27 November. That, frankly, gave our department in particular and the other central departments plenty of time to be able to put in place the processes necessary to deliver the budget on 2 April.

Senator McALLISTER: What are the key budget milestones that have been moved to deliver against that timetable?

Mr Fredericks: I've got to be careful here. Some of these matters will start touching on cabinet-in-confidence. But I think I can safely say that of course the ERC meetings, which Labor senators are familiar with, ERC process, will need to conclude somewhere between probably three and four weeks earlier than they would otherwise. I think that's really the central requirement, and that's what we are all working towards.

Senator McALLISTER: Has Finance provided advice to agencies about the work they will need to undertake for their own estimates in the Central Budget Management System?

Mr Fredericks: Yes. In the ordinary course, the Department of Finance provides that advice and we've provided that advice again in sufficient time for agencies to be able to deal with that.

Senator McALLISTER: So, they would have been milestones that are brought forward as well.

Mr Fredericks: Interestingly, I think—and Ms Lee can correct me—the requirements in terms of timing for other agencies across the Commonwealth were really only brought forward by about a week or 10 days.

Ms Lee: We looked at all our processes, and we provide a lot of advice to agencies around deadlines. Where possible, we tried within the condensed time frame to give them the same amount of time, but just giving it at an earlier time within the months. But where we could we looked at what we normally have given them in the past, and we may have had to take a little bit off, but not very much. So, we worked through all our processes. And because of the timing of MYEFO, where that's normally how we work to a certain degree, we have to finish all our MYEFO work before agencies can start thinking about their budget estimates et cetera.

Senator McALLISTER: Is Finance expecting to need to use supply bills for appropriations in 2019-20, as was necessary in 2016?

Senator Cormann: It is certainly the government's expectation—and departments as part of their contingency planning in the lead-up to an election are planning accordingly—that there will be a need for supply bills in 2019 as there was, as you rightly indicate, in 2016. In
relation to supply bills, unlike appropriation bills, there is essentially a formula—or, as I said, a period for funding to continue—based on the same trajectory as was previously appropriated.

Senator McALLISTER: So, yes.

Senator Cormann: Yes.

Senator McALLISTER: In question on notice F012 you provided an updated list of measures that were decisions taken but not yet announced that have since been announced. Can you please update that?

Ms Huxtable: On notice?

Senator McALLISTER: Is it possible for it to be tabled now?

Mr Fredericks: I don't think it is.

Senator Cormann: We might have to take it on notice. But the Senate has set a pretty tight deadline for answers to questions on notice to be provided. We'll give you an update by the end of March, which I think is when we were told to provide the information.

Ms Huxtable: I was just looking at the question we answered previously. To ensure completeness, we will take it on notice.

Senator McALLISTER: Can you also provide a list of all unlegislated savings measures?

Senator Cormann: We can, yes.

Senator McALLISTER: Associated with that, can you provide the underlying cash balance impact over the forward estimates?

Senator Cormann: Yes.

Senator McALLISTER: Could you also please provide a breakdown of the measures that make up the 'Impact of delays in passing legislation' line item in table 3.4 on page 33 of the MYEFO?

Ms Huxtable: Yes.

Senator Cormann: Yes.

Senator McALLISTER: Thank you. I have some technical questions which I sought to have answered earlier in the program around the DisabilityCare Australia Fund. I'm interested in the budget treatment of that.

Ms Huxtable: Was the question: what is the budget treatment of the DCAF?

Senator McALLISTER: I suppose starting with: is the account in the general government sector?

Ms Huxtable: Yes. Sorry, I've got my colleagues—

Senator McALLISTER: The decision in the MYEFO on payments from the DisabilityCare Australia Fund increases revenue for Finance.

Senator Cormann: Do you have a page reference?

Senator McALLISTER: Yes, I do actually. On page 34 of the portfolio additional estimates statement for Finance there is an indication that there will be a $4 billion per annum drawdown on Commonwealth equity.

Senator Cormann: Which page are you looking at?
Senator McALLISTER: It's essentially two pages. I'm looking for the relationship between what's happening in the table on page 34—

Ms Carroll: On page 34 of the Department of Finance portfolio additional estimates statement you will see that the profile for the drawdowns from the Commonwealth has changed. The drawdowns there have been moved out. The first drawdowns are from 2019-20. The consequence of that, as you'll see in the budget measure on page 115, is that there is a net increase in interest revenue because there is additional funding that is staying in the DCAF.

Senator McALLISTER: I understand. What was the underlying policy rationale for the change shown on page 34?

Mr Fredericks: The underlying rationale for the government's decision was that it did not wish the Commonwealth to be drawing down from DCAF at a time when all states hadn't agreed to their agreements and the full scheme hadn't been in place for all states. The Commonwealth didn't feel it was appropriate to be drawing down DCAF payments to itself at a time when some states had not yet drawn down DCAF payments.

Senator McALLISTER: What does the increased revenue for Finance that is shown on page 115 relate to?

Ms Carroll: That increased revenue is, in fact, for the DCAF funds because the funds aren't being drawn down and reimbursed to the Commonwealth, so it is extra interest being earned on the DCAF.

Ms Huxtable: The investment funds are held in our portfolio statements.

Senator McALLISTER: Is this consistent with the general treatment of measures that affect the debt level? It seems unusual to have it show as a revenue item.

Ms Carroll: It is my understanding that it's consistent, yes.

Ms Huxtable: If you are going to preserve the fund for a longer period, you'll have a revenue impact for the fund, and it needs to be shown up within the Commonwealth's statements.

Mr Fredericks: In a sense, it's just the grinding logic of more money being held on account in those years than was planned, with the result that more revenue by way of interest is earned on that money than was otherwise planned. The answer to your question is yes, it is the usual treatment. The useful thing here is that this was a government decision, which is why we properly identify it as a measure.

Senator McALLISTER: I understand that the rate of return is set at the three-month bank bill swap rate plus 0.3 per cent. Can you explain the rationale for choosing that particular rate of return?

Dr Helgeby: That's the investment mandate for the fund. Investment mandates are set taking into account the liquidity and the investment time frame over which assets are held. It reflects, in particular, the expectations about what the drawdown pattern would be.

Senator McALLISTER: The rate of return is reasonably low, given that the fund's contributions are relatively predictable. What are the other offsetting features?

Ms Huxtable: In the case of DCAF, its underline purpose is to reimburse states and territories. It is going to hold assets for a very long period of time.
**Senator Cormann**: The general point is that if there is unlikely to be withdrawing in this term, you can invest, take on more risks and get a higher return, but if you have to have more cash available because there is an expectation of regular disbursements, then you obviously can't invest in less liquid assets and, as such, the rate of return is going to be less. It is a function of the purpose of the fund.

**Mr Fredericks**: And in particular the fact that, when agreements are struck between the Commonwealth and the states, there are implications for DCAF as well, so it needs to have the flexibility to be able to cope with agreements being reached between the Commonwealth and the states.

**Senator McALLISTER**: Which, as you observed earlier, have not in fact been concluded, so there is a relative level of uncertainty about this particular fund.

**Mr Fredericks**: Correct.

**Senator KITCHING**: You made payment spending decisions of over $12 billion over the forward estimates in MYEFO. Were these offset?

**Senator Cormann**: They were offset with the impact of previous decisions to reduce payments, as well as the decisions to reduce payments in that cycle, once adjusted for the impact of Senate positions, as we have been doing consistently—

**Senator KITCHING**: Did you say Senate positions?

**Senator Cormann**: Senate positions. I can see that there is a Senate position worth $1.271 billion over the forwards, which I suspect is the energy supplement. There was a Senate position not to support the passage of—

**Ms Huxtable**: It is broken down in table 3.4. The decision taken as a result of Senate positions is in the table immediately following.

**Senator Cormann**: It relates to the amendment of the promoting sustainable welfare bill.

**Mr Fredericks**: If you look at table 3.4, you'll see an item that says, 'Social Services and Other Legislation Amendment (Promoting Sustainable Welfare) Bill.' The figure appears on the right-hand side: negative 1.271. That's the same as up above. What that's telling you is that's the bill which, as a result of the agreement ultimately reached in the Senate, resulted in a change in the underlying cash balance impact of that bill, a reduction of $1.27 billion.

**Senator Cormann**: So it's not the result of a government decision. It's the result of a Senate position imposed on the government.

**Senator KITCHING**: Democracy.

**Senator Cormann**: If you look at previous budgets, you'll find we have always adjusted the reconciliation table for Senate positions.

** Senator KITCHING**: Can I go to page 38 of MYEFO. It's titled 'Box A: The Government's fiscal strategy'. It outlines the repair strategy, that new spending will be offset and your bank parameter changes if they're positive. Under 'Budget repair strategy' it says:

The strategy sets out that:

• new spending measures will be more than offset by reductions in spending elsewhere within the budget;

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FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE
• the overall impact of shifts in receipts and payments due to changes in the economy will be banked as an improvement to the budget bottom line, if this impact is positive …

Are you in breach of that?

Senator Cormann: No. We continue to be committed to the budget repair strategy. I think what you'll find, if you look at the record titled 3.3, when it comes to payments you will see that new spending measures are more than offset by reductions in spending elsewhere within the budget. That does include taking into account the fiscal impact of decisions previously made by our government to reduce spending and the impact over the revised forward estimates period.

Senator KITCHING: Can I go to table 3.3 back on page 33. Again, it looks like a reinterpretation of the fiscal rule. Last estimates, Senator Cormann, you said that you'd made an explicit decision to breach the second part of this. I'm just going to read part of the last estimates. You said:

It also says the overall impact of shifts in receipts and payments due to changes in the economy will be banked as an improvement to the budget bottom line, if this impact is positive. But I have pointed out that in the 2018-19 budget, we made a deliberate decision on the revenue side of the budget to lower the tax burden in the economy as a result of policy decisions, given that the net effect of policy decisions on the revenue side of the budget is a net reduction in revenue of about $15 billion over the forward estimates.

Do you want to comment on that?

Senator Cormann: I think we went through this last time. In the last budget we obviously had a measure to reduce the personal income tax burden for all hard-working families around Australia. That had a fiscal impact that was reported at the time. Overall, the net impact of policy decisions on the revenue side in the last budget was a lowering of the tax burden. That was transparently reported. I thought the question you were asking me was in relation to the budget repair strategy as it relates to the offset rule. The offset rule requires that new spending measures, that is measures or decisions to increase spending, will be more than offset by decisions to reduce spending elsewhere within the budget. The table 3.3 that you pointed me to shows that the relevant net impact is a positive $423 million. You can see in the table all of the factors that have been taken into account there, including, of course, the fiscal impact of Senate positions that were imposed on us by the Senate, which we categorised as Senate decisions rather than government decisions.

Senator KITCHING: I understand the distinction you're making. What number version of this table is this? There have been similar tables presented in previous fiscal updates, let's say since 2014. What number version is this?

Senator Cormann: The context is this: In 2014/15, which was our first budget, obviously we didn't have a track record in terms of the fiscal impact of policy decisions to reduce spending over time because, by definition, it was the first year in which policy decisions of the government were reflected in the budget. Now that we are in the 2018/19 financial year, we do have an ongoing impact of policy decisions to reduce spending by our government, which has made a fiscal rule to offset policy decisions to increase spending. That is because a number of the savings decisions started low and slow and had a structural beneficial impact on the budget bottom line. What this table reflects is that when you consider the ongoing
fiscal impact of policy decisions to reduce spending, as well as the policy decisions to reduce spending in this budget update, together with the impact of Senate positions, then the net impact of policy decisions on the spending side is a $423 million improvement to the budget bottom line over the forward estimates.

**Senator KITCHING:** If you take out the Senate positions, you're still spending $11 billion without offsets, though?

**Senator Cormann:** No. If we were to take out the Senate positions, that would mean that $1.2 billion in expenditure imposed on the government by the Senate would not be accounted for. If you look at the overall figure, it's $1.271 billion, which is the negative fiscal impact on the spending side of the budget of Senate positions. If we did not take that into account, then it would obviously understate the overall fiscal impact of non-government decisions on the spending side of the budget.

**Senator KITCHING:** You're really using parameters—

**Senator Cormann:** This relates to the newly arrived migrant waiting period, which is the measure that's on page 224. I think you'll find that in the end there was a compromise reached in the Senate to facilitate passage of some part of the intended government reform, though not all of it. The $1.271 billion there is a reflection of that. It's the net impact of that.

**Senator KITCHING:** Are you using parameter and other variations to deliver budget repair?

**Senator Cormann:** No. If you ask whether we are using economic parameter variations in the broad, then the answer would be no. We are using the ongoing fiscal impact on the spending side of the budget of past decisions made by this government to reduce expenditure across a number of areas.

**Senator KITCHING:** What areas would you say they are?

**Senator Cormann:** I'm happy to take that on notice. Obviously, since 2014/15 there's been a long list. One of them we mentioned earlier, which is the decision to put funding for the foreign aid budget on a fiscally more sustainable trajectory. That would be one of the significant ones.

**Senator KITCHING:** Page 41 of the MYEFO, starting with table 3.7, indicates that the new impact of payment parameter and other variations is an $18 saving.

**Senator Cormann:** There's a reduction in payments. Payments, as a result of parameter and other variations, are $18 billion less than anticipated at the previous budget. This is an update against the numbers at budget time.

**Senator KITCHING:** Is this the largest saving?

**Senator Cormann:** Well, it is a reduction in payments of $18 billion compared to what was expected at budget time.

**Senator KITCHING:** Ms Huxtable, have you done an analysis of this?

**Ms Huxtable:** An analysis in what respect?

**Senator Cormann:** I think you'll find that it's actually listed. For the parameter and other variation, if you go to page 49, it actually goes through the detail of what it relates to. It lists all of the major reasons for variations, both on the lower and higher side.
Ms Huxtable: That's right.

Senator KITCHING: So you have done an analysis of that and that's basically contained on page 49?

Senator Cormann: That's right.

Ms Huxtable: We draw out the most material elements for reporting purposes.

Senator KITCHING: I understand. Otherwise it could be a long list.

Ms Huxtable: There would be a lot of rats and mice down the bottom there.

Senator KITCHING: Did you look at historical examples when you were doing the analysis?

Ms Huxtable: In what regard?

Senator KITCHING: If you look at the expenditure estimates, a large change has come through. Did you compare that with historical—

Ms Huxtable: I think there are probably two issues here. For the purpose of reporting in every budget update, we draw out the major parameter variations and report them in this way. Similarly, we draw out and identify the major decisions, so that's in the normal way. In terms of forecasts and expenditure trends across programs, and I think I have discussed this before, we have a process where each of our agency advice units will be working with the relevant portfolios that they mirror to ensure that our costing models are as accurate as possible. That sometimes results in particular modelling work being done to improve the accuracy of forecasts, so there are really two things. This, in and of itself, is a report on what is in the forward estimates which reflects activity as at the reporting period and then what the implication of that is going forward.

Senator Cormann: It compares to what the expectations were at budget time and, at budget time, what is published are estimates. There are things that happen, in terms of demand for services or in terms of general parameters, that have a bearing on, for example, what the likely utilisation is going to be and what likely costs are going to be compared to what was expected. To the extent that there are variations and the department has in front of them better information, then obviously that gets reflected in the update.

Senator KITCHING: On page 49 there's about $14.5 billion in reductions. Is that right?

Senator Cormann: It says $18.1 billion over four years at the top, and then it lists the major ones.

Senator KITCHING: So there's about $3.5 billion increases in payments. So there's about $7 billion—

Senator Cormann: No, no. The variation is decreased cash payment since the 2018-19 budget by $3.8 billion in the 2018-19 financial year—that is in the one year—and by $18.1 billion over the four years to 2021-22. Listed below are some of the bigger examples. If you want a more comprehensive list, then we'd have to take that on notice.

Senator KITCHING: But there are some unexplained variations here about $7 billion. What are the draw-downs?

Senator Cormann: Which one are you referring to here?

Senator KITCHING: I've just tallied—
Senator Cormann: Sure, but these are only the most material variations. This is what I'm saying.

Senator KITCHING: Ms Huxtable, can we have some more detail?

Senator Cormann: If you want a comprehensive list, we can provide it to you.

Ms Huxtable: We have to take that on notice.

Senator KITCHING: That's fine. I understand.

Ms Huxtable: The other thing to point out is that the figures of $3.8 billion and $18 billion are net figures. The next two pages seek to clarify and explain the major variations, both positive and negative.

CHAIR: We are right on time for our break, as scheduled. Will senators have further questions under outcome 1 after the break?

Senator KITCHING: I do have one.

Senator McALLISTER: Yes, I have a couple questions under outcome 1.

Senator Cormann: I'm happy to do them now and we can delay the break by a bit.

CHAIR: If you're happy to do that, senators, that'd be good.

Senator McALLISTER: That sounds good. There are a couple about the NBN, and I know we have this conversation every time about whether we do it in outcome 1 or 2.1.

Ms Huxtable: I think that's better dealt with in the next stage.

Senator Cormann: That is in 2.1.

Senator McALLISTER: Okay, so we won't start at that point and then you'll say, 'No, we can't answer those questions; you should have done it before.'

Senator Cormann: No. I think we have demonstrated goodwill and helpfulness today, and we will continue to do that.

Senator McALLISTER: Good. Senator Kitching, do you want to go first?

Senator KITCHING: I wanted to ask a few questions on the Medical Research Future Fund. I'm going to refer to QON 74. That QON appears to have been cut off at (b).

Ms Huxtable: Mine goes over the page. Mine is a three-page answer.

Senator KITCHING: Mine ends at (b) health savings.

Ms Huxtable: It is another full-page and then a half a page.

Senator KITCHING: Okay. Can I get a full list of measures on notice? Is that possible?

Ms Huxtable: Sorry, what do you mean?

Senator KITCHING: It appears to be cut off at (b), so could I get the full? Mine ends 'health savings from the following'.

Mr Fredericks: Yes, we can give you a list of health savings that have been allocated to the MEFF following the 2014-15 budget measure.
Ms Huxtable: That's actually on the next few pages.

Mr Fredericks: That's right. We can give it again.

Senator KITCHING: When will the Medical Research Future Fund reach its goal?

Ms Huxtable: Sorry, I think we might have misunderstood the question for a minute.

Dr Helgeby: I'd go to the Department of Finance Portfolio's additional estimates statements, page 35. You'll see on the bottom line the closing balance. It's $20 billion in 2020-21.

Senator KITCHING: What's the 7.8, that large credit, in 2019-20?

Dr Helgeby: That's an investment credit.

Senator KITCHING: What's driving that?

Dr Helgeby: We'd have to break that down, because I think that's driven by the savings from 2015.

Ms Huxtable: We'd have to take that on notice. That'll just be the impact of the profiling of the savings that are being allocated to the fund. There'll be a whole range of things that go in there. Equally, Health I'm sure will be able to respond to that, but we're happy to take it on notice.

Senator KITCHING: Thank you. That's all I have.

Senator McALLISTER: I wanted to ask about provision for the Indigenous recognition referendum. In the Finance Portfolio, in the PEFO for 2016, there was a provision for that referendum on page 36. It indicated that $160 million had been provided over one year and the measure was included as a decision taken, not yet announced, in the 2016-17 budget.

Senator Cormann: We'll have to take that on notice.

Senator McALLISTER: I have not even asked a question yet.

Senator Cormann: I thought you asked if the provision were still there.

Senator McALLISTER: That is what I'll ask. Perhaps I can step through the things I'm seeking to understand. I would like to confirm that the measure to hold a referendum has not been reversed.

Senator Cormann: I don't believe that we have reversed the measure but, in terms of where it is provisioned and how, I would need to take that on notice.

Senator McALLISTER: Perhaps I can step through what I'd like as part of that answer then. I'd like to understand if it sits in the estimates for the AEC and how much has been allocated for the measure.

Senator Cormann: I'll take that question on notice, for sure.

Senator McALLISTER: Can I ask for what year that funding is currently provisioned?

Senator Cormann: Yes, you can. We'll take it on notice.

Senator McALLISTER: What are the assumptions in the underlying figure about provisioning for the yes and no cases?

Senator Cormann: We'll take that on notice. Some of that goes beyond what we do directly in this portfolio but, in an abundance of helpfulness, we'll see how we can assist.
Senator McALLISTER: If it was possible to provide some of the information over the balance of the estimates, that would be helpful. Thank you.

CHAIR: If there are no further questions under outcome 1, we thank the relevant officials very much for their assistance. After the break, we will resume with outcome 2.

Proceedings suspended from 15:52 to 16:10

CHAIR: The committee will now resume with the examination of outcome 2.

Senator McALLISTER: I should say that, in my haste to get on to outcome 2, I neglected to ask you a question about the bargaining process. It is quite general in nature. In the past you've been able to answer those questions yourself. Are you in a position to just give us an update about the bargaining strategy for the enterprise agreement?

Ms Huxtable: For the Department of Finance?

Senator McALLISTER: Yes.

Ms Huxtable: Yes, I'm pleased to advise that our staff voted overwhelmingly yes in respect of our new enterprise agreement. There was a 90 per cent yes vote. Following that—and one of my officers will be able to provide the exact dates—we have been through the process with the Fair Work Commission and, just last Friday, we were in a position to advise our staff that the Fair Work Commission had endorsed our enterprise agreement. So, by Friday afternoon, I advised staff in that regard, and so we will now move to effect the salary increases from 7 March, but it will be effective from 15 February.

Senator McALLISTER: What's the end date of that agreement?

Ms Huxtable: The end date of our agreement was 19 January 2019, so we're effecting the pay rise only a few weeks after the previous agreement expired. We're very pleased with that result.

Senator McALLISTER: Thank you. I turn now to the NBN. In the profiling for NBN Co, are they forecast to make any dividend payments to the Commonwealth over the forward estimates?

Ms Hall: No, NBN is not forecast to make any dividend payments over the forward estimates.

Senator McALLISTER: When do they begin making dividend payments to the Commonwealth?

Mr Danks: 2032 is the current forecast.

Senator Cormann: Which is more a projection than a forecast.

Senator McALLISTER: Is this a distinction without a difference?

Senator Cormann: In budget parlance, the forecast is more short term. Even over the four-year forward estimates period, the two out years are projection years. Obviously, over the medium term, they're projections. It's a very fine technical point.

Senator McALLISTER: I think you've been corrected by the minister on the terminology, Mr Danks.

Senator Cormann: It's accurate.
**Senator McALLISTER:** I'm trying to understand whether the NBN will make dividend payments while the principal on the loan is outstanding.

**Senator Cormann:** You would, of course, be aware that, under the terms of the loan between NBN Co and the Commonwealth, there is an expectation that that loan will be refinanced on external markets. And, like any other company in those sorts of circumstances, it's not unusual for a company to carry a level of debt in the context of capital investments that were made in the past. I think the short answer to your question is yes.

**Senator McALLISTER:** So your assumption is that there will be dividend payments in 2032? I ask because it's been—

**Senator Cormann:** That's the advice that we were given about the current projections.

**Senator McALLISTER:** What assumptions does the corporate plan make about paying off the principal of that loan, irrespective of whether that loan is held by the Commonwealth or by a private provider?

**Mr Jaggers:** The corporate plan is over a four-year period. The current corporate plan talks about the rollout of NBN, which is the focus of the NBN board—the continued construction program that they have running. They are still drawing down the Commonwealth loan and so, during the corporate plan period, the primary focus of NBN is to continue to draw down the loan and continue to build the NBN network. As has been foreshadowed, the minister talked about the government loan being swapped out for private debt at some point. We're expecting that to be around mid-2024. And then, as NBN continues to grow the network and complete the network—it will have completed the network before 2024—it will pay down debt. Mr Rue has recently been quoted, talking about that being a priority of the company: to build the network and then to pay down the debt.

**Senator McALLISTER:** For the purposes of the internal rate of return, the NBN corporate plan projects out to 2040. What assumptions are used in that projection about principal repayments on that debt? Does it assume any principal payments prior to 2040?

**Mr Jaggers:** Yes, I believe it does. I might just see if Ms Hall and Mr Danks can get some detail.

**Ms Hall:** At the moment, the assumption is that the government loan would be repaid by 2024 and swapped out for private sector debt. The basis upon which principal and interest payments would be settled is subject to negotiation as part of that refinancing. I'd have to take further detail on notice with respect to the assumptions that NBN has used, but that would be something that would be subject to negotiation with the commercial market, in the context of swapping out the Commonwealth debt with private sector debt at this point, by 30 June 2024.

**Senator McALLISTER:** Let's distinguish between your rational appreciation—and you're correct that the terms of any such loan made in 2024 by a private lender are unknowable at this point—and the forecasting that's used in the corporate plan to establish the internal rate of return. You said that you'd take this on notice. I want to be very clear that I'm looking for the assumptions that are used in relation to the projecting.

**Ms Hall:** Yes. We can take that on notice.

**Senator McALLISTER:** Can you confirm that the existing corporate plan does, in fact, assume that there will be dividends and repayments of principal?
Mr Danks: Do you have a reference of which page of the corporate plan you are referring to, Senator?

Senator McALLISTER: I was actually just trying to bring it up. I don't have it with me. Is now the time for an NBN joke about how long it would take to bring this up!

Ms Hall: The publicly-available corporate plan only provides the forecasts for three years.

Senator McALLISTER: That's right. It makes a calculation or it gives an indication about the internal rate of return, which actually spans the period to 2040. It's that calculation that I'm interested in, and the way that the calculation deals with the repayment of the principal to whomever may be the lender at any point in the period in question, and also assumptions about dividend payments.

Ms Hall: We are happy to take that detail on notice and consult with NBN in order to provide you a response, Senator.

Senator McALLISTER: Thank you. Minister, Mr Switkowski continues to publicly assert that the NBN company will be worth $50 billion in the early 2020s. Do you agree with that claim?

Senator Cormann: It's not my job as a minister to conduct a valuation of any asset we hold. I think you'll find that that answer is 100 per cent consistent with the answers that were given at this same table by my predecessors, including my most immediate predecessor when I asked similar questions in relation to the valuation of Medibank, for example, back in the period prior to 2013. In relation to the valuation of NBN and the assets it holds—that is, of course, in the first instance, a responsibility independently of the NBN company and its board—they've got to undertake relevant valuations consistent with accounting standards and subject to independent audit. And separately, of course, in terms of the government's own financial statements, obviously we have to also go through our own processes again, consistent with relevant requirements in relevant legislations and standards.

Senator McALLISTER: Is it your understanding that Mr Switkowski has made this assertion on the basis of the relevant standards?

Senator Cormann: I've obviously seen reports in relation to these matters. He's the chairman of the NBN board and he's able to explain himself—

Senator McALLISTER: I guess the thing is that he hasn't explained himself.

Senator Cormann: That is your judgement.

Senator McALLISTER: Well, he refuses to produce any documentation or evidence about his assertion that it's worth $50 billion, and in the meantime it is contradicted by a number—

Senator Cormann: I don't think that that is what he has said: it is worth $50 billion. From memory—and I think there is an answer to a question on notice in relation to this—there were, firstly, a number of qualifiers in relation to some of the future events that were yet to play out and certain assumptions that would have to play out at some point in the future. I guess the broader points that I suspect you're raising go to the treatment of the government's funding contribution as equity and the fact that that is based on an expected internal rate of return. I must stress again a point that doesn't appear to be well understood: because all of the equity has been drawn down, the classification of the relevant $29.5 billion funding
contribution by the Commonwealth in the form of equity has been so classified. Any changes in terms of the assessed market value of NBN into the future will not have a direct bearing on the classification of the $29.5 billion federal funding contribution in the form of equity.

There seems to be a general misunderstanding where there is a view which goes a bit like this: if we can politically pressure the government to arbitrarily reduce the stated value of the assets NBN holds then NBN will be able to reduce their prices and retailers will be able to achieve higher margins in the context of the services that they provide. The truth is that the cost to build and roll out the NBN is what it is. Any interference by the government with the way the NBN business is run, in terms of pricing or valuation or the like, won't lead to a reduction in cost; it will just shift the cost burden from customers to taxpayers. So those who argue that somehow the government, rather than acting in a manner consistent with accounting standards and subject to independent audit, which we are proposing—

Senator McALLISTER: Senator Cormann, who are these theoretical people? It's not me, is it?

Senator Cormann: Well, these are the reports. The opposition has made certain assertions in the court of public opinion, and there were reports in the media in recent weeks.

Senator McALLISTER: I guess your evidence is a little imprecise—

Senator Cormann: And various industry—

Senator McALLISTER: You seem to be asserting that some mysterious people are making these arguments and assertions and hold these beliefs—

Senator Cormann: There's nothing mysterious. This has been—

Senator McALLISTER: I don't know who you're talking about.

Senator Cormann: I'm relating to items that were part of the public conversation in recent weeks, and your questions go directly to that. A number of key stakeholders and a number of journalists have made certain assertions, and the general tenor is that somehow the government would be forced in the future to, or perhaps should, make a political, arbitrary decision to reduce the value and consequently enable NBN Co to reduce pricing on the basis of a political decision rather than an independent business decision that is properly taken, consistent with accounting standards and subject to independent audit. The only point I'm making is: that would not actually result in a lowering of the cost burden; it would just lead to a shifting of a greater part of the cost burden from customers to taxpayers, or the imposition of a higher burden on taxpayers to facilitate higher profit margins for other businesses that are involved in this industry.

Senator McALLISTER: I actually wasn't asking about that. We have had this conversation on many occasions.

Senator Cormann: That is effectively what your question went to.

Senator McALLISTER: No, it's actually not where I was going. I was not planning to canvass that most interesting set of budget questions again, because we have had the conversation many times before. But I think you ought to be careful about assuming what the motivations of people asking questions are. My interest is not, as you describe, to support the commercial interests of people engaging with the NBN.

Senator Cormann: That was not what I suggested.
Senator McALLISTER: Well, it was.

Senator Cormann: No. If that is your impression, I'll have to correct that. There have been some people in recent weeks in the public debate, people with, dare I say—and it's legitimate that some people have a vested commercial interest because of the business that they pursue. Some people have participated in debate along a particular line, but I note that the opposition has argued at various times that there ought to be a writedown in the value of NBN and that somehow that would lead to certain consequences in terms of NBN—

Senator McALLISTER: No, we're not arguing that there should be. We've questioned the rationale for the decision-making by the government and we've said that we don't believe that you are adequately explaining the decision-making around this and that you hide behind questions of commerciality—

Senator Cormann: No, we don't.

Senator McALLISTER: There is a concern that the valuation at the moment is not realistic or accurate, and we are looking for reassurance from you.

Senator Cormann: On what basis do you say the valuation is not realistic or accurate? You have to have a basis.

Senator McALLISTER: Contra valuations in the public domain by Standard and Poor's and by PwC. We've canvassed these in previous estimates—

Senator Cormann: Both the NBN Co company and the communications portfolio—

Senator McALLISTER: But you insist on raking over these issues, which I wasn't going to go to.

Senator Cormann: The financial statements of the communications portfolio and NBN include a provision in relation to the valuation of relevant assets, which is taken in a manner consistent with accounting standards and subject to the Auditor-General's audit. If you have got any evidence that somehow there is an inappropriate valuation that is part of the financial statements, I'd like to know that. But there are a lot of broad statements that are made here that, with the greatest of respect to some of the contributors in this debate, are somewhat misinformed. The basic misunderstanding appears to be this view that, if the valuation, even at this point, of NBN were reduced, somehow this would have a bearing on the classification of the $29.5 billion equity contribution by the Commonwealth. And what I'm saying to you very clearly is that is not the case, because it has been fully drawn down and it was classified as equity at the time when it was fully drawn down. So this proposition at various times that is written up in papers that we are worried about a valuation writedown because that would mean the expenditure on the rollout of the NBN would hit the underlying cash balance is inaccurate. That is my point.

Senator McALLISTER: All right. I think we'll move on.

Senator KITCHING: The ABC has recently reported that new cars are being trialled early this year to replace the Comcar fleet.

Senator Cormann: That's outcome 3—Parliamentary services.

Senator KITCHING: I've got it in program 2.3.

Senator McALLISTER: Well, it is a procurement decision, is it not?
Senator Cormann: The area that is directly responsible for Comcar is outcome 3. It always has been, consistently.

Senator KITCHING: I'm happy to wait until outcome 3.

Senator McALLISTER: And they're managing the procurement process?

Senator Cormann: Yes.

Senator McALLISTER: So they'll be in a position to answer questions?

Ms Huxtable: Yes.

Senator KITCHING: I might then go to consultants. Senator Cormann, can you outline the circumstances in which a government department might hire a contractor instead of a full-time public servant?

Senator Cormann: I think that we've gone through this on a number of occasions in the past. I think Dr Helgeby is probably the best to go through some of the detail. But, in a general sense, if a need for a particular skill is temporary or if it is more efficient for a particular skill to be acquired and maintained in a dedicated private sector business, then obviously these could be some examples where contracting of external expertise can be appropriate. The general point that I would make is that, under our government, the overall cost of government administration as a proportion of overall government expenditure, including the cost of permanent public servants and the cost of contractors, is falling and continues to fall and is projected to fall, according to Budget Paper No. 4, to about 5.6 per cent over the forward estimates. Dr Helgeby might add to that.

Dr Helgeby: I might add to that a little bit. Your question was: under what circumstances? As the minister suggested, there are times when, in fact, a department doesn't have the standing expertise and it would be uneconomic to maintain the standing expertise. In those circumstances it's very appropriate—and perhaps the only way in which a government objective can be achieved—to source skills from the private sector, and the structure of consulting firms often allows bodies of skill and groups of capability to be built up over a period of time. No single entity, and possibly even no single sector, has an ongoing need to keep a pipeline of that skill set around, but a consulting firm is able to do that because it manages the risks and the issues across multiple sectors and across time. That is typically one of the strongest reasons why people use consultants—because it is uneconomic to maintain and build a skill set that they have limited use for.

Senator KITCHING: In what circumstances would you keep a consultant on for a long period, over an extended period? For example, we were having a discussion before about probity officers. I'm aware that some departments might have probity officers on staff, but obviously there's an argument, I can see, for having—as, for example, Ms Huxtable said—Maddocks be the probity officer, because you might want some separation. But, when you have someone for an extended period rather than employ someone full time, what would those circumstances be?
Dr Helgeby: Again, that goes to the nature of the project or the nature of the work that's being undertaken. You might have a project—and you can imagine a complex technical skill set or a technical area like an ICT area, for example—where you would need a skill set for a couple of years, so you would definitely keep them on board for a multiyear period. But, at the end of that, you've delivered the project, and if you are an organisation that would only need a major ICT investment and major ICT project once every few years, then it would be uneconomical to keep that skill set on the books after that project's been delivered.

Ms Huxtable: I would add to that. There are a whole variety of situations where it might be appropriate to engage a consultant or a contractor, and accountable authorities are making those sorts of considerations as they look at their force. I would add to Dr Helgeby's response by saying that another example where it may be considered appropriate by an accountable authority is where you need access to a surge capacity, for example, where you want to have a degree of flexibility, whether it's because you've involved in processes that can be cyclical or unpredictable—

Senator Cormann: Elections or census, for example.

Ms Huxtable: Yes, so cyclical or unpredictable and where, rather than having a standing workforce sitting in the wings, you can access a more specialised technical workforce that can ramp up very quickly and then ramp down as business requirements require it, effectively. In fact, in our case, we have had a longstanding arrangement within Finance with a consulting firm to support us on technical budget management and accounting issues—I think we'd call it that—which we have talked about previously in this place. Part of that arrangement is to lift the capability of our own staff through working in that broader team, but really two other issues: (1) the depth of technical expertise that's required, and it is so specialised that it will be attractive to other sectors; and (2)— there's always a danger in saying this, because I've forgotten what the second is, sorry. When you get to a certain age, there's a danger, anyway!

Dr Helgeby: I can take the example that the secretary has given and elaborate on that, because it's in my area. We have an arrangement with a firm—it's gone through a competitive tender process on a couple of occasions. It gives us the ability to bring people in, often at short notice, but for intense work at short periods of time, and then they go elsewhere. Then they go to other places, and there's a skills transfer component to it. So we are trying to bring up and to build the capabilities of our team, and one of the ways we can do that is by exposing them to or having them work with people who have actually been working in other different departments doing work that's relevant to it, and they can bring those perspectives to bear. It enriches the organisation to have those people around.

Ms Huxtable: I think the theme is that it is very much dependent on the unique requirements of an organisation.

Senator Kitching: And you might, for example, increase that, say, prebudget?

Ms Huxtable: Very much so, yes. As we're going through the process of consolidating the accounts, that's when we would require that surge capacity.

Senator Kitching: The QONs from the last Senate estimates show there are four departments: Social Services; Finance; Infrastructure, Regional Development and Cities, and Agriculture and Water Resources, and they've employed more than 1,200 contractors for more than 12 months.
Ms Huxtable: Do you have a reference number for that question?

Senator Kitching: I don't have the QON numbers, I'm sorry. But there was an article in *The Canberra Times* on 21 January 2019.

Ms Huxtable: Is this a response to an estimates question on notice? That's what I was assuming.

Senator Kitching: Yes.

Ms Huxtable: I'll just look through the index and find it. Sorry, I just can't identify it here. Is it possible to see a copy of it?

Senator Kitching: Yes.

Ms Huxtable: Is it definitely a Finance response?

Senator Kitching: I think it was. The information I have is just that it was questions on notice in Senate estimates, so I apologise—

Ms Huxtable: It may have been an amalgamation of answers.

Senator Kitching: Yes, it may well have been. I can get you a clean copy of the article. It is by Sally Whyte in *The Canberra Times* and it's headed 'Hundreds of long-term government contractors working more than a year' and then there are different departments listed. I can give you some specifics. It says of the Department of Social Services that:

Of those contractors, 780 had worked for the department for a period of 12 months or more.

Finance reported that:

... it had engaged 459 contractors over the past two years, of which 97 individuals had been engaged for more than 12 months continuously.

Senator Cormann: I suspect that some of this relates to comcar, which is another example of a temporary surge need. For example, in Canberra, when parliament's not sitting, there is not the same amount of need for comcar services than when parliament is sitting. This is a prime example where, rather than having an elevated permanent workforce, the sensible use of contractors to deal with temporary spikes in demand is obviously an efficient way to use relevant resources.

Ms Huxtable: I think I've tracked down our input to that question.

Senator Kitching: Great.

Ms Huxtable: I'd say what's occurred is there's been an amalgamation of various entities' responses. I would say in respect of the other entities that I couldn't comment on what those figures mean for them because, as I said, it is about the individual accountable authority. I can tell you, in regard to ours, just looking at this, that, as the minister said, comcar drivers formed a key element of that at just under a third of the number. Information technology made up 40 per cent in 2017-18 and then administrative processes were the remaining 22 per cent. In respect of comcar, I think the minister's already explained that we do engage comcar drivers now through a labour-hire arrangement. We can go to that more in outcome 3, but the basic reason for that is that it enables flexibility. They provide a range of attendant services, including the recruitment process and driver training. It's almost a managed service, you could say, in that regard. In respect of information technology, I would assume that a great deal of that is in the service delivery office, which is in our shared services delivery arm. They are
supporting the systems development around the service delivery office. That's my immediate reaction. Katherine and Scott may have more information in regard to the others.

**Ms Jones:** That's a pretty accurate overview of the breakdown of the staff that we have on contract. In particular in the service delivery office, there are some really quite bespoke skills that we need to bring into the organisation to help us develop some of our systems to provide shared services to other departments. So it's not your standard IT build within an organisation. We're bringing in that sort of expertise on a short-term basis.

**Senator KITCHING:** Can I read you the next paragraph of this *Canberra Times* article. It says:

Finance also declared their contract workers as full-time equivalents, declaring the 459 individuals were equivalent to 103 full-time employees in the amount of time worked. The department has an average staffing level of 1249. Does that sound right?

**Ms Huxtable:** That's about right.

**Senator KITCHING:** It continues:

The number of contractors is equal to 8 per cent of the directly employed workforce.

**Ms Huxtable:** ASL is like a full-time equivalent.

**Senator KITCHING:** By the way, I'm very impressed that you have 1,249 and DPS has 1,014, as I think they gave evidence yesterday.

**Ms Huxtable:** We're a very lean, efficient organisation.

**Senator KITCHING:** Yes.

**Ms Jones:** I think we're actually at 1,250 right at this very moment.

**Ms Huxtable:** That's our estimate, yes. But I think there is a conflation there. I'll get the officers to jump in, but the figure of 103 full-time employees is the figure that you would compare with the average staffing level number. How these counts work is very complex, because there's headcount, full-time equivalent and average staffing level. I'm looking to Dr Helgeby, who I can't see. The average staffing levels are more a full-time proxy, so it's not about numbers of individuals. In fact, the 1,250 that I just mentioned is our ASL number, but my recollection is that our actual numbers of people who work for Finance, including all the part-time et cetera, is more like about 1,600. So I think it's comparing apples and oranges.

**Senator KITCHING:** The government has an ASL cap. When you calculate that the 459 individuals were equivalent to 103 full-time employees, you're not counting the 103 in your ASL cap?

**Senator Cormann:** I think you're conflating a number of different issues here. Firstly—

**Senator KITCHING:** Well, what I want to know is: are departments encouraged perhaps to have consultants and contractors, and are they therefore able to meet their ASL cap?

**Senator Cormann:** No, departmental secretaries and relevant accountable officers in other agencies have to make judgements based on value-for-money considerations. That's point No. 1. In relation to individual agencies, there is no set cap. What there is is a requirement that, if there is a new measure which requires additional resources, there's an ASL offset rule which means that in the first instance the relevant department or agency needs
to identify whether there is an opportunity to reprioritise existing resources before asking for new ASL resources. Once that has taken place and that assessment has been made, if there is an identified need for additional new ASL resources, they can put that proposal forward. The way that works, ultimately, is that in the first instance I can provide a relevant exemption from the ASL offset rule to facilitate a submission going forward to the Expenditure Review Committee. In the end, if there is no consensus between me and the relevant minister, it is for the Prime Minister to make a final judgement.

What you loosely referred to as a 'cap' is the government's commitment, in aggregate across the whole Public Service, to maintain the ASL levels in the non-Defence part of the Public Service at 2006-07 levels. Initially when we arrived, we reduced it back down to the 2006-07 level. We've maintained it at that level as part of the budget repair contribution of the broader Australian Public Service while the budget was in deficit. If you look at the preface in Budget Paper No. 4, I think what you'll find is that it makes that specific point: while the budget is in deficit.

Obviously in 2019-20 the budget is forecast to return to surplus. So, as we move forward we still will be focused on making sure that government is as efficient and as effective and as well targeted as possible, that the resources utilised to provide benefits and services to the Australian people are as much as necessary and as little as possible. But the 2006-07 cap, aggregated across the Public Service, is linked to the need to repair the budget at a time when the budget was in deficit, when we came into government. But across individual agencies there is flexibility as long as individual agencies can demonstrate a genuine need and can demonstrate that they've made a genuine effort to reprioritise existing resources.

**Senator KITCHING:** Ms Huxtable, did you want to add anything?

**Ms Huxtable:** No, I think that probably covers it. The only thing I would say in addition is that my recollection is that 90 per cent of that larger figure of all people who work within Finance are APS employees. So, 90 per cent are neither contractors nor consultants.

**Senator KITCHING:** That's approximate to the eight per cent—the number of contractors is equal to eight per cent of the directly employed. The independent review of the PGPA Act released last year was critical of the lack of transparency around the use of contractors and consultants in the Public Service. What's the government done to address these concerns?

**Senator Cormann:** Obviously we will consider relevant recommendations out of the PGPA Act review in the ordinary course of government decision-making. Once all the deliberations have been finalised and all the relevant decisions have been made, relevant announcements will be made.

**Senator KITCHING:** Has there been a letter that's gone out or have you asked departments to ensure that the number of contractors and consultants and the amount of taxpayer money spent on them is accurately recorded?

**Senator Cormann:** Sorry, what is—

**Senator KITCHING:** If the independent review of the PGPA Act has said that there is a lack of transparency, have you started moving on that to account for or to report on the number of contractors and consultants and the amount of taxpayer money that is spent on them?
Senator Cormann: Firstly—and we've gone through this conversation before, too—we obviously do provide, openly and transparently, information about the cost of government administration, including the cost of contractors and consultants. But we are aware—and we note the recommendations that are made by the review that you reference and we're considering that recommendation.

Senator Kitching: Would you look at, perhaps, the fact that there is a conflict between the spending on contractors—there is evidence from public servants and from departments that the ASL cap is contributing to a greater spend on contractors and consultants? And how are you going to act on that?

Senator Cormann: The thing is, the evidence is to the contrary. I haven't got budget paper 4 here with me now, but we've gone through that graph in the past. The combined cost of the Public Service and contractors, as a proportion of overall government expenditure, continues to trend down. If that assertion that somehow cheaper public servants were replaced with more-expensive contractors was true, then that cost curve would be going up, and it isn't. I know that people would like us to look in isolation at micro-level dissection of certain indicators, but in the end the most important indicator for us, in terms of monitoring the financial performance of the government at this level, in terms of the cost of administration, is to track the cost of government administration as a proportion of overall government expenditure. As I've indicated, that has continuously tracked down under our government and is projected to continue to track down.

Senator Kitching: I might move to Australia Post. Senator Cormann, you issued a media release on 11 December announcing Bruce McIver had been reappointed as a non-executive director of Australia Post for three years. I notice— I do enjoy receiving your media releases, Senator Cormann!—that that release didn't make any mention of his former role as the president of the LNP in Queensland. Why not?

Senator Cormann: Say that again?

Senator Kitching: That release didn't make any mention of the fact that he had been the LNP president in Queensland. Why not?

Senator Cormann: He was reappointed as a director on the Australia Post board. He's got eminent experience in running logistics—I haven't got his CV in front of me now, but he's obviously eminently qualified with relevant experience and expertise. It was a reappointment, and the government takes responsibility for the appointment.

Senator Kitching: You might not have his CV in front of you, but, in fact, your media release does go to his other appointments and other positions he's held. Why not his role immediately prior to being appointed in 2015, which was as the LNP president? Why did you leave that out?

Senator Cormann: Say that again?

Senator Kitching: Your media release does go to his other roles that he has held. I'm looking at your media release of 11 December 2018, and it does talk about other roles that Mr McIver's held. It just leaves out the fact that he was the LNP president. Why did it do that?

Senator Cormann: I think it is well-known what he has been in the past. I don't think it is relevant in the context of his expertise to be a director on the board of Australia Post. His holding that position was some time ago.
Senator KITCHING: No, that's not right. He was the LNP president immediately prior to being appointed in 2015.

Senator Cormann: So some time ago.

Senator KITCHING: Yes, but the point I'm making is that you can't pick and choose. You put in, for example, that he's held various roles in the logistics sector and that he was the foundation president of the Australian Livestock Transporters Association. Why would you mention those and not the fact that he was the LNP president?

Senator Cormann: I'll tell you why we mentioned those: because Australia Post is a logistics business—

Senator KITCHING: I understand that.

Senator Cormann: and what is referenced in this release is Mr McIver's:

… extensive experience in business management and expertise in transport and logistics, which will assist Australia Post in an increasingly competitive postal market.

It relates to his previous experience that is relevant to the broader logistics sector.

Senator KITCHING: You did pick and choose, though. You didn't put everything down.

Senator Cormann: The press release focuses on the relevant background; on the background of Mr McIver that is relevant to his fulfilling the function of a director of Australia Post. I don't think that his past role as a former president of the LNP is a secret.

Senator KITCHING: We'll see how that goes. There's a current vacancy on the Australia Post board. What criteria are being used to find someone for that position?

Senator Cormann: Say that again.

Senator KITCHING: There is a current vacancy on the Australia Post board. What criteria are being used—it's to replace Paul Scurrah.

Senator Cormann: Obviously the usual process will now take place to fill the vacancy.

Senator KITCHING: Given that Mr McIver, Tony Nutt, Michael Ronaldson and Deidre Wilmott have already sat on the board, is having Liberal Party links a criterion?

Senator Cormann: No. The criterion is that they have got the relevant expertise to be a competent and effective director, representing the shareholder interests of the Commonwealth.

Senator KITCHING: If you appointed another person with clear Liberal Party links, that would make the majority of people on that board linked to the Liberal Party or to the LNP. Is that a problem?

Senator Cormann: It sounds to me like there's a lot of ifs and hypotheticals in that question, and I can't assist you with an appointment—

Senator KITCHING: Well, I guess we'll see soon whom you appoint.

Senator Cormann: I can't assist you with a decision in relation to an appointment decision that hasn't been made and that certainly hasn't been announced.

Senator KITCHING: When do you expect it to be announced?

Senator Cormann: When the relevant decision has been made.

Senator KITCHING: When is that likely to be?
Senator Cormann: At some point in the future.

Senator KITCHING: Before the election, though?

Senator Cormann: It depends on how quickly the relevant decision-making process can be finalised.

Senator McALLISTER: Chair, may I have the call?

CHAIR: You may.

Senator McALLISTER: May I ask some questions about the ASIC registry? I'm aware that the government has said it won't be proceeding with the competitive tender for upgrading the registry. Now that that's not proceeding, I want to understand what the next steps are—I'm sorry, Minister; can you not hear?

Senator Cormann: I couldn't, no.

Senator McALLISTER: Do ASIC’s registers need to be upgraded?

Senator Cormann: I'm advised that that is a matter for the Treasury portfolio— principally, ASIC. The reason Finance had a role in the past was in the context of a scoping study that assessed certain potential alternative options. But of course the decision was made by the government, some time ago now, not to proceed with the alternative options. So that is squarely a matter for the Treasury portfolio.

Senator McALLISTER: From a Finance perspective and an expenditure perspective, has money been provisioned to ASIC or to the Treasury portfolio more generally to fund the necessary IT upgrade?

Ms Huxtable: I think we'd have to take that question on notice, because it's really a question for outcome 1, and the officers have now gone.

Senator McALLISTER: Okay. That's all right. If you would, that would be good.

Ms Huxtable: I will also ask Treasury tomorrow.

Senator McALLISTER: Thank you. Chair, may we just do a quick check—

CHAIR: Why don't I allow you to do a quick check, because I know Senator Patrick has questions on procurement so I might throw to him while you do that. Senator Patrick.

Senator PATRICK: I'm going to be relatively short. I'm not sure who to ask this question of. The government has announced a policy, somehow— I don't know whether it has been done formally or however—and it's a policy I support; it relates to payment terms for subcontractors that are recipients of Commonwealth contracts. Can someone give me some idea of that particular policy and where it's at?

Mr Hunt: I think I can provide you with a bit of background on that. You are referring to, I think, the intention to develop what’s called a procurement connected policy, which will require businesses tendering for government work to agree to provide payment terms similar to the Commonwealth payment terms down the supply chain—is that it?

Senator PATRICK: Yes, that is it.

Mr Hunt: That work is being undertaken by the Department of Jobs and Small Business. It's going to be what's called a procurement connected policy. So they will own that policy. They're doing the work, I think, at the moment, to frame and understand the scope of the policy and how it'll be implemented, and then agencies using the Commonwealth
procurement guidelines will have to comply with that policy. But the work is being undertaken by Jobs and Small Business.

**Senator PATRICK:** I wonder what mechanism will be put in place to deal with an allegation that a company is not in compliance with that—or are we just too far away from the detail of that?

**Mr Hunt:** I think those questions would be better directed to Jobs and Small Business at this stage, because, as I said, at this stage, I think the government has announced an intention to prepare a procurement connected policy, and Jobs and Small Business are doing that work.

**Senator PATRICK:** Another thing that is in some sense related is financial reporting to ASIC and lodgement of tax returns. I've recently had some correspondence from ASIC about a particular company. The inquiry stemmed originally from the fact the company had been late in paying a number of my constituent companies. ASIC indicated that there were some reporting anomalies with that particular company. The ATO has provided information to the economics committee about companies that, for example, haven't filed tax returns. I'm wondering whether there is any intention to connect procurement contracts with a check against some of those databases to make sure that a company that is about to be awarded a Commonwealth contract is in compliance with reporting requirements for ASIC and tax requirements for the ATO.

**Mr Hunt:** I'm not sure about ASIC reporting requirements, but there's certainly, coming out of the Black Economy Taskforce last year, an initiative underway to develop a procurement connected policy. This is being led by Treasury and the ATO. Under that procurement connected policy, I think it's businesses with a turnover over $300 million—

**Mr Bourne:** It relates to contracts with a value of $4 million or more.

**Mr Hunt:** In those instances, any businesses tendering for those sort of contracts will have to have a tax compliance certificate in place, so they'll have to go to the ATO, who will assess their tax compliance record and issue a tax compliance certificate.

**Senator PATRICK:** Can I ask you, perhaps on notice, what consideration has been made in relation to the ASIC side. Is there a requirement for an ASIC certificate? I will ask ASIC how many companies are not complying with reporting requirements, but that would seem to be something that the Commonwealth would want to make sure that the people they're dealing with are complying with.

**Mr Hunt:** They're probably questions better placed to Treasury.

**Senator PATRICK:** But they go to procurement policy, how you might—

**Ms Huxtable:** Similar to the response that Mr Hunt gave in regard to the first matter that you raised—Jobs and Small Business are the owning entity in respect of that. In regard to this matter, Treasury is the owning entity. It's actually developing the policy framework and working through the mechanisms, implementation issues et cetera. Treasury's estimates haven't occurred yet so certainly you could ask those questions of them.

**Senator PATRICK:** I just thought you guys were procurement policy central.

**Ms Huxtable:** We are procurement policy central, but in this regard there are a number of procurement-connected policies—for example, the Indigenous Procurement Policy, which is owned by Prime Minister and Cabinet. Where there are policies that plug into the...
procurement framework, they're generally owned by other entities that are more the business areas that manage those things. That's just how the system works.

Senator PATRICK: Or doesn't, maybe!

Ms Huxtable: I think the other point to make is these are in their development phase. The questions that you're asking, I'm sure, are occupying the minds of the officers who are working on the policy development processes.

Senator PATRICK: My next question is to you, Minister. The government turned up in early December to a very significant set of announcements in Whyalla in relation to GFG Alliance and some activities—very, very positive things—that the council was going to engage in. I know in the case of GFG and the South Australian state government—you recall the transition from KordaMentha—the company was in administration, then it went across to GFG. There was an arrangement separate to government, but the South Australian government, I understand, provided some guarantees. What has the Commonwealth done in respect of GFG Alliance in terms of any guarantees you're aware of or any grants or any underwritings?

Senator Cormann: I'll have to take that on notice. I accept it's a legitimate question, but it's something that goes probably beyond this portfolio. I will provide that information on notice.

Senator PATRICK: Sure, I understand. You're not aware of anything that comes to mind?

Senator Cormann: I would not want to start to give you inaccurate and incomplete answer off the top of my head.

Senator PATRICK: I appreciate your gathering that data across the various different portfolios, Minister, thank you very much. Thank you, Chair.

CHAIR: There are no further questions under outcome 2 for the Department of Finance. I thank the relevant officers of the department for their attendance here today.

Proceedings suspended from 17:10 to 17:16

CHAIR: The committee will now resume with the examination of program 2.1 and 2.5 to the extent that they relate to the Special Minister of State's responsibilities, then proceed to outcome 3. I welcome Senator the Hon Zed Seselja, representing the Special Minister of State. Do you wish to make an opening statement?

Senator Seselja: No.

Senator FARRELL: I have some questions regarding government advertising expenditure for the 45th Parliament. I note that, from the figures obtained from government advertising reports, in the 2016-17 financial year over $100 million of taxpayer money was used on government advertising. Is that your understanding?

Ms Huxtable: I'm the only one with my folder open: yes, in the 2016-17 year, $100.1 million was expended.

Senator FARRELL: Then in the 2017-18 year that figure grew to over $157 million, is that correct?
Mr Suur: Yes, that's correct.
Ms Huxtable: It is not over $157 million.
Mr Suur: No, it is $157 million exactly.
Ms Huxtable: $157.0 million is my advice.
Senator FARRELL: There was some careful expenditure to get to that figure.
Mr Suur: It includes $19 million for the marriage law postal survey, which was a one-off activity.
Senator FARRELL: What is the total expenditure for government advertising, current financial year to date?
Mr Suur: We released a report in December for the 2017-18 year. We release reports at the conclusion of each financial year on the expenditure in that year. At the moment there's advertising underway. A lot of advertising activity hasn't been completed. We typically get a report from the central advertising agency on expenditure 45 days after a campaign has been completed, so it's difficult for us to give a running total at this stage.
Senator FARRELL: Can you give us any figures for at least the first six months of the current financial year?
Mr Suur: We don't have them with us, but we can see what we can get. It will be a pretty imprecise figure, because it would be for only those campaigns which have completed in that six-month period.
Senator FARRELL: From what you said earlier, though, is it fair to say that expenditure in the current financial year would be greater than both the two previous financial years?
Mr Suur: I have no basis to say that at this stage.
Senator FARRELL: You indicated that there's a godly number of campaigns underway at the moment.
Ms Huxtable: I think Mr Suur just noted that there was campaign activity underway. Those campaigns are not yet acquitted, because they are underway. I think it was in that context, not in the context that you are suggesting.
Senator FARRELL: The impression you get when you turn the television on is that there is a whole range of government advertising campaigns running at the moment. Is that your impression, Mr Suur?
Mr Suur: There are a number of campaigns underway at the moment.
Senator FARRELL: Would you say more than average by comparison to the two previous financial years?
Mr Suur: I don't know to say that.
Ms Huxtable: I don't think we can draw any of those conclusions.
Senator FARRELL: Was the same-sex marriage advertising done by an exemption to the normal rules?
Ms Huxtable: You're harking back to my memory banks but, given the urgent nature of the work, I think there was an exemption in that respect.
Senator FARRELL: Has the Special Minister of State has granted any exemptions this financial year?

Mr Donovan: No.

Senator FARRELL: There are none in the pipeline that you're aware of?

Mr Donovan: Not that we're aware of.

Senator FARRELL: Would it come to you?

Mr Suur: We run a process where all government advertising campaigns have to comply with five principles and go through a process that includes an independent communication committee looking at the campaign against those five principles, so we would be aware if a campaign didn't come to the ICC.

CHAIR: It is traditional at this time of the evening to make available documentation about government staffing. If the department could do that as per normal, that would be helpful.

Senator FARRELL: Thank you, I should have raised that myself.

CHAIR: The deputy chair reminded me.

Senator FARRELL: Very good.

Ms Huxtable: It's coming your way.

Senator FARRELL: Has the Department of Finance received information on any new campaigns that are going to be run in the next few months?

Dr Helgeby: The way we treat campaigns is that there are no campaigns until they have started. Until there is something in the media, there is nothing. At any one point in time there might be ideas. That's a normal process, but ideas don't always turn into campaigns. We can give you a list of campaigns in the media at the moment.

Senator FARRELL: That would be very handy if you have that list for us.

Dr Helgeby: I might indicate that there are a number of campaigns running at the moment—remembering that, to be classified as a campaign, the media spend has to be above $250,000. So I'll run through them—

Senator FARRELL: You wouldn't get much for less than that these days, would you?

Dr Helgeby: There are some smaller entities and smaller campaigns that do deliver campaigns under $250,000, often quite localised ones: so it might be something for Questacon, or it might be something for some other smaller outfit. But the ones running at the moment, above $250,000: the ATO has one called taxable payments reporting; Defence has Defence Force recruiting, which is a perennial in the market, it's very consistently in the market; there is a Quality Schools reform campaign out of Education and Training; a childhood immunisation campaign out of the Department of Health—in fact, the Department of Health is a large advertiser, for public health reasons—Head to Health, which is about online resources for mental health; Health Star Rating system, which is about the rating system that appears on consumer packaging; HPV vaccine campaign; private health insurance; the Department of Home Affairs has a campaign—

Senator FARRELL: What's the private health insurance?

Dr Helgeby: It's about raising awareness of private health insurance reforms. These are reforms that come into effect on 1 April. The Department of Home Affairs has a campaign
offshore, which is 'You will be turned back'; the Department of Infrastructure, Regional Development and Cities has Building Our Future; there's a jobs campaign out of the Department of Jobs; Building Employer Demand, out of the Department of Social Services; and Tax and the Economy out of the Treasury portfolio. Those are the campaigns at the present time.

Senator FARRELL: And they're all running?

Dr Helgeby: They're all running, yes.

Senator FARRELL: You've mentioned all of them must be above $250,000. What's the upper end of the cost of those campaigns, the most expensive ones? What are they costing?

Dr Helgeby: Again, you don't really know what the cost of something is until it's finished, for a variety of reasons: it can be to do with the nature of the placements, it can be to do with the length of the advertising, it can be to do with a mix of digital and other media compared to television, for example. We simply don't have information that would be able to answer that question at this point in time. We have to wait until a campaign is finished and then there's an accounting. And, as Mr Suur indicated, the accounting is 45 days or so after the conclusion of the campaign.

Mr Suur: To help you with an answer to that question, last year the biggest campaign was Defence Force recruitment and that was $30.1 million. I think historically Defence Force recruitment has always been at the upper end of government advertising expenditure.

Senator FARRELL: That would be at the top end of expenditure?

Mr Suur: That would be my expectation, yes.

Dr Helgeby: I think it would be rare to find a year where Defence Force recruitment was not either No. 1 or No. 2.

Senator FARRELL: We've talked about all of those campaigns running. At the moment you're not aware of any others that might be in the pipeline?

Dr Helgeby: I think my evidence was and is that it's not a campaign until it starts.

Senator FARRELL: Yes. Surely they must make some contact with you, though, to get a bit of an idea—particularly if it's a new campaign, one they haven't done before?

Dr Helgeby: At any one point in time the department is in touch with many parts of government. They can be very exploratory kinds of conversations about something they might be thinking of. It might be a public health type of issue or campaign. That's a normal part of the to and fro. The process for actually turning something into a campaign isn't that process of just the to and fro; it is a proper process of cabinet consideration.

Senator FARRELL: So a campaign would be approved by cabinet and that would then be the first time you would officially hear about that?

Dr Helgeby: No. We support the processes of government, and so we would support cabinet consideration. But, because it's a cabinet process, there's a limit to what we can discuss around that. In the same way as Finance advises ministers in other areas, we advise ministers in this area.
Senator FARRELL: So, if cabinet were thinking about another campaign, you wouldn't either officially or unofficially know about it until you've received that advice? Is that fair to say? I don't want to put words in your mouth.

Mr Suur: We're involved in elements of the development phase. We run a list of suppliers. People come and talk to us at the concept stage. There's market testing involved in concepts. The independent communications committee, which I mentioned previously, is involved in the process of looking at campaigns, as is cabinet. There are things that are underway. Some mature and some don't. At this stage, as Dr Helgeby said, the things we are certain about are on that list that he read out.

Senator FARRELL: So you are involved in the process pretty much all the way along. It's at the point of the final decision—the yes or no—that you know that there is going to be a campaign.

Dr Helgeby: At the point when there is a final decision to proceed and then commences then obviously we're closely involved in that. Part of the reason for that is the government's central media placement agency is actually managed through a contract with the Department of Finance. So, from the point in time at which there's a decision that there will be a campaign until the actual launch of the campaign, the department is involved with our supplier.

Senator FARRELL: Does that mean you're negotiating rates with TV stations, radio stations and so forth?

Dr Helgeby: No, we are not. We work with our media management agency. In fact, we work with them in the setting of rates on an annual basis but not on a campaign-by-campaign basis.

Senator FARRELL: Given that you're involved in the process from the start, although no final decision is made until obviously cabinet has made the decision and you proceed from there, how many campaigns would you be in the process of advising on as we speak?

Dr Helgeby: Obviously we are involved with all the campaigns that are running at the moment.

Senator FARRELL: I understand. We've talked about those. I'm talking about ones that haven't yet appeared on our screens or on the radio.

Dr Helgeby: That's really a matter for government and a matter for cabinet. It is a cabinet process. As we've said, there are lots of discussions that don't turn into campaigns. A campaign is a campaign when it first launches.

Senator FARRELL: I understand that, but are we talking half a dozen or a dozen?

Dr Helgeby: I just go back to the distinction again between discussions we have and we are part of and actual campaigns.

Senator FARRELL: I understand the distinction you're making. I'm just trying to get some picture of where we're heading. I think my impression is right—government advertising is ramping up at the moment. You've talked about some of the projects. My instinct tells me that there are more in the pipeline. I'm just trying to get some picture, if it's possible, of what other campaigns we might be likely to see.

Dr Helgeby: There is a point at which this becomes just hypothetical. I went through the ones that are earmarked at the moment—
Senator FARRELL: Yes, I appreciate that.

Dr Helgeby: Beyond that it is hypothetical.

Senator FARRELL: At what point is government-funded taxpayer advertising required to cease before an election?

Dr Helgeby: There are a number of steps in that process. At the point in time where it becomes apparent that there will be an election campaign, we go and we work with the media management agency to identify almost immediately those things that are potentially in the market. We cease all of those things. That's a unilateral process. Then there is normally, and by—

Senator FARRELL: So it's pretty much certain—well, the Prime Minister in fact has said—that there's going to be an election in May.

Ms Huxtable: [inaudible]

Senator FARRELL: Did you say he didn't say that?

Ms Huxtable: Sorry, I was just being clear. I wasn't entirely tuned into Dr Helgeby's evidence, but the trigger point is the issuing of the writs.

Dr Helgeby: I didn't actually say that but that was what I was referring to, yes.

Senator FARRELL: I thought you were indicating a different date than the issuing of the writs?

Dr Helgeby: In that case, I apologise for having created confusion. What I meant was that you define a campaign or an election as having a start date and an end date. It's not a kind of generic sense of timing. The specific timing point is the issuing of the writs.

Senator FARRELL: So, to be clear, all government advertising stops on the day that the writs are issued?

Dr Helgeby: We issue instructions to cease. It can take a little bit of time for those things to kind of stop, but we issue instructions to cease, through our media management agency. For example, there might be something in a publication; it's hard to stop that, so you can occasionally see things trickle through. Then there is a process of consideration.

Senator FARRELL: So, the longer the government delays the election, then the later the date for stopping the advertising? Is that how it works?

Ms Huxtable: It is from the issuing of the writs— Senator FARRELL: So, why does it matter how long the election campaign is?

Dr Helgeby: Well, because that's not the end of the story—so, it stops. Then there is a process of consideration of what campaigns would have been in the media. By convention in
recent elections—and I don't know how far back this goes—the SMOS of day has typically written to the shadow SMOS and proposed that certain things might be agreed to continue. For example—

Senator FARRELL: Anti-vaxing?

Dr Helgeby: Anti-vaccines and these sorts of things. Only after this process has been undertaken will there be a restart of those particular campaigns.

CHAIR: Things like the AEC are allowed to advertise during election periods.

Dr Helgeby: The AEC is not actually covered by those arrangements. They have a standing exemption.

Mr Suur: There's an absolute blackout three days before the election, so even those public interest advertisements that continue through an election campaign, through agreement with the opposition, are turned off—three days before the election.

Senator FARRELL: On the Wednesday, they're subject to the blackout period, are they?

Mr Donovan: Yes. Advertising that's subject to the provisions of the Broadcasting Services Act will be removed in that period—in the immediate lead-up to the polling day.

Senator FARRELL: I haven't quite got the gist of what you're saying?

Mr Donovan: Ahead of polling day the Broadcasting Services Act requires us to remove certain electronic media, even in relation to campaigns such as Defence Force recruiting, which might be running with agreement. It would cease, as well, in those electronic mediums.

Senator FARRELL: Just for those three days?

Mr Donovan: That's right.

Dr Helgeby: I might just add something—and I'm quoting from an earlier set of caretaker conventions. Caretaker conventions are obviously revisited from time to time. So those caretaker conventions, as they were in existence in a previous timeframe, said 'Agencies should be aware the conduct of advertising information activities is regulated by legislation. In particular, section 2 of the Broadcasting Services Act deals with radio, and television broadcasts and part XXA of the Commonwealth Electoral Act deals with a wide range of communications containing electoral matter. In broad terms, legislation requires all political communications broadcast by television and radio, printed material, social media, voice calls, including robocalls and text messaging, to be authorised'. So, there's a whole series of other arrangements that then start to kick in once you're in that environment.

Senator FARRELL: In terms of the cut-off date being the date of issuance of the writs, is that written into the contracts that you signed—so the advertiser knows that as of that date the advertising ceases.

Dr Helgeby: It is an explicit requirement that our master media agency obeys the law and obeys these arrangements. Everyone who tenders for that and everyone who deals with them is fully aware that that's what happens.

Senator FARRELL: Getting back to my other point, the longer the election is delayed, the longer the advertising can continue?

Dr Helgeby: Sorry, I think this is the point where I'm getting a bit confused about what the question is you're asking.
Senator FARRELL: There was speculation the election might have been on 2 March, in which case we would have already stopped government advertising. The government's now said the election's going to be at some time in May, so that gives a longer period of time for the government advertising to continue. That's the point I'm making.

Dr Helgeby: The normal business of government continues up until the issuing of the writs, yes.

Senator FARRELL: What I'm saying is that the later the government calls the election, the longer they can continue government advertising?

Dr Helgeby: The later the election, the longer normal government activity can continue.

Senator FARRELL: Which includes government advertising?

Dr Helgeby: Which includes government advertising, yes.

Senator McALLISTER: I was just checking whether or not opposition senators had made inquiries the Comcar fleet—

Ms Huxtable: That's outcome 3. That's the next outcome.

CHAIR: If there are no further questions under outcome 2?

Dr Helgeby: Chair, could I just clarify one answer?

CHAIR: Yes.

Dr Helgeby: I was asked a question and I answered it in terms of the SMOS of the day writing to the shadow SMOS in terms of campaigns that might continue. It is perhaps better expressed as 'the Prime Minister of the day writes'.

Senator FARRELL: Writes to whom?

Dr Helgeby: Writes to the shadow, writes to the opposition leader.

Senator FARRELL: Writes to the opposition leader?

Dr Helgeby: Or 'writes to the opposition' is the better way of putting it.

Senator FARRELL: Which member of the opposition gets the letter?

Ms Huxtable: This would be subject to the caretaker convention. We don't own the caretaker convention—

Dr Helgeby: We don't own the caretaker convention.

Ms Huxtable: so that's a Prime Minister and Cabinet area of responsibility.

Senator FARRELL: Is that always the way it works?

Dr Helgeby: To the best of my knowledge, there has always been a letter from the government to the opposition, yes.

Senator FARRELL: You don't happen to know what particular government advertising continued during the last election?

Dr Helgeby: Not right now, no.

Mr Suur: I can give you an historical example, Senator, which is that, at a time when the terrorism threat in Australia was rated as high, advertisements about people being aware of terrorist threats and taking care of themselves and being alert about things that were going on.
in the community continued during the election period and they continued through agreement between the government and the opposition.

Senator FARRELL: Do we have any ads like that running at the moment? You did mention the offshore turnback.

Dr Helgeby: That's an offshore campaign, rather than a campaign which is in Australia.

Senator FARRELL: This is not the one that the Prime Minister recently featured in, is it?

Dr Helgeby: I don't think that's right.

CHAIR: Perhaps for completeness, Mr Suur—I will direct this question to you, and it may need to be on notice—when was the last time a campaign like the one you referred to granted an exemption to continue during an election campaign?

Mr Suur: I will have to take that on notice.

CHAIR: Thank you. If there are no further questions under outcome 2, I thank all the officers involved in outcome 2. You are now free to go. We'll move to outcome 3. We'll start with Senator Marshall, who has been patiently waiting all afternoon.

Senator MARSHALL: If I could take you to your question on notice F019, it's in relation to complaints made against members of parliament for bullying or bullying-style behaviour. My question was in relation to the length of service for each politician. You've simply given me information as of 2012, which I wasn't seeking. Well, I was seeking it in conjunction with other information, but why have you just cut it off there?

Mr De Silva: The period for 2012 is linked to when the bullying and harassment policy was established.

Senator MARSHALL: I know, but that wasn't the question I asked. The question I asked was very clear. We had a long discussion with nearly all the officers at the table about zeroing in on the time frame that I wanted, which was the length of service for each politician, and that has been completely ignored and you've simply taken it from the existence of a policy that started in 2012. Why?

Ms Jones: In terms of the information provided, if I recall from the questioning from last estimates period, you were asking questions from a perspective of whether or not there was a holistic file that was kept on every member of parliament that would include all manner of information. We don't maintain single files on each parliamentarian in that sense. We have different databases that record different information, but we don't have a single file. In terms of the data that we've been collecting around bullying and harassment, it has been linked specifically to the introduction of the policy in 2012.

Senator MARSHALL: You've not kept any information about complaints on bullying-like behaviour prior to that? Is that what you're telling me?

Ms Jones: It's possible there's information relating to different parliamentarians in different files across different systems, but it was only once the policy was introduced in 2012 and we had a specific category around bullying and harassment consistent with the policy that we recorded data against that.

Senator MARSHALL: How will you find the answer to my question then?
Ms Jones: In terms of specific complaints about bullying and harassment, they're linked to the actual policy. Prior to that—

Senator MARSHALL: So you're saying you couldn't make a complaint about bullying or harassment prior to 2012?

Ms Jones: Issues could have been raised.

Senator MARSHALL: Where will you find them?

Ms Jones: We'd have to search across multiple databases and also written records.

Senator MARSHALL: We'll come back to this. You've said there were seven formal complaints since 2012. Is there any member that has received more than one complaint out of that seven?

Mr De Silva: Could you ask that question again, please?

Senator MARSHALL: You've told me there were seven formal complaints since 2012 made against members of parliament. Are they all individual complaints against separate members or is that seven complaints against one member?

Mr De Silva: In relation to that, there have been seven staff who have made complaints against parliamentarians. It actually involves five parliamentarians.

Senator MARSHALL: It involves five parliamentarians?

Mr De Silva: Yes.

Senator MARSHALL: One parliamentarian has received—

Mr De Silva: There are two parliamentarians where two staff have made complaints.

Senator MARSHALL: And the rest are individuals. Alright. I will take you now to F020, which you refer to a lot in your other answers to the questions, which, again, don't really answer the questions I've asked. In relation to those seven formal complaints since 2012, you said there were no follow-up investigations by Finance?

Mr De Silva: In relation to question on notice F020, Finance provided a revised answer to that, which was sent up on Friday, and the revised answer said that there was one investigation involving a parliamentarian.

Senator MARSHALL: So what happened to the other six? Did that one investigation relate to the person who has had two complaints?

Mr De Silva: No, no, no. In relation to the answer that there has been seven formal investigations undertaken by Finance under the policy, one of those involved a complaint against a parliamentarian.

CHAIR: Mr De Silva, just to clarify, you mentioned a revised question on notice that was provided to the committee on Friday. Is that right?

Mr De Silva: Yes.

CHAIR: I don't think I've seen that as chair. I don't know if Senator Marshall has seen it.

Senator MARSHALL: If you could send it over to me, that would be nice. I think you said the only correction was there has been one investigation instead—

Mr De Silva: Yes.
Senator MARSHALL: There have been seven complaints. You've made one investigation. Did that investigation involve the member of parliament that has had two complaints against them, or is that someone else?

Mr De Silva: Just to be clear, the fact that there are seven complaints involving a parliamentarian: there are seven investigations that Finance has conducted, and only one of those investigations involved a parliamentarian. For the other complaints—

Senator MARSHALL: Let's not confuse it, because I didn't ask that question about ones that don't involve parliamentarians. You haven't actually included that in your answer, so don't add it now. In terms of the seven complaints against parliamentarians, there has been one investigation is what you're telling me?

Mr De Silva: Correct.

Senator MARSHALL: Okay, let's just stick with parliamentarians. What happened to the other six?

Mr De Silva: The others were resolved under the policy without needing to go to a formal investigation.

Senator MARSHALL: How does that happen?

Mr De Silva: The policy sets out a range of processes that may be followed. There might be assistance provided to the complainant where they are able to self-manage the issue. There might be assistance in terms of guidance to deal with the issue. Finance may assist in bringing together the person bringing the complaint and the persons who may be involved in the complaint. Finance may also be able to facilitate mediation between the various parties. Under the policy various processes could be followed. In many cases that resolves the issue at hand.

Senator MARSHALL: Are all the issues are resolved?

Mr De Silva: I couldn't comment on every single complaint.

Senator MARSHALL: You're the employer. It is your legal obligation to know, so you should be able to comment on it.

Ms Jones: The way I would characterise it is that the issues, as far as we are aware in terms of our engagement with the person making the complaint, are sufficiently resolved. It is in the circumstances where that doesn't happen you may move to a full investigation.

Senator MARSHALL: Which ones have been sufficiently resolved and which ones haven't?

Mr De Silva: The six would have been.

Senator MARSHALL: All right. I don't know why you don't just tell me that. So you are saying there has been one investigation and the other six, which according to your answer were done by alternative means, are all satisfactorily resolved as far as you are concerned?

Ms Jones: That's our understanding, yes.

Senator MARSHALL: How do you get to that understanding? Does someone tell you?

Ms Jones: We engage with the people involved, the people who have raised the complaint, yes.
**Senator MARSHALL:** I just think you could be a little more emphatic in your answers. Have you drawn a line under them? Is it a closed case now or not?

**Ms Jones:** Yes.

**Senator MARSHALL:** So they are resolved to your satisfaction.

**Ms Jones:** Yes.

**Senator MARSHALL:** The policy also requires, generally, the member of parliament to be involved in this process. How many times did that happen?

**Mr De Silva:** In relation to the investigation?

**Senator MARSHALL:** Yes, all of them.

**Mr De Silva:** For the investigation, the parliamentarian would have been involved.

**Senator MARSHALL:** Not 'would have been'. I am familiar with the policy, so don't tell me what might have happened under the policy. I actually want to know what happened. Was a parliamentarian involved?

**Mr De Silva:** I would have to take it on notice in terms of the degree and times and so forth.

**Senator MARSHALL:** Forget about the degree and times and stuff, because that is broader than the question I asked. Let's just start with the simple question first: was the parliamentarian involved as per the policy? We can talk about degrees in a minute.

**Mr De Silva:** Yes.

**Senator MARSHALL:** I really don't know why it is so hard to get these answers. Were they involved in any of the alternative means?

**Mr De Silva:** In terms of each of the other complaints against a parliamentarian?

**Senator MARSHALL:** Yes, I would be meaning that.

**Mr De Silva:** Yes, they would have been involved in terms of advice provided or engagement with the various officers.

**Senator MARSHALL:** They were involved in every instance?

**Mr De Silva:** Yes.

**Senator MARSHALL:** Okay. That wasn't so hard. I'm not clear on your answer. If we go to F023—again you have put the date of 27 February 2012 as the basis of your investigations. You say that three MOP(S) Act employees who had lodged a formal complaint with the department's work health and safety provider alleging bullying behaviour by their employing member of parliament over this period of time subsequently had a Comcare claim accepted. I'm trying to work this out. You said there were seven claims in that period and only one investigation, and the rest were resolved by alternative means—

**Ms Jones:** Seven complaints.

**Senator MARSHALL:** Yet three of them seem to have gone onto a successful Comcare claim. That doesn't make any logical sense to me. Explain that answer to me.

**Ms Jones:** There are seven complaints, in terms of—so not seven claims, seven complaints.
Senator MARSHALL: Yes. And, of those complainants, three of them went on to make successful Comcare claims.

Ms Jones: Correct.

Mr De Silva: Under the policy, one of the options for resolving a bullying and harassment claim is to actually make a claim through Comcare.

Senator MARSHALL: All right. So you did one investigation. Did that one result in a Comcare claim being accepted?

Mr De Silva: I'd need to double-check whether there was an overlap between those two. I'll take that on notice.

Senator MARSHALL: All right. So you did one investigation. Did that one result in a Comcare claim being accepted?

Mr De Silva: I'd need to double-check whether there was an overlap between those two. I'll take that on notice.

Senator MARSHALL: All right. So you did one investigation. Did that one result in a Comcare claim being accepted?

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Senator MARSHALL: All right. So you did one investigation. Did that one result in a Comcare claim being accepted?

Mr De Silva: I'd need to double-check whether there was an overlap between those two. I'll take that on notice.

Senator MARSHALL: And out of the other six, potentially three—

Mr De Silva: I'm happy to take that on notice.

Senator MARSHALL: I think you could probably find out now. We're only talking about a tiny number, aren't we? I'm just trying to come to grips with what you're telling me. So the person who's had two complaints against them, were they also two Comcare claims that were accepted?

Mr De Silva: I would have to take that on notice as well.

Senator MARSHALL: Surely you have got that information there in front of you, Mr De Silva?

Ms Jones: We just have to take that on notice, Senator; we don't have that information.

Senator MARSHALL: And that's their evidence to me. You've just repeated their evidence.

Ms Jones: Senator, there's no basis under our policy for us to be making a payment in that regard.

Senator MARSHALL: So you're absolutely sure about that?

Ms Jones: I'm asking about Finance: whether Finance have paid any other payments. The question was to you—it wasn't to Comcare; I asked them later. So have there been any other forms of payment or compensation made by the complainant? It's been put to me that Finance, in order for people either not to make a Comcare claim or in addition to the Comcare claim, have simply made payments to people to resolve the issue. Is that true?

Ms Jones: Senator, there's no basis under our policy for us to be making a payment in that regard.

Senator MARSHALL: So you're absolutely sure about that?

Ms Jones: I am sure. I'll check with relevant staff.
**Senator MARSHALL:** When a Comcare claim's accepted, you have some involvement in that process, yes?

**Mr De Silva:** Yes.

**Senator MARSHALL:** Does Comcare have the authority to make payments as part of a compensation package?

**Mr De Silva:** Comcare would exercise their powers under that act, and, in relation to a claim, they could make a payment in relation to any injury that had occurred at the workplace.

**Senator MARSHALL:** Are you aware of how many payments of that nature have been made?

**Mr De Silva:** We'd probably have to take that on notice and refer that to Comcare.

**Senator MARSHALL:** I'll be asking Comcare anyway. Has Finance ever requested Comcare to make an additional payment in order to resolve a claim?

**Ms Jones:** I would check that. I would think it would be highly not likely, so no, not to our knowledge. I could check that, but my response would be not to our knowledge, no.

**Senator MARSHALL:** Does Finance ask Comcare to keep any settlements confidential?

**Mr De Silva:** The process for how Comcare deals with a Comcare claim is determined by Comcare. We will assist in providing any information, and we can facilitate various things, but we don't have a role in terms of how they determine the outcomes of any claim that may be lodged with them.

**Senator MARSHALL:** So no?

**Mr De Silva:** No.

**Senator MARSHALL:** You referred to the evidence from Comcare in relation to the eight claims accepted. You're aware that four of those Comcare claims were attributed to a single member of parliament? I want to talk about that member of parliament now. Are you following me?

**Ms Jones:** I'm just—

**Mr De Silva:** Which question on notice are you referring to?

**Senator MARSHALL:** You referred to the Comcare information. They went on in their evidence and told me, of the eight claims accepted, four of them were in relation to a single member of parliament.

**Mr De Silva:** Right.

**Ms Jones:** Right.

**Senator MARSHALL:** So I now want to talk about that member of parliament who's had four Comcare claims accepted against them. And I want to now find out what information that you've provided me today also applies to that person. Of the seven complaints that you talked about today, how many of those apply to that person that's already had four Comcare complaints accepted?

**Mr De Silva:** We'd have to take that on notice and double-check.

**Senator MARSHALL:** I don't need you to take it on notice to double-check. Just tell me what you know now.
Mr De Silva: Sorry, I'd have to take it on notice to give you an answer.

Senator MARSHALL: So you don't know?

Mr De Silva: I don't have that information here.

Senator MARSHALL: So you can't tell me the latest state of a complaint that's been made against that person? Do any of those complaints relate to that person?

Ms Jones: We would need to work with Comcare to get the list of the parliamentarians who all those claims are against, and then compare against our own.

Senator MARSHALL: So you can't tell me the latest state of a complaint that's been made against that person? Do any of those complaints relate to that person?

Ms Jones: We would need to work with Comcare to get the list of the parliamentarians who all those claims are against, and then compare against our own.

Senator MARSHALL: No, hang on. You, as the employer, do not know how many Comcare claims have been accepted by people you're responsible for against a member of parliament? You're not telling me that.

Ms Jones: The parliamentarian is the employer. We provide support for parliamentarians, but parliamentarians employ staff in their offices.

Senator MARSHALL: That's contrary to Comcare's evidence. They are absolutely categoric that you are the employer.

Ms Jones: The Commonwealth is the employer. The parliamentarian is the person who has the direct employment relationship with the employees in the office. The Department of Finance provides support to assist parliamentarians to discharge their obligations as employer.

Senator MARSHALL: So are you telling me you don't have a record of who's had successful Comcare claims made against them?

Ms Jones: We would have access to those records, but to answer the very specific questions you're asking now I would need to take that on notice.

Senator MARSHALL: So a new employee comes along, and they come to work for a person that has a history of causing psychological injury to their employees. And you're just happy for them to mosey on in and just hope that they'll be okay? Is that your approach to your responsibilities?

Ms Jones: We provide support for both parliamentarians and their staff. From the time they first commence as parliamentarians, we provide information about their obligations as an employer, about maintaining a safe work environment and about issues around workload management. Then we continue to work with officers, whether on request or when there has been an issue that's been raised, which is sometimes short of a complaint. We receive literally thousands of phone calls every year that relate to issues around the office, and we tailor our support for parliamentarians as employers and their staff depending on the request.

Senator MARSHALL: You tailor your support to match the parliamentarian and their staff. We have one parliamentarian that's got four psychological injury claims accepted against them, but you can't tell me whether they've got ongoing complaints. You can't. I'd like you to be able to tell me. So I'm not quite sure that you're tailoring anything to anybody.

Ms Jones: I don't think that's correct. I think there is extensive support that is provided. In terms of the specific statistics or information that you're looking for, as I said, we can take that on notice, and we'll do our best to provide that information to you.

Senator MARSHALL: Yes, but that's what happened last time. How many estimates do we have to wait?
Ms Jones: Obviously, we will always seek to answer based on the specific questions that we're asked.

Senator MARSHALL: Do you know who it is that's had the four Comcare claims accepted against them?

Ms Jones: We can access it.

Mr De Silva: We can access that information.

Senator MARSHALL: You don't have it now?

Mr De Silva: I don't have that information here, no.

Senator MARSHALL: That might do me just for now, but I might come back.

Senator FARRELL: I have some questions relevant to the issues that Senator Marshall has just been talking about.

CHAIR: How long do you anticipate that will go for?

Senator FARRELL: It might take up the full 20 minutes.

CHAIR: In that case I'll go to Senator Storer, given he's an Independent senator and no doubt is going between committees. I'll go to him, and then we'll come to you.

Senator STORER: I'd like to ask questions about Comcar procurement. I understand that the department is currently in the process of procuring the next generation of Comcars. Is that correct?

Mr De Silva: We have just completed a trial. We are yet to undertake procurement.

Senator STORER: Can you explain, then, the nature of the trial?

Mr De Silva: It was determined that, in examining a replacement car for the Holden Caprice, the department would undertake a trial. That trial concluded on the Sunday just gone. Once we conduct an evaluation, it will be a matter for government to make a decision about that car. Post that, we will undertake a procurement process.

Senator STORER: What criteria are the department using to determine the vehicle selection in procurement?

Mr De Silva: We adhere to the Commonwealth fleet selection policy.

Senator STORER: That's in place for the trial?

Mr De Silva: Yes.

Senator STORER: Are there domestic content factors involved?

Mr De Silva: The selection policy sets out four main factors. One is the ANCAP rating of how safe a car is, the second one is fitness for purpose, the third goes to value for money and the fourth one goes to environmental considerations.

Senator STORER: So there's no domestic content consideration as part of those four?

Mr De Silva: No, given that there are no domestic vehicles being made.

Senator STORER: Or part thereof. You mentioned environmental—did you say environmental performance?

Mr De Silva: Environmental considerations.
Senator STORER: Could you expand on environmental considerations and what you actually mean.

Mr De Silva: It'll go to things like fuel economy, CO2 emissions—things like that.

Senator STORER: What sort of weighting do you have for these four elements? How much weighting do environmental considerations get in terms of the four?

Mr De Silva: They're factors that are taken into account. The policy doesn't set out a particular weighting to each of those factors. So, to use an example, the ANCAP rating, which is five star, would be really a yes or no. We're not going to go with a four-star ANCAP, so for that one it's just a yes or no. For others, it will be a balancing of the various factors.

Senator STORER: As I understand it, there are standards in place for emissions, be it noxious elements, so that would be an environmental consideration, but there aren't any standards for CO2 emissions in Australia for vehicles. What environmental standard of CO2 do you apply in your consideration?

Mr De Silva: I couldn't comment in terms of particular standards. I think what we'd be having a look at would be what the various emissions are and look to those which may have lower ones. Again, it will be one factor that is considered under the policy, along with: is it fit for purpose; and is it value for money for the Commonwealth?

Senator STORER: If there's no CO2 standard in Australia, then how much would the CO2 emissions really matter in your assessment of environmental performance?

Mr De Silva: I think what I can say is it is one of the factors that we will consider, because we will adhere to the selection policy.

Senator STORER: You mentioned about the yes/no for ANCAP and some other considerations. What body is actually making this decision?

Mr De Silva: We'll do an analysis of the trial and provide that advice to government.

Senator STORER: We, as in your business enabling services? Is that what you mean—we?

Mr De Silva: Sorry, yes. My area is responsible for conducting the trial. We are responsible for analysing the outcomes of that trial. We'll provide advice to government, and government will make a decision.

Senator STORER: Can you give me any information on the budget for the trial. How much did the trial cost?

Mr De Silva: I might refer to Mr Heaver for that.

Mr Heaver: Funding for the trial was covered from current appropriations.

Senator STORER: Current appropriations.

Mr Heaver: I may have to get back to you on notice on the exact cost, but there were obviously driver wages and lease costs associated with the initial vehicle trial.

Senator STORER: If you could because that was the question.

Mr Heaver: I'll have to get back to you.

Senator McALLISTER: Did the cost involve vehicle purchase, or have they been provided on some other basis to the department?
Mr Heaver: We don't purchase any vehicles; we only lease vehicles.

Senator McALLISTER: But a payment has been made to lease the vehicles for the purpose of the trial?

Mr Heaver: That's correct—through our lease provider sgfleet.

Senator McALLISTER: I think if it was possible to provide answers in relation to the cost before the evening was concluded, that would assist the committee—sorry, Senator Storer.

Mr Heaver: I'm not so sure I'll have exact dollar figures; I might have to get that answer back to you on notice.

Senator STORER: Were the cars imported for the trial? Were they available in Australia?

Mr Heaver: Yes. All cars were sourced locally.

CHAIR: Senator McAllister, do you have more questions?

Senator McALLISTER: I do, but I think Senator Farrell is happy to ask his questions and mine can wait till after dinner.

Senator FARRELL: On the last answer you gave, Mr Heaver, you said driver costs. But last weekend I was in one of these vehicles that you were trialling, and I have given my opinion on it.

Mr Heaver: Thank you.

Senator FARRELL: For what it's worth! There would be no additional cost involved—

Mr Heaver: No.

Senator FARRELL: because the drivers might be driving a different car, but—

Mr De Silva: There would be no additional driver costs associated with conducting the trial. It was an alternative car compared to using the Caprice.

Senator FARRELL: I just wondered whether I'd misunderstood something.

Mr Heaver: I may clarify that. We did some off-road testing, which involved some drivers doing—which didn't involve client movements. There would be some there. Whenever a client was in the car, it would have been normally serviced anyway by a driver.

Senator FARRELL: Obviously, if you've done off-road testing, then I can understand how you come to additional costing. I indicated I had some questions following on from Senator Marshall. They relate to a number of newspaper reports that have emerged, amongst others today, regarding an investigation into allegations of bullying in the office of Minister Wyatt and the issue of a final report. You may recall that last estimates I asked a number of questions regarding bullying investigations in ministerial offices. In particular, I asked about Minister Wyatt, who has been the subject of, as I said before, some media scrutiny in relation to his office, including an overnight report in the West Australian newspaper. I asked specifically about interference in those investigations by ministers or members of parliament and whether any investigations were underway. I would like to briefly return to the genesis of the investigation in Minister Wyatt's office. Can you tell us who instigated the investigation into Minister Wyatt's office?
Senator Seselja: Senator, just before those questions are answered: you would be aware of the very longstanding bipartisan convention that we don't give answers that would in any way expose the privacy of various individuals, and staff in particular.

Senator FARRELL: None of the questions I will ask will seek to elicit that information.

Senator Seselja: Sometimes, by a process of elimination, of course, that can be done.

Senator FARRELL: If it does get to that point, I'd be happy if the witnesses indicated. If they get to that point, that you could only come to one conclusion, then I'll happily stick with the convention.

Senator Seselja: Thank you, because I'll insist. It has been a longstanding convention. I think it's a very fair convention. Senator Faulkner insisted on it a lot in government. We have abided by it in government. I just caution you in terms of some of your questioning, and certainly our answers, in seeking to give you information, we will protect the privacy of staff.

Senator FARRELL: Don't pre-empt my questions.

Senator Seselja: I'm just putting it out there because you were heading down a very specific path. I'm just putting it to you that that has been a longstanding convention and one I intend to continue to abide by.

Senator FARRELL: Look, I understand, and we've had this debate just about every estimates. What you're saying is nothing new. My response has always been that I don't want you to specifically identify the individuals, but it is now a matter of public record that there has been an inquiry. I think, in the interests of the minister himself, we actually need some clarity about what has gone on here and where we're heading. My first question is: who instigated the investigation into the minister's office?

Mr De Silva: In accordance with the policy, it's for Finance to determine whether a formal investigation is warranted. It was Finance.

Senator FARRELL: You personally, Mr De Silva?

Mr De Silva: No, it wasn't me personally. It would have been the person who formerly sat in my role.

Senator FARRELL: Right. Is that because of when it occurred?

Mr De Silva: Yes.

Senator Seselja: Mr De Silva is fairly new.

Mr De Silva: I joined the department five weeks ago.

Senator FARRELL: Congratulations.

Mr De Silva: Thank you. I'm very happy here.

Senator FARRELL: Where were you before, Mr De Silva?

Mr De Silva: I was actually working in the—

Senator FARRELL: That's not too personal a question, is it?

Mr De Silva: No, it's fine. I was working in the Victorian government. But, prior to that, I was in the Commonwealth for 17 years.

Senator FARRELL: How long were you in the Victorian government?

Mr De Silva: For three years.
Senator FARRELL: Okay.
Ms Huxtable: We're very pleased to have him back, Senator.
Senator FARRELL: Yes, well, he's very—
Senator Seselja: Getting some great endorsements.
Senator FARRELL: forthright in answering the questions, and I like that. Who was your predecessor?
Ms Jones: It was Shannon Frazer. She appeared here at the last estimates, Senator.
Senator FARRELL: Did the minister refer these matters to Finance for investigation?
Mr De Silva: It's not a process of a minister referring matters; it's where a complaint has been raised. For Finance there's a process that we will follow, going through the various steps trying to resolve any issues that have been raised. If they can be addressed through other means, we will attempt to do so. In this case, it was determined that it was appropriate for a formal investigation to be undertaken. It was a decision of Finance.
Senator FARRELL: Can a minister refer themselves? If allegations have been made in the public arena, for instance, can a minister say, 'Look, I want you to investigate this matter?'
Mr De Silva: Potentially, yes.
Senator FARRELL: Okay. But, as far as you are aware, Minister Wyatt didn't do that in this case?
Ms Jones: No.
Mr De Silva: No.
Senator FARRELL: So, how did the matter come to your attention?
Mr De Silva: The normal process would be a formal complaint made with the department, as I said. We'll follow the policy. That sets out a range of processes that we may endeavour to use. In some cases, it might just be that we provide advice and assistance, and the complainant is able to resolve the issues themselves with some guidance. It could be that we arrange a meeting between the complainant and the various persons or person who may be involved. In some cases, it may be that we facilitate mediation between the parties. It really does depend on the circumstances of the case and what the various options are to try and work through the issues that are being raised.
Ms Jones: Senator, can I just add to that. In order for it to reach the consideration by the Department of Finance that a formal investigation should be pursued, we would have to have quite specific information from the person concerned who was raising the complaints.
Senator FARRELL: The complainant, you are talking about?
Ms Jones: The potential complainant or the complainant, yes. The reason I think it's really important to note that is—as I said in my evidence to Senator Marshall—every week we would receive phone calls about issues in parliamentarians' offices that may range from concerns about hours worked, about interpersonal relationships in the office and about access to their parliamentarian in order to be able to get their work done. We receive queries about what's the best way to deal with those issues on a weekly basis. In order for it to be sufficient to warrant a formal investigation, we obviously would need to have very specific information from that complainant.
Senator FARRELL: Obviously a serious allegation?
Ms Jones: As Mr De Silva has pointed out, and as the bullying and harassment policy indicates, you would obviously seek to resolve matters through—it's a tiered approach, where you try to assist in resolving matters in an informal way where possible.
Senator FARRELL: Yes.
Ms Jones: There needs to be quite specific information to found a formal investigation.
Senator FARRELL: Just to summarise what you're saying there, if I'm getting the gist correctly, Ms Jones: there would have to be specific allegations, and allegations of a serious nature, for it to get to the stage where the investigation would proceed?
Ms Jones: That would generally be the case.
Mr De Silva: I would add: and other means haven't been able to address those issues.
Senator FARRELL: Okay.
Ms Jones: The critical issue is: if it could not be resolved by the other means that are available to us in the policy. Obviously, that's the priority.
Senator FARRELL: Okay.
CHAIR: We're coming right up to the break, so this will have to be the last question.
Senator FARRELL: But I can continue with this line after the break?
CHAIR: Of course.
Senator FARRELL: Thank you, Chair. At what stage did the department refer this matter to the private firm CPM Reviews to undertake the investigation on its behalf?
Ms Jones: The exact date that we referred the matter—we may need to take that on notice.
Senator FARRELL: Just ballpark—weeks ago, months ago, years ago?
Mr De Silva: It was last year.
Ms Jones: Yes. It was approximately October last year, but if I could take that on notice to clarify?
Senator FARRELL: No, that's near enough. October. You reckon it was about October last year?
Ms Jones: We would need to check it.
Ms Huxtable: We can correct it if that's wrong.
Senator FARRELL: Okay.
CHAIR: Thank you.

Proceedings suspended from 18:30 to 20:00
CHAIR: The committee will now resume its examination of outcome 3, the Department of Finance. Senator Farrell.
Senator FARRELL: I would like to briefly return to some statements made by the department to questions before the break. You mentioned that ministers do not refer investigations, and the investigations into Minister Wyatt's office came from Finance itself after receiving complaints. Is that correct?
**Mr De Silva:** I just want to clarify something. There were discussions with the office prior, but, again, the decision to actually conduct a formal investigation sat with Finance. But there were discussions with Minister Wyatt prior.

**Senator FARRELL:** Okay. We might be getting into semantics here, but are you saying there was no specific referral from Minister Wyatt that initiated the investigation?

**Mr De Silva:** I think, for an investigation, that would be correct. Senator, you also asked about the date that the investigation started.

**Senator FARRELL:** Yes.

**Mr De Silva:** We just checked on Austender, and the contract started on 19 September.

**Senator FARRELL:** Okay, slightly earlier than when you had—

**Mr De Silva:** Yes.

**Senator FARRELL:** Thank you for clarifying that, Mr De Silva. As you're aware, this issue has attracted quite a bit of media attention. Actually, that's an interesting date. What date did you say—19 September?

**Ms Huxtable:** Is when the contract commenced.

**Senator FARRELL:** Yes. On 24 September last year, there was an article in *The Australian* headed 'Ken Wyatt's office hit by bullying claim'. The minister stated to the journalist, Elias Visontay, that he had initiated this investigation. Would you like to see the particular article?

**Mr De Silva:** I think we have to be very careful about commenting on what's reported in the media. I think it's fair to say that, when we go into issues like this regarding individual parliamentarians and MOP staff, you may need to take some questions on notice, and the minister raised that prior. So I'll just have to be careful in terms of whether—

**Senator FARRELL:** No, no. I'm not asking you to identify any individuals here. I asked you the question: did the minister refer the matter? You were pretty clear in your answer that the answer to that is no. Yet, in his report to *The Australian*, he's saying, well, he was the one that initiated the investigation.

**Ms Jones:** As Mr De Silva referenced at the beginning, certainly Minister Wyatt did contact the department in relation to those issues. I think the distinction that Mr De Silva was drawing out was that the specific decision to initiate an investigation was taken by the department, but Minister Wyatt had contacted the department prior to that.

**Senator FARRELL:** Yes, but can I read what Minister Wyatt says, and I don't think there's any equivocation in his response to the journalist from *The Australian*. He says—and it appears to be a direct quote from the minister—that he:

… had "instigated the investigation" but would not give further comment while the investigation was under way.

The second part of it is quite understandable, but he says he instigated the investigation.

**Ms Jones:** Obviously recognising that that's something that's been reported in a media article and I don't have direct knowledge of what Minister Wyatt said, there is a distinction between our understanding of the formal initiation of an investigation; he may have been referencing the fact that he did contact the department to note that there were issues that
needed to be looked at, and what Mr De Silva was referring to was the fact around the formal initiation of an investigation. So I think they're two steps in a process, so to speak.

Senator FARRELL: But he's pretty clear, isn't he? He's saying, if the journalist has got this right—and as I said, it appears to be a direct quote from the minister—' he says he 'instigated the investigation.' You say he can't have done that: only you, Mr De Silva, or your predecessor, of course, could have instigated the investigation. Is that correct?

Mr De Silva: I think it's fair to say that a minister or any person could raise issues and could make suggestions as to what could be the next step to take. But, in terms of what the policy makes clear, the decision to commence a formal investigation rests with Finance. I'm not saying that issues may not be raised prior by a minister; I'm just saying that, the decision to formally commence an investigation sits with Finance.

Senator FARRELL: So if the minister did say he instigated the investigation, he's wrong?

Ms Jones: It could be instigated in the sense of having contacted the department. I think that's the important issue that needs to be drawn out.

Senator FARRELL: He's gone beyond suggesting he's contacted the department. I'll read the words again: 'he says he's 'instigated the investigation.' From what you are saying, Mr De Silva, the only person that could have instigated the investigation was your predecessor.

Senator Seselja: Senator, you're talking from a legal perspective in terms of—

Senator FARRELL: No, I'm not talking about the—

Senator Seselja: Well, you are.

Senator FARRELL: With respect, Minister, I'm not.

Senator Seselja: I mean, you're getting into semantics here. The minister was very clear in terms of having taken action. He wasn't trying to give a legal definition in terms of the exact instigation of the investigation. So I think you are playing with words here.

Senator FARRELL: With respect, Minister, Minister Wyatt was very clear. He said he instigated an investigation. Mr De Silva is telling us tonight that only he or his predecessor could have instigated the investigation.

Senator Seselja: You've heard evidence from the department that the matter was referred by the minister. You're talking about a different description of the same thing. He's not seeking to give a legal definition of the exact instigation; he's talking about the actions that he took.

Senator FARRELL: I'm not sure the department did in fact say that he initiated the investigation, but if you're saying that that's what he did—

Senator Seselja: I'm just referring to the department's answers that the matter was referred.

Senator FARRELL: Well, can we clarify, then: are you saying that this first started with contact from the minister? Is that the first time you heard about this issue, when the minister contacted you? Because I didn't understand you to say that, but Minister Seselja has just said that that was what you said. I'm just clarifying. Is that what—

Senator Seselja: What I said was that the evidence that was given by the department was that the minister referred the matter. That's what I said.
Senator FARRELL: Referred the matter. So you say there's a difference between the word instigate and refer?

Senator Seselja: I think you're very focused on that particular language.

Senator FARRELL: I'm only focused on the language—

Senator Seselja: What I'm saying is, the minister in his statement is not trying to give some legal definition. He's simply talking about actions he took.

Senator FARRELL: I'm not trying to split hairs here, but the impression that you would get from reading this Australian article is that this was all initiated at the behest of Minister Wyatt. From what I can understand—and I think this is the only possible interpretation of what Mr De Silva has said—is: the only way an investigation could start is if Mr De Silva or his predecessor initiated that investigation.

Ms Jones: Perhaps I could clarify—the issue is that, if the decision has been taken to go down the path of doing an investigation, there has to be a process to engage an independent person to undertake the investigation.

Senator FARRELL: I'll come to the independence. Let's not get too far ahead of ourselves here.

Ms Jones: No, but what I'm trying to refer to is that there are some specific mechanics that need to happen for an investigation, and those mechanics, so to speak, need to be undertaken by the department. It can't be a parliamentarian who does that.

Senator FARRELL: So, when Minister Wyatt says that he initiated the investigation, you say he's correct; he's entitled to say that he initiated the investigation?

Mr De Silva: Perhaps a different way of approaching it is to say that the minister referred issues in the office. We reviewed those in accordance with the policy and, based on that, we determined that an investigation was the appropriate next step.

Senator FARRELL: How did the minister communicate you?

Mr De Silva: I'd have to double-check.

Senator DEAN SMITH: There are some people, those who are under MOP(S), who go through an investigation process with no standards, or one that's invisible, and then there's an investigation process that is very, very visible, with standards, which we hear about at Senate estimates. But there's a whole bunch of people that might've gone through an invisible or silent investigation process about which you don't get to answer any questions, because you couldn't. If I were to sit here and ask you about private investigations that have been undertaken by the Labor Party, for example, you wouldn't be able to answer those, would you.

Ms Jones: That's right, Senator. We weren't involved—

Senator DEAN SMITH: How can there be two standards in the system? We've got everyone employed under one agreement, but they're subject to difference regimes or different standards when there's an investigation around bullying. I think you should be asking Senator Farrell to explain why some people employed under MOP(S) don't have the same protections or process that he's asking you about.

Senator FARRELL: Chair, Senator Smith has to understand that we ask the questions and the witnesses answer, not the reverse.
Senator Seselja: I took it as rhetorical, but it was a very fair point.

Senator DEAN SMITH: I think it's gone far enough, Senator Farrell.

Senator FARRELL: Do you?

Senator DEAN SMITH: I think it is really outrageous that you can sit there with a straight face for as long as you have.

Senator FARRELL: With due respect, Senator Smith, I don't think it has gone far enough. I think we owe it to the people who have been involved in all of this. The matters have now been—

CHAIR: Perhaps you need to ask your questions about Ms Husar, Senator Farrell, given your concern for the staff involved.

Senator FARRELL: No, I don't propose to ask any questions about Ms Husar.

CHAIR: Funny that!

Senator FARRELL: But you may wish to. How did the minister initiate the investigation? Did he email you? Did he ring you?

Ms Huxtable: Is the question: how did the minister make contact with the department in regard to this matter?

Senator FARRELL: Yes, correct.

Ms Huxtable: He rang—that's my understanding.

Ms Jones: He placed a phone call to the department.

Senator FARRELL: Who did he talk to?

Ms Jones: One of our officers.

Senator FARRELL: Is that the standard way that a person would make contact?

Ms Jones: I wouldn't say it's standard. It's one option.

Mr De Silva: A person could call the helpdesk. They could contact the work health and safety provider directly. There's not a single way. It could be by telephone or by email.

Senator FARRELL: Okay.

Senator DEAN SMITH: I've got a line of questioning, if I might. Did any staff that were subject to the investigation—let's call it a private investigation, as opposed to a public investigation—that was undertaken by the Australian Labor Party make inquiries to Finance in regard to what their rights and responsibilities and obligations might be?

Ms Jones: I think we might need to take that on notice. I'll come back to the point we made a little bit earlier on: it does get sensitive in terms of revealing information about individuals and how they have contacted the department.

Senator DEAN SMITH: Agreed.

Ms Jones: It is part of the obligations that we have to them that we try and respect their privacy. I recognise that the committee will ask questions, but the standard practice is we would take that on notice.

Senator FARRELL: Ms Jones, aren't we in a slightly different position here though, because the minister has publicly come out and indicated that he has referred the matter to the
department? He's not seeking confidentiality, otherwise he simply would have refused to talk to the journalist in question.

Senator Seselja: Just to be fair though, the confidentiality is primarily about staff members in particular.

Senator FARRELL: Yes.

Senator Seselja: Regardless of comments that may have been made—

Senator FARRELL: I accept that remark. I made the comment earlier that, if at any stage any of my questions are getting to the point of identifying the staff, you can just tell me and I'll cease to ask questions in that direction, but, with all due respect, I don't think we've reached that stage yet.

Senator Seselja: Likewise, Senator Dean Smith is entitled to ask questions.

Senator FARRELL: I haven't stopped him.

Senator DEAN SMITH: I have a number of questions, not one.

Senator Seselja: I'm not saying that you are.

Senator FARRELL: If any person is being stopped from asking questions, it's me, because he keeps interfering.

Senator Seselja: The very same point applies to Senator Smith's questions.

Senator FARRELL: The easy way is for me to ask my questions and then he can come in and ask all the questions that he—

Senator Seselja: I'll allow the chair to do that. In relation to Senator Smith's questions, the exact same principle applies to the extent that Finance can answer questions that are relevant to the operations of Finance that would not have the potential to identify individual members of staff. With questioning from yourself, Senator Farrell, the same standard will be applied.

Senator FARRELL: And I wouldn't expect anything less from our Public Service.

CHAIR: Senator Smith.

Senator DEAN SMITH: In a situation where a staff member found themselves subject to a private investigation or a private examination or accusations of bullying, for example, and they did contact Finance, what are the limits, or are there no limits, to the advice that you can give a staff member?

Ms Jones: I think you've raised a similar issue in the past. Obviously, it's problematic to answer a hypothetical question, but I would make the point that, where we contacted by a staff member seeking advice or support about any process that might be engaged in that was relevant to their employment, we'd provide the normal sort of support and advice that we would in any other circumstance. I'm sure that the normal offer of support that the department provides would apply in those circumstances.

Senator DEAN SMITH: But surely you must have some criteria. If someone is asking you for advice about a process that you don't think is particularly robust, fair or perhaps even appropriate, surely the advice to that staff member would be that this might be inappropriate. It doesn't have any due process attached to it. How would you make that judgement about whether or not this private process was actually legitimate? You might not have any line of sight over the outcome of the process, so how can you properly advise a staff member about
Ms Jones: The issue is whether or not we'd have visibility of the process.

Senator DEAN SMITH: So you'd advise the staff member—what?

Ms Jones: It's very difficult to answer in the abstract. I can't say whether or not we did receive any inquiries to that nature.

Senator DEAN SMITH: I understand. I might have some more questions as we continue, Chair.

CHAIR: Senator Kitching.

Senator KITCHING: Could we have the AusTender contract notice for the independent firm? I'd rather have the notice, but I'm happy with the number?

Ms Jones: I think we can provide that.

Senator KITCHING: Are you able to provide the actual notice itself? Just the number is fine.

Mr De Silva: I can give you the number.

Ms Jones: We can probably identify it on AusTender.

Senator KITCHING: The number is fine. What is the number?

Mr De Silva: CN3547771.

Senator FARRELL: That's for the private firm CPM, is it?

Mr De Silva: Yes.

Senator FARRELL: There was a story by Nick Evans published today in The West Australian. It starts by claiming:

Former staff of Federal MP Ken Wyatt say the Federal Government has refused to give them a copy of a report on bullying in the Aged Care Minister’s office, describing an external investigation of the allegations against a senior staff member as a cover-up.

I think you've told us that the investigation formally commenced on 19 September. Can you tell us what the cost to taxpayers for the investigation has been so far.

Mr De Silva: The total cost of that contract was $36,863.75.

Senator FARRELL: When was that report provided to either you or the department?

Mr De Silva: The final report was provided to the department on Sunday, 11 November 2018.

Senator FARRELL: Has a copy been provided to Minister Wyatt? On what date?

Mr De Silva: Yes. In accordance with policy the report is provided to the parliamentarian. We provided a copy of the report to Mr Wyatt on 7 December.

Senator FARRELL: That's a reasonable gap.

Mr De Silva: We had discussions with CPM in terms of the content and then arranged a time to meet with the minister. It was the next time that he was actually in Canberra.

Senator FARRELL: Okay, thank you. Has a copy been provided to the Special Minister of State?
Mr De Silva: No. I'm trying to think about that, but no.

Senator FARRELL: Has a copy been provided to the Prime Minister's office?

Mr De Silva: No.

Senator FARRELL: Can a copy of the report be provided to this committee?

Mr De Silva: We'd have to take that on notice—again, being very careful about what information is given in relation to an individual parliamentarian and also about any staff who are referred to in any report.

Senator FARRELL: Yes, I can understand how it might be redacted.

Senator Seselja: Senator, you said you were going to try and respect the privacy of staff, but—

Senator FARRELL: I made clear it would be redacted.

Senator Seselja: you're asking for a report which would never in the past have been made available, because of the privacy aspects involved. The idea that you could make such a report available and still protect the privacy of staff is extraordinary. That is not something that would be appropriate to have—effectively personnel files and private files on staff—provided to a committee.

Senator FARRELL: Mr Da Silva, can you describe how the external consultant carried out their investigation.

Mr De Silva: I can provide a general comment. They were engaged, there was a discussion about the information that we would have had available to us, the investigation would have proceeded in terms of identifying various persons to contact and interview and then they would have arranged all those interviews over a period of time, collected that information and formed a view about the nature of the issues being raised.

Senator FARRELL: Is this a Western Australian firm? Were they based in Western Australia?

Mr De Silva: I would have to take that on notice. I'm not entirely sure where they were based.

Senator FARRELL: How many witnesses did the consultant interview?

Ms Huxtable: I'm worried about the level of detail that we are going into here. I mean, Mr De Silva described in the generality the process that would normally be gone through, but to begin to get into the information that really goes directly to this, I find that ominous.

Senator FARRELL: Ms Huxtable, I've said all along that if any of the witnesses believe that any question is likely to identify a witness, please say so and I won't continue with that line of questioning.

Ms Huxtable: I think that's what I was saying, that I was concerned that we're getting very close to the wire.

Senator FARRELL: Then I accept that. Have the witnesses who were consulted been provided with a copy of the report for comment?

Mr De Silva: No. The general process would be: if there were an interview, there would be discussions with the person who conducted the interview, but, consistent with the policy, the report is provided to Finance and it's then only provided to the parliamentarian.
Senator FARRELL: Has the subject of the complaint been provided with a copy of the report for comment?

Mr De Silva: Again, I think I can just refer to my previous answer—

Senator FARRELL: Yes. Okay.

Mr De Silva: consistent with the policy.

Senator FARRELL: So when the article in the newspaper today—which I seem to have lost—says that the former staffer has not been provided with a copy of the report, that's correct?

Mr De Silva: Consistent with the policy, the report is provided to Finance, and it's provided to the parliamentarian.

Senator FARRELL: Can you tell us what the conclusions of the report were?

Mr De Silva: Again, I think that's going to the details of the nature of—

Senator FARRELL: Were any findings made?

Senator Seselja: Again, I think you're seeking to get information which, clearly, the public servants have made very clear is not appropriate. You're looking to effectively get into personnel files. That's not a path that's been gone down in these committees before.

Senator FARRELL: Is this the final report?

Mr De Silva: Yes. The report was completed.

Senator FARRELL: Will the report be made public?

Mr De Silva: Consistent with the policy, the report is provided to Finance and to the parliamentarian.

Senator FARRELL: Has the department discussed the report with Mr Wyatt or his office?

Mr De Silva: Again, consistent with the policy, the report comes in, and there was a discussion with Minister Wyatt. The policy makes clear that that is the process that should be followed.

Senator FARRELL: When did those discussions take place? Was that on 9—

Mr De Silva: On the date that we actually gave the report to Minister Wyatt.

Senator FARRELL: Was that 9 December?

Mr De Silva: It was 7 December.

Senator FARRELL: Was there any agreement with the minister about how the report would be handled?

Mr De Silva: Again, consistent with the policy, it's a matter for the parliamentarian in terms of what outcomes and actions the parliamentarian chooses to take.

Senator FARRELL: Has the department discussed the report with the Special Minister of State or his office?

Mr De Silva: Not in terms of the content, no.

Senator FARRELL: Has the department discussed the report with the Prime Minister or his office?
Mr De Silva: No.

Senator FARRELL: Has the Special Minister of State, or his office, discussed the report with the Prime Minister or his office?

Mr De Silva: I couldn't comment on that.

Ms Jones: We couldn't comment on that.

Senator FARRELL: Sorry?

Ms Jones: We couldn't comment on any discussions that may have occurred between the Special Minister of State's office and the Prime Minister's office.

Senator FARRELL: Why not?

Ms Huxtable: We wouldn't be aware of that.

Ms Jones: Could I just go back to one other comment—

Senator FARRELL: Yes.

Ms Jones: just in relation to any discussions with the Special Minister of State's office. Could we take that on notice? It's just because, as you know, Mr De Silva has only been in his role five weeks; it is possible that his predecessor did have a conversation, and I think I should just clarify that.

Senator FARRELL: Okay. Thank you for doing that. I appreciate that. What does the government now intend to do with the report?

Mr De Silva: As I say, consistent with the policy, once the report is completed there's a discussion with the parliamentarian. It's given to the parliamentarian. Any actions or outcomes from that report are a matter for the parliamentarian.

Senator FARRELL: And he can release it if he so wishes?

Mr De Silva: The report is actually a report of Finance.

Senator FARRELL: I beg your pardon?

Mr De Silva: The report is provided to Finance. The policy makes it clear that we provide a copy, but, consistent with the policy, it's only for Finance to be able to release or not.

Senator FARRELL: So, for instance, if the report were to clear the minister of any wrongdoing or any allegations, the minister could not release that report unless Finance agreed?

Ms Jones: I think we're getting into a hypothetical and it assumes outcomes in the report that I don't think should be assumed. So I don't think we can answer that hypothetically.

Senator FARRELL: Except that obviously one of the persons involved in this has gone public and said that they would like to see a copy of the report. So I think it is fair enough, with all due respect, to ask whether or not the report can be made public or is going to be made public.

CHAIR: And you have asked, Senator Farrell, and the officials have answered.

Senator McALLISTER: The officials indicated they're not going to answer the specific question in relation to the specific case at hand, but perhaps they can explain what the general parameters are in the release of a report of this kind.
Ms Jones: As Mr De Silva said, the report is initiated through the department, but ultimately it is a report to the parliamentarian. Whilst formally it is a Department of Finance report, as far as we know from practice, no such report has been publicly released because of the obvious sensitivities associated with this. But ultimately it is a report that we undertake. That is, we commission the investigation and we are provided with a report and we provide it to the parliamentarian.

Senator McALLISTER: Are there any guidelines that document the processes for this that are used by staff in your department to guide their own practices and decisions?

Ms Jones: The bullying and harassment policy sets out the processes associated with undertaking investigations, and that policy has been developed in consultation with—

Senator McALLISTER: And that's it? There is no additional documentation?

Ms Jones: Not in terms of a policy.

Senator McALLISTER: So there is no written guidance about implementation of a policy and questions around release of the documentation?

Ms Jones: No.

Senator FARRELL: Can I just go back to one answer you gave, Mr De Silva. You said that the cost of the contract was $36,000, but the AusTender website says that the cost was $27,272. Why would there be a difference between those two figures?

Mr De Silva: We actually did a variation to the contract to extend that time frame and, because the variation was less than $10,000, there wasn't a requirement to then subsequently update the AusTender information.

Senator FARRELL: Okay. That's the explanation, then. I don't want you to answer this question in relation to what's happened in Minister Wyatt's office. Obviously from the report in the newspaper today at least one of the people involved in this issue feels aggrieved that they haven't been able to have access to the report. How does an employee who has been involved in one of these disputes satisfy themselves that the appropriate investigations have taken place and the appropriate actions have followed? I can see what's happened from the minister's point of view here, and he has got the report and he is aware of whatever it says. But how does the employee who has been the subject of the allegations satisfy themselves that things have gone properly if they're never given access to the final report?

Ms Jones: In addition to responsibilities in relation to ministerial and parliamentary services, I also have responsibility more broadly for human resources in the Department of Finance. It is one of the challenges associated with these processes that apply across the board, not just in the context of ministerial and parliamentary services. With the processes involved in conducting investigations, obviously you need to rely upon the policy that you have in place, look to have independent people undertake investigations, and work on any recommendations that come from that. But it is a challenge—and this is a challenge that applies both in the public sector and in the private sector—around how much information people who have initiated complaints sometimes receive as a result of these reports.

Senator FARRELL: How do you satisfy the person who has made the allegations, for instance, that the appropriate investigation has taken place and the appropriate solution or resolution has taken place, particularly in this case, where it would appear from the press
reports that the person has not been given the report? I don't think anybody is disputing that, are they?

**Ms Jones:** As Mr De Silva said, it's standard practice that it's just provided—

**Senator FARRELL:** Yes, so nobody is disputing the fact that this particular person who's been the subject of the allegations has not received the report. How do they satisfy themselves that the appropriate level of investigation has taken place and the appropriate consequences have followed from that investigation?

**Ms Jones:** We do work with individuals that are involved. When I say 'work', I mean we engage with them. I know that Ms Frazer was engaging with people who were involved in this process. But, if I could step back and go back to a general observation, the challenge is to get the balance right between being able to give people assurance that an appropriately robust and independent investigation has been undertaken and maintaining the privacy and confidentiality of information that's been provided during the course of that process. The parameters of our current policy provide that the report is given to the parliamentarian but not given to anyone else, and that's where that balance has been struck under the current policy.

**Senator FARRELL:** Yes, but that still doesn't answer the question. How does the employee, the subject of the allegations, satisfy themselves if they don't see the report? Does somebody talk to them and say, 'Look, these were the allegations and this is what the investigation has found'? Do they get any feedback at all? This investigation has been about something that's occurred at their workplace. What feedback do they get about the investigation and to satisfy themselves that the proper course of action has been undertaken?

**Mr De Silva:** As I said previously, consistent with the policy, it's a matter for the parliamentarian to communicate any outcomes that may be undertaken. So from the outset we're very clear about what the process is. We're very clear about who will get the report. We're very clear about the various parameters of the policy. But, as I said previously, any outcome, action or communication in relation to the report is for the parliamentarian.

**Ms Jones:** I should say that we do continue to engage with people in this process and seek to offer support all the way through the process and beyond.

**Ms Huxtable:** I think another important part which Ms Jones referred to—but I will just draw it out—is that the fact that there is an independent investigation is also part of the assurance process for the person.

**Senator FARRELL:** Yes, but you can see from that article in the paper today that the person feels aggrieved that they haven't received a response. That, in my view, wouldn't be an unnatural response from an employee who has raised an allegation. I'm not referring to this case at all now, but what if there were a finding against a member of parliament that upheld the allegation of the particular employee? The report goes to the member of parliament, and then they can just sit on it?

There are no further consequences for a member of parliament who may have breached the bullying code; is that the conclusion I should reach? If it is, I think that is an unacceptable solution.

**Mr De Silva:** The policy does make clear that—
Senator FARRELL: Is that where the policy ends—a finding against a member of parliament that upholds the allegations goes to the member of parliament and then they just sit on it and do nothing with it?

Mr De Silva: I can refer you to the exact words of the policy. It says: Where a complaint is substantiated, Finance has no capacity to take disciplinary action against either a Senator or Member or a MOP(S) Act employee.

It is quite clear.

Senator FARRELL: Okay. Well that is the answer. I may have to look at that. Has Finance undertaken or completed any of the recommended actions listed in the report?

Mr De Silva: Where there is an action pertaining to Finance, Finance will take any such action.

Senator FARRELL: The article in the paper today states that the senior staff member at the centre of the allegations is still employed in the minister's office, so it would seem that no action has been recommended against that employee.

Ms Huxtable: We will not be in a position to answer questions that go to specific individuals. I don't think it's appropriate that we—

Senator FARRELL: I'm not seeking to name the individual.

Senator Seselja: Senator, you understand that, when you're talking about small numbers of staff, you are at risk of identifying the individuals.

Senator FARRELL: I would have thought that the minister has a large number of staff. Just to be clear about this: are we talking about the ministerial office or the electorate office of the minister?

Senator Seselja: Again, narrowing down the circumstances so that you can identify the individual staff member is not somewhere where we are going to.

Senator FARRELL: Is there any difference in the treatment of your role between whether it is an electorate office or a ministerial office?

Ms Jones: No.

Senator FARRELL: Would you ever make a recommendation that the report be made public? Would that ever be a recommendation you would make in a report like this?

Mr De Silva: We don't make the report.

Senator FARRELL: You have got the investigators, I suppose you would call them. Would they ever make a recommendation that the report be released?

Ms Jones: I couldn't answer in the hypothetical.

Senator McALLISTER: Is there anything in the arrangements put in place by the department that prohibits them from doing so?

Ms Jones: We give guidance in terms of the requirement to provide recommendations, but in the specific content of those recommendations we wouldn't rule out that. As far as I'm aware, there's nothing specific—actually, I should check that.

Mr De Silva: Generally when a report is given to a parliamentarian we're keen to remind the parliamentarian about the sensitive nature of the information in the report, that they need
to protect the interests of all concerned who may have been involved in investigations and that it is a sensitive report and should be secured appropriately, so it shouldn't be left lying around, they shouldn't make copies and they shouldn't distribute it. Consistent with the policy, it's about ensuring the confidentiality of all the participants. That goes to ensuring that future complainants have a level of comfort, if they need to, to bring a complaint to Finance.

Senator McALLISTER: But that's guidance only—is that correct, Mr De Silva? You are unable to bind the parliamentarian to follow the policy provided.

Mr De Silva: It is guidance. It's a policy.

Ms Jones: I should note that the investigators who are engaged to undertake these investigations are independent, so the recommendations that they make are for them. We don't direct the content of their recommendations.

Senator McALLISTER: When you say 'for them', you mean for the parliamentarian?

Ms Jones: The recommendations that the investigator would make in a report—

Senator McALLISTER: It is a language problem. You said 'for them'.

Ms Jones: The recommendations are a matter for them—for the investigators.

Senator McALLISTER: I understand now.

Senator FARRELL: They were important questions, Senator McAllister. Just getting back to the increase in the cost of the investigation, I think you said the reason was that it had to be extended. The report in the newspaper today says that there were over 10 complainants. Was the reason that there was extra cost the fact that more people had to be interviewed than you had originally thought in the original contract?

Ms Huxtable: That goes to the issue that we raised before, beginning to identify matters such as how many complainants and the like. My concern here is that if people feel that when they make a complaint there is going to be a public discussion about the number of complainants and the like, it really is a deterrent for people being willing to come forward and have sensitive information treated in a confidential and sensitive way.

Senator FARRELL: There is absolutely nothing I would want to do to discourage people from coming forward, if that's what you think this is leading to, but I have to say that we've now got public statements being made about this matter. I'm not asking for these people to be named, but the suggestion is that more than 10 people were interviewed in this process.

Ms Huxtable: Not by us.

Senator FARRELL: No, not by you, but by people involved in the process. We've got public statements by the minister. We've now got public statements by some of the people who believe they were the subject of the allegations or the claims. I think we are in a slightly different position, because it's very clear that those people have gone to the media for a particular reason. They've gone to the media because they don't, I would imagine, believe that they've had justice out of this process. If these matters are now in the public arena, then I think it's helpful, from everybody's point of view, to clarify the numbers. I'm not asking for these people to be named, but the suggestion is that more than 10 people were interviewed in this process.

Senator Seselja: Again, we've answered that question.

Senator FARRELL: What was the answer?
Senator Seselja: We said we weren't going to go into ruling this out, ruling that out, narrowing it down so you could—to protect privacy, yes, we have answered.

Senator FARRELL: I have another subject to turn to. In the Attorney-General's Department estimates today, the department directed us to Finance to determine if Minister Cash's former staff's legal costs were being covered by the Commonwealth, given their involvement in a court case concerning the Australian Workers Union raids. Last week the minister failed to provide details in relation to this issue in the Senate. So I again ask, has the minister agreed to indemnify current or former employees of Minister Cash's office involved in the current legal proceedings or cover in any way their associated legal costs?

Ms Jones: In relation to these issues, the principle that we have traditionally applied is to not speak to any specific circumstances or individuals. That's the position that we've taken regarding whether or not any approval for legal assistance has been provided to individuals.

Senator FARRELL: Again, I'm not talking about the specific case, but if an individual did seek to have their costs indemnified, how would they go about doing that?

Ms Jones: There are two quite separate schemes. There is one that relates to ministers. The decision-maker in those circumstances is the Attorney-General. There is one that relates to Members of Parliament (Staff) Act staff, and the decision-maker is the Special Minister of State.

Senator FARRELL: So in the case of a MOP(S) Act employee, they would make a formal request to the Special Minister of State seeking to have their costs indemnified?

Ms Jones: That's correct.

Senator FARRELL: You mentioned ministers. What about ordinary members of parliament? Do they have any facility to seek to be indemnified?

Ms Jones: I think that would be a matter for the Attorney-General's Department.

Senator FARRELL: In the same category as the minister?

Ms Jones: Yes. The scheme that the Attorney-General's Department administers is quite general, I think, but I won't talk to that—I would refer it to the Attorney-General's Department.

Senator FARRELL: When a person seeks to be indemnified, does that involve the provision of solicitors or simply covering the cost of the solicitor that the individual themselves choose to appoint to defend them?

Ms Jones: In terms of the specific type of assistance that can be provided, the scheme sets out in detail what that is. I would need to take it on notice. I think it is for different aspects of the legal process, but we can refer you to particular parts of the legislation. I would be happy to take that on notice and provide you with that.

Senator FARRELL: Thank you very much for that, Ms Jones. I've got some questions in relation to the staffing information that we were provided earlier this evening. I thank the minister for providing the breakdown of each classification of staff. I would like to clarify a number of issues. The first is that it would appear that the government staff ranks seem to have grown over Christmas. Is that correct, Minister?

Senator Seselja: I've actually only just got the document in front of me, so I will ask the officials to answer.
Mr De Silva: In terms of the number of personal employee positions as at 1 February 2019, it's 452.

Senator FARRELL: And that's an increase?

Mr De Silva: From when we last provided the table in relation to employed positions. On 1 October it was 447.

Senator FARRELL: So it would seem that there is an additional five ministerial staff?

Mr De Silva: Correct.

Senator FARRELL: Minister, could you tell us why you've needed to employ another five people?

Senator Seselja: It's difficult for me to go into all of the details for all of the five ministers' additional staff. I think it's one additional staff member each. Obviously Minister Coleman is working very, very hard in a range of areas and doing great work in keeping our borders strong, ensuring that we fix the mess that we inherited from the Labor Party and ensuring that he continues to do the work that is needed, as are all of the ministers.

Senator FARRELL: But there is no specific task that you've asked these extra five people to do?

Senator Seselja: I obviously don't have that level of detail. I'm not running those various ministerial offices.

Senator FARRELL: It appears that the Prime Minister has generously allocated himself two extra advisers. Do we know why he has done that?

Senator Seselja: That's obviously a matter for the Prime Minister.

Senator FARRELL: I note that the member for Chisholm, a former member of the Liberal Party, has received an additional three staff. Do we know why that is?

Senator Seselja: I will ask officials. I don't have anything specific in front of me. In general, I think there have been allocations for Independent members of parliament in the past. The officials might be able to answer that.

Ms Huxtable: I think you will find that parliamentarians not affiliated with a major political party have three staff each. That is their allocation.

Senator FARRELL: An extra three staff?

Ms Huxtable: No, just three staff. If you look on page 7 of the report, you will see the allocation of three staff to each parliamentarian not affiliated with a major political party.

Mr De Silva: And that's consistent with that.

Senator FARRELL: So if you defect from your political party, as Ms Banks has done, you get a reward—you get three additional staff? Is that how it works?

Ms Huxtable: We're just pointing to the facts around how staff have been allocated.

Senator FARRELL: Yes, but Ms Banks—

Ms Huxtable: I'm not making a comment on that. I'm just pointing to it.

Senator FARRELL: But Ms Banks seems to be rewarded for defecting from her political party with an extra three staff. Is that correct?

Ms Huxtable: It's not extra.
Senator DEAN SMITH: You know that, Senator Farrell. I think you're putting it on.

Senator Seselja: The principle that has been applied, which has been longstanding, is that crossbench members and senators obviously have to get across a range of legislation. Parties work together in a range of ways, and it's one of the important parts of our system. It's something that both sides of politics have stuck to, which is to ensure that Independent and minor parties get reasonable—

Senator FARRELL: You don't see it as a reward for defecting?

Senator Seselja: I see it as a longstanding policy being applied very fairly.

Senator FARRELL: I've got some questions about above-band appointments. You would recall that these are government staff paid additional salaries and personally approved by the Prime Minister. These are staff in undisclosed offices paid additional salaries for unknown reasons other than—well, perhaps to keep them on board to the election. This committee has numerous times received on notice the number of staff being paid above the established bands and the total dollar value per annum of these payments. The committee has repeatedly asked over the last three years for an explanation as to why a number of staff are being paid above the published salary bands. So far we've not been given an appropriate response, but we're not going to give up. Could you tell us what is the current number of government staff paid above the published band range?

Ms Jones: The consistent practice is that we've taken that question on notice and provided a response to you. We have worked on the basis that that consistent approach would be applied this time.

Senator FARRELL: But isn't it a little bit unusual, Ms Jones, given that I ask the question every time? You obviously anticipate the question being asked, and, while it might be comforting to be able to take it on notice, it would have been relatively easy to have that information available for the committee, would it not?

Ms Jones: Obviously, we recognise that that is information that we have provided in questions on notice, so I think the broader issue of how we can provide that is something I would take on notice.

Senator FARRELL: I suppose the practical difficulty is that we are weeks away from an election and, however diligent the department might be in digging up this information, it's quite possible we won't get it before the election.

CHAIR: Senator Farrell, answers to questions taken on notice are due on 29 March so, unless the election is called before then, you will have it before then.

Senator FARRELL: Thank you, Chair, for pointing that out.

Ms Huxtable: We are very diligent.

Ms Jones: We have a good track record.

Senator FARRELL: I think my observation still stands, given that the question is asked routinely. That might save everybody a little bit of time. In the past, I've also asked the question: how many of those people being paid above-band are in the Prime Minister's office? I'd request that you include that, if you feel so inclined. And also: how many of those staff who are paid above-band are in Mr Dutton's office?

Ms Huxtable: We'll take that on notice as part of the original question.
Senator Seselja: I think you're just adding now to the questions already on notice.

Senator FARRELL: Yes, I'm assuming since you didn't have the prior information that you wouldn't have had that information. Look, if you have got that information—

Ms Jones: I'll take it on notice.

Ms Huxtable: I think if we say we're taking it on notice it will be easier—

Senator Seselja: I was just making it as easy as possible for Hansard. We'll assume this series of questions will be added to that question that's been taken on notice.

Senator FARRELL: I'm hoping for an answer to the next question I'm going to ask, but we'll see. Minister, my previous questions on notice have revealed that the number of the staff paid additional undisclosed salaries grew from 26 individuals in May last year to 36 in October. Can you explain to us why the government has felt it necessary to increase that number?

Senator Seselja: I'd have to take that question on notice.

Senator FARRELL: Is there a link between the increase in the staff requiring above-band salary appointments and the change of prime ministers in that intervening period?

Senator Seselja: Again, I'll take it on notice.

Senator FARRELL: It's been confirmed in writing that these payments outside of the established salary bands were costing the taxpayer an additional $761,000 per annum in February of last year and $836,000 per annum by May—and by October the figure had hit over $1,169,000 per annum. Do you agree with those figures?

Ms Jones: I believe that those figures are consistent.

Mr De Silva: Those are the figures we provided in answer to questions on notice.

Senator FARRELL: Those figures are correct. Is the government paying these extra salaries to keep people from leaving? Is that the motivation behind these almost exponential increases? Are people threatening to leave the government, and the only way you can keep them working for you is to keep boosting their over-award payments? Is that what's happening here, Minister?

Senator Seselja: I think there are wonderful staff working for the government and they are doing an outstanding job. They are doing an outstanding job for the Australian people in any number of ways, whether it's keeping our economy strong, keeping our borders safe or ensuring the delivery of services across the board, so, no, I would say that the staff who are working for the government in various capacities work extremely hard and find it very rewarding to serve their nation.

Senator FARRELL: So you would say that these staff are not being offered more money to stop them from leaving the government?

Senator Seselja: Well, I have nothing to suggest that.

Senator FARRELL: I asked a question last time which was taken on notice, and I don't think I've received a response. Without naming individual staff, can you please provide the individual amounts each staff member is paid above their established salary bands? I'm happy for you to take that on notice.

Ms Huxtable: Sorry, Senator, we did respond to that question. That's question No. 37.
Senator FARRELL: Is it?
Ms Huxtable: Yes. And I've got the answer here.
Senator FARRELL: Would you like to tell me?
Senator Seselja: It's already been provided.
Ms Huxtable: It has been provided, but I can say that the answer says that, in accordance with long-established practice, the Department of Finance does not release personal information—
Senator FARRELL: I got that answer, yes. I thought—
Ms Huxtable: So that was the response.
Senator FARRELL: I'm sorry. I got that answer, yes. But I thought you were saying—
Ms Huxtable: I was perplexed because I knew that we'd answered all questions.
Senator FARRELL: Yes, but—
Senator Seselja: You just thought you might ask it again.
Senator FARRELL: you answered by saying you weren't going to answer the question.
Senator Seselja: They answered by talking about the longstanding convention.
Senator FARRELL: With due respect, I think the reality was that, under the Gillard government, this information was released publicly to estimates, so I don't think it's correct that it's a longstanding arrangement.
Ms Huxtable: Senator, I think you will find that in this regard it goes to salaries above the range, but in previous governments, at times, it has been the use of personal classifications that has differentiated in terms of how salaries had been paid. So there are different practices that more or less have the same result.
Senator FARRELL: Yes. Except that the point I think I've made in previous estimates hearings is that, under Prime Minister Gillard, that information was made public. Your answer—and, I'm assuming, the next answer I get on this—is that it won't be made public. When the minister says, 'We're acting in accordance with previous practice,' you know—
Senator Seselja: That is the previous practice of not identifying individuals and not compromising privacy. I'm advised that totals were released in the past, which is not going to individuals. So it is absolutely in accordance with longstanding practice, as the department has answered, not to reveal—
Senator FARRELL: We may have to agree to disagree on that one.
Senator Seselja: All right. We will have to.
Senator FARRELL: That completes my questions on this topic.
CHAIR: I'll just see if there are any further questions under outcome 3.
Senator McALLISTER: I have a couple. I just want to follow up on the question that Senator Storer was asking about comcar. It shouldn't take terribly long.
CHAIR: Please do.
Senator McALLISTER: Welcome back, Mr Heaver. Earlier, I think you set out the four criteria that were used to evaluate suitability of the vehicles in the trial—namely, safety, being fit for purpose, value for money and environmental performance, roughly. Conventionally,
'value for money' is a measure that incorporates both price and functionality, so, as I understand it, it will ordinarily in fact incorporate all of those things that you list in that long list. Given that you've sought to single it out as a single idea, does it mean anything more than price in this context?

Mr Heaver: Certainly, from my side, 'fit for purpose' and 'value for money' are really important criteria when we're assessing the vehicle.

Senator McALLISTER: Yes, but what does 'value for money' mean?

Mr Heaver: 'Value for money' for me is that we'll assess the whole-of-life cost of a vehicle as well.

Senator McALLISTER: So its price and price over the life of the vehicle?

Mr Heaver: Price, resale value, all the lease costs—

Mr De Silva: Maintenance.

Mr Heaver: maintenance, fuel—everything that goes into making a total cost over the life of the vehicle.

Senator McALLISTER: What is your assessment then of the BMW and Mercedes options against that metric? There have been several public reports suggesting that the BMW and Mercedes vehicles are the front runners for the contract.

Mr De Silva: The trial completed on Sunday. We are yet to conduct analysis of the trial. As I said before in answer to a previous question, we'll consider the outcomes of the trial and the feedback that we may get from clients and from drivers and look at the policy going to those four factors—ANCAP, fit for purpose, value for money and environmental considerations.

Senator McALLISTER: Yes, okay. Understood. When do you expect to provide that advice?

Mr De Silva: We've just completed the trial. We'll be undertaking the analysis over the coming period.

Senator McALLISTER: Is that analysis being done in house?

Mr De Silva: Yes.

Senator McALLISTER: Do you have any external assistance?

Mr Heaver: No.

Senator McALLISTER: Do you have an internal deadline for when you seek to complete it?

Mr Heaver: Sorry, when you say 'external assistance', we're not outsourcing it to anyone to undertake the review; we are undertaking the review within Finance.

Senator McALLISTER: I understand. Do you have an internal deadline for completing the work?

Mr De Silva: As I said, the trial got completed on Sunday.

Senator McALLISTER: Yes.

Mr De Silva: We'll look at all the information that comes in, so I couldn't give you a specific time period.
Ms Jones: Senator, I can see you looking at me for a response.

Senator McALLISTER: Ms Jones, you must have a day when you expect to it land on your desk—right?

Ms Huxtable: No, it's over the coming months.

Ms Jones: Over coming months. I wouldn't expect it to take six months, but I recognise that there are actually quite a lot of data and information that have been obtained through the trial, and I would expect Mr Heaver and his team to be working through that. So I would expect within the next four to eight weeks as a rough figure, but not six months.

Senator McALLISTER: Have they got a project plan to guide the approach that they'll take to that analysis and the allocation of tasks?

Mr Heaver: Yes, we do.

Senator McALLISTER: That's been done?

Mr Heaver: Yes. We developed an initial plan on how we'd undertake the trial and then, obviously, undertake the assessment.

Senator McALLISTER: Are staff allocated to that task? Are staff being pulled off line to undertake that piece of work, or are they doing it alongside their ordinary jobs?

Mr Heaver: No, they're doing it as part of their ordinary jobs. The fleet is part of COMCAR, so it's part of their ordinary job for a lot of people.

Senator McALLISTER: It's true that cars are not manufactured in Australia, but there are companies that employ workers in Australia to help design vehicles and to manufacture parts for their global supply chain. Why are these companies, GM, Ford and Toyota, not on the list for the trial process?

Ms Huxtable: Toyota are on the list.

Mr Heaver: Yes, Toyota is on the list. We are trialling the hybrid Camry.

Senator McALLISTER: Was any consideration given to car companies undertaking R&D in Australia, as part of the criteria for assessment?

Mr De Silva: The criteria for choosing the cars for the trial were the Fleet Vehicle Selection Policy, so we adhere to those four criteria.

Senator McALLISTER: So no-one in the government at any time said, 'Look, you're about to make this really big procurement; why don't you give consideration to companies that are employing Australian workers?' You never received instructions from government about considering that matter?

Mr De Silva: As I said, the core fleet selection policy sets out the parameters—

Senator McALLISTER: I understand that advice. I'm asking you a separate question: did anyone in the government speak to the Department of Finance and request that you give consideration to prioritising companies that employ Australian workers for this contract?

Ms Jones: There was no specific direction in those terms. We were—

Senator McALLISTER: Thank you.

Ms Jones: It was understood that we would be applying the general fleet policy.
Senator McALLISTER: The final nail in the coffin. All right, thank you very much. That's all I have on that question.

CHAIR: As there are no further questions under outcome 3, I thank officers from the Department of Finance for your evidence and attendance here today.

The committee will now move to the Independent Parliamentary Expenses Authority. We'll have a brief break until they join us.

Independent Parliamentary Expenses Authority

[21:21]

CHAIR: The committee will now resume. Welcome. Ms Godwin, do you wish to make an opening statement?

Ms Godwin: Thank you. Yes, I do. Chair and committee members, thank you for this opportunity. Having completed my first year as CEO, these are my reflections on the organisation's critical role in building public trust through transparency in the integrity of Australia's parliamentary work expenses. A principles based framework comes with both opportunities and challenges, particularly in the early stages of implementation. The opportunities have included: having the imprimatur, given the new legislative framework, to try new approaches and give personal assistance and advice; questioning assumptions about how IPEA would operate and the skills and technology required; and forging an expert, open and proactive culture. The challenges have included: concurrently developing and implementing protocols and interpretations; understanding client needs and adjusting resources accordingly; and balancing education and enforcement in this sensitive space. My overall impression or observation on the application of the Parliamentary Business Resources Framework is that parliamentarians and staff do seek to work within the principles.

Consistent with our website statements, IPEA assesses all information sources from the public and the media to other third parties and internal sources. Many matters involving allegations of incorrectly claimed Commonwealth expenses, when they have gone through preliminary assessment, generally proved to be unfounded. Where an expense appears to be outside the allowable framework, it progresses from a preliminary review to an assurance review, and we seek additional information before considering if administrative remedy or other action is applicable. Escalating to a targeted audit involving formal information-gathering powers is the exception rather than the rule. Current triggers for post-payment validations include business travel for staff, hire-car transaction and randomised checks of receipts held statements and Cabcharge usage.

It is important to note that IPEA's role is not to assess the policy or political merits of an individual's—that being parliamentarians or staff members—particular parliamentary business. IPEA's role is to assess whether the spending of Commonwealth funds resulting from an individual's parliamentary business is within the framework.

Important lessons for parliamentarians and staff include: ask questions. Travel arrangements can be complex and we can assist. Certification of expenses cannot be delegated. Therefore, keeping and maintaining accurate and accessible records, which are then checked by the parliamentarian, is critical. And the onus is on the parliamentarian to apply the principles and justify publicly their decisions. Important lessons for IPEA include: don't assume knowledge of the framework; keep messages clear and practical. Proactively
engage and educate to minimise inadvertent noncompliance. And, as we deal with reputations—ours and parliamentarians’—be consistently firm but fair.

Our education role is important. It assists parliamentarians and staff to make informed decisions that respect and value the use of taxpayers’ money and meet community expectations. We engage with stakeholders in a variety of ways, including through multimedia, the website and traditional fact sheets. Since commencing, I have personally met with 30 parliamentarians from the major parties and the crossbench about IPEA and the principles. My senior team also regularly meet with parliamentarians and staff to provide information and advice and to gain insights into the practical application of the framework. Over 400 people have attended IPEA information sessions, and independent feedback on our administration is favourable for a new organisation. The majority of respondents were satisfied with the experience, found IPEA easy to communicate with and agree that IPEA listens to clients. Satisfaction rates for interactions with IPEA staff were even higher. Parliamentarians received all monthly management and quarterly expenditure reports within the required time frames. In 2018 the advice team received, on average, around 50 queries per day and processed over 200,000 transactions, with a total value of just over $60.3 million.

IPEA also implemented a range of governance initiatives and was recognised with an honourable mention at Comcover’s 2018 awards, Excellence in Risk Management.

With just under 60 staff, it has been a busy establishment year for IPEA. I acknowledge and thank staff and the members of the authority, who have been very engaged and helpful, for their engagement and contribution. Analysis of the thousands of inquiries we received, together with insights into expenses and behaviours from our audit and assurance activities, provided useful direction for 2019. Clear, timely and tailored engagement, education and interventions are an intended focus for 2019. For example, yesterday all parliamentarians received high-level guidance on travel during an election period. It recognises that the election is a major focus for this year, and such guidance is one of a number of initiatives to minimise inadvertent mistakes.

IPEA’s education role is evolving, with a particular emphasis this election year on new and returning parliamentarians. IPEA is designing new and accessible resources in a range of formats, including onboarding and refresher information to assist parliamentarians and staff to be well-informed about their obligations and expectations when travelling at Commonwealth expense. Our program of audits is also ongoing. Some audits will relate to individuals and their expenses, in line with our published protocol, while others will have a thematic focus on a particular work expense across a sample of parliamentarians. Our audit processes are thorough, although constantly being refined, and provide added levels of transparency and independent oversight of parliamentary work expenses for the Australian public.

The first thematic audit on office stationery and supplies is underway, and I thank those parliamentarians who have been involved in assisting with data. We intend to expand our range of automatic triggers for postpayment validation to include travel involving desirable destinations, accompanying family and when adjacent to public and school holidays. IPEA remains a relatively new organisation and we continue to evolve and learn. The field of actively monitoring parliamentary expenses is an emerging one. Wherever possible, IPEA supports the collaboration of stakeholders in Australia and internationally. As examples, we have hosted delegations from Victoria, Canada and Chile; we’ve fielded questions from the
USA; and we've participated in local and international surveys and research. In particular, we have established strong relationships with our colleagues at the UK's Independent Parliamentary Standards Authority, or IPSA, and with members of the Organisation of Economic Cooperation and Development, the OECD. These relationships are mutually beneficial, and we are learning from our colleagues across the globe and, based on the feedback, they are also learning from us.

To this end I am facilitating a session at the inaugural conference of international parliamentary regulators, hosted by IPSA in March in the UK. The session I am facilitating is on what transparency means in practice and its impact on trust. The conference is expected to become an annual event. In conclusion, thank you for your ongoing bipartisan support and interest, and I look forward to sharing progress and insights throughout the year at these and other opportunities.

CHAIR: Thank you, Ms Godwin. Senator Waters.

Senator WATERS: Thank you very much and welcome. Congratulations on a good first year, and may there be many more. I'm particularly interested in the scope of your powers to investigate MPs' allowances and the expenditure thereof. Can you tell me in broad terms what you can and can't investigate in terms of the buckets of money that are made available to MPs to use?

Ms Godwin: I can certainly answer that question in the broad. One of our powers is to audit all parliamentary work expenses, so what that refers to is any expense that we report on, as a broad generalisation. We also can look at the travel and travel related expenses of MOP staff.

Senator WATERS: I'm specifically interested in electorate allowance and what used to be the old printing and comms allowance, which has now been rolled into— I don't know what the new name is. Forgive me; I've had a bit of a break. There are two buckets I'm interested in: electorate allowance and the one that now contains printing and comms. Have you got oversight of both of those?

Ms Godwin: Yes, we do.

Senator WATERS: How much detailed oversight do you have in relation to the electorate allowance and how it's spent?

Ms Godwin: I'm going to refer to some of my colleagues for some of the detail on that.

Mr Frost: Senator, can I double-check that you mean the electorate support budget?

Senator WATERS: No, I mean the electorate allowance.

Mr Frost: That are provided by the home departments?

Senator WATERS: I don't know who provides it. It's the $32,000 bucket that is provided and meant to be spent on electorates—and Greens certainly spend it on electorates—but I understand it's taken as salary by some other parties. Sorry, by individuals—that's what I mean. I didn't think you had coverage of it, which is why I'm checking.

Ms Gartmann: The Remuneration Tribunal sets electoral allowance, so it is paid as part of the remuneration. Whilst not directly a work expense that we might audit or report on, it will be relevant to us in terms of, for example, if somebody is using a car with driver services...
contrary to the framework in cases where they ought to have used their electorate allowance to engage in that with either a taxi locally in their electorate—

Senator WATERS: Sorry to interrupt. I'm interested in expenditure from that electorate allowance, not pertaining to driver things, but what MPs spend that electoral allowance on. Does IPEA have any oversight of that?

Ms Gartmann: We do not, no.

Senator WATERS: You don't. Likewise with what used to be printing and comms, which is now under I think the office of something budget—forgive me, I don't have the titles in front of me.

Ms Gartmann: That is a work expense that we can report on and audit.

Senator WATERS: So you do look at printing and comms. There was a bit of a scandal a few months back, and I think I asked about this last estimates of you. There was some evidence where printing companies had been effectively overpaid for a service and then were re-donating the money back to political parties. It's effectively money laundering, in layperson's terms. Is that a practice that IPEA would have the ability to look into?

Ms Godwin: Yes, it would be. I don't recall receiving any questions on that, so I'm just wondering—

Senator WATERS: Look, I may not have. I can't remember either, that's why we're asking again tonight.

Ms Godwin: Okay. I was just concerned that I overlooked something that had been raised at a previous estimates meeting.

Senator WATERS: I may have asked a different agency, but it came up a few months ago. What scope does IPEA have to investigate situations like that?

Ms Godwin: As it's a work expense, it'd be something that we could audit. We have not undertaken an audit of that function at this point in time. As I mentioned in the opening statement, we do have a capacity to look at things across different lines of expenses for parliamentarians. The first one we're doing as a thematic audit is to do with office supplies, so that's the first audit that we're doing of that, but there's nothing that stops us from doing an audit on that particular printing and comms type role in the future.

Senator WATERS: Did you see the media reports of a few months back? Unfortunately I don't think I have a copy with me. I don't want to name the person, but there was a particular MP who was asserting that he was paying a printing company that had links to his political party and he was overpaying them for the service he was receiving, and that extra money was then being re-donated back to his party.

CHAIR: I'm not sure that's a fair or accurate representation of the alleged facts in that instance. Could I ask you, Senator Waters, to be very careful when you're using the phrases that you are about money laundering and such. That's a very, very serious accusation to even imply, and I don't think it in any way reflects reality.

Senator WATERS: I certainly don't mean to misconstrue the facts. That's my recollection. Can you remember what I'm talking about, without me naming the person?

Ms Godwin: I'm sorry, I'm struggling to remember that one. Can I take that question on notice?
**Senator WATERS:** Sure. I think you'd probably remember it if you'd looked into it, so it sounds like you haven't had a look into it.

**Ms Godwin:** It's not fresh in my mind at the moment. Could you give me a bit more detail of what your specific question is?

**Senator WATERS:** Yes, the misuse of printing and comms allowance to overpay for services whereby the provider of the service than re-donates back the excess money, effectively enabling taxpayer allowances to be used as donations for political parties. That's my summary.

**CHAIR:** I just have to assist here. I don't think even in the feverish minds of the journalists who were writing that pretty far-fetched story that they went as far as to suggest what you have just suggested. I think it was a bit more pedestrian than that.

**Ms Godwin:** We will certainly take that question on notice.

**Senator WATERS:** Right. I regret not bringing a copy of it with me, but I will certainly follow that up with you. So you don't have any oversight of how electoral allowances are spent and didn't look into that particular printing and comms allegation, but you do have thematic things and you're looking at stationary. Is that right?

**Ms Godwin:** That's right.

**Senator WATERS:** Great. I might leave it there, thank you.

**Senator FARRELL:** Thank you for your opening address, Ms Godwin. I might cover some aspects of what you've already told us about in my questions, but bear with me in that respect. I think you've indicated—and I think you've said it today—that you continue to meet with individual parliamentarians. Can you tell us how that's gone and whether or not the parliamentarians have been receptive to your visits?

**Ms Godwin:** Certainly. I continue to meet with a cross-section of parliamentarians. It tends to be when they are in Canberra, so that's a fairly short period of time that I have to meet with them. They are busy, so we do try to tee up those meetings as early as possible with them.

**Senator FARRELL:** Is that at your instigation? Do you contact them?

**Ms Godwin:** Yes.

**Senator FARRELL:** How do you select the parliamentarians?

**Ms Godwin:** I think at a previous estimates we talked about how I tried first of all to meet with all of the members of this committee. Then there were some specific issues that we had raised to do some potential fact sheets on. They were to do with cars, and so I met with those people who were potentially affected by the outcomes or the way that we were looking at those fact sheets. Subsequent to that, I and some of my colleagues have been before a number of other committees. They have raised some questions, so we've followed those questions up with those particular individuals. So there has been quite a plan around following them up, but, once we've addressed all of those particular individuals, the next stage will be to go back to the interested parties who are listed at the bottom of the committee arrangements for this particular committee and start to work through that group of interested parliamentarians.

**Senator FARRELL:** Which other committees have you met with?
Ms Godwin: I always get the title of it wrong. It's the joint committee on—

Mr Frost: Liaison of chairs and deputy chairs of committees.

Ms Godwin: There were some questions raised at that and we followed through with those.

Senator FARRELL: That was as a result of them requesting you to appear?

Ms Godwin: Yes, that's right.

Senator FARRELL: What was the nature of their inquiry?

Ms Godwin: They were just trying to find out more information about IPEA and how we operate, in particular some queries about how potentially charter travel would operate—it was non-commercial—

Mr Frost: Unscheduled commercial transport.

Ms Godwin: Thank you—how unscheduled commercial transport would operate across both houses. There was some work being done behind the scenes to try and make those two approaches much more consistent, and so they were asking some questions in that vein.

Senator FARRELL: And have you made it more consistent?

Ms Godwin: We have followed up with nearly all of the individuals. We've got a few people this week, actually, to follow up. But the feedback has always been very positive to what we've had to say. People have been appreciative of us reaching out and being proactive in that space. The usual format for those types of meetings has been for us to run through the five principles and how they operate in practice, and then to open the discussion up to specific queries or questions that the parliamentarian and their staff have about the principles and how they operate. I think that they have appreciated the one-on-one approach so that they could ask some questions in that forum that they may not have felt as comfortable to ask in a more open forum. Parliamentarians are usually particularly interested in the advice that we give and the fact that is on the whole not FOI-able. So they're interested in that aspect of it and we encourage them to contact us to find out about situations before they undertake travel. Then, on the other side of it—we always have to do the other side to make people aware that we have both education and enforcement—so we tend to talk about audits and what we look for in the audit space as well. So we try to be very open with parliamentarians and their staff, and, as I said, the feedback has been very positive.

Senator FARRELL: How many staff do you have working on the audits?

Ms Godwin: I have three full-time staff working on audits. Given the number of media inquiries or issues that are raised and issues from other sources that I mentioned in our opening statement, combined with the thematic audits and the post payment validations, I am very appreciative of the work that those staff do.

Senator FARRELL: Since we last met, how many parliamentarians have you actually met with?

Ms Godwin: Thirty—since we last met, sorry? I've met with eight since the last estimates, so I've met with 30 overall.

Senator FARRELL: Thirty since you—
Ms Godwin: Thirty since I commenced, and I can give you a breakdown of those, as well. There were eight parliamentarians—one from the National Party, four from the ALP and three from the Liberal Party. You'd asked the question of that detail previously, so—

Senator FARRELL: You came prepared?

Ms Godwin: I came prepared for that query.

Senator FARRELL: Yes, you're a good example for some of the other people who were here earlier in the evening. I put you on a pedestal.

Ms Godwin: I'm not sure that I would—

Senator FARRELL: I shine your light on the other people who are still watching, who should be so prepared.

Ms Godwin: I'm not sure that I would feel comfortable with that, thank you, Senator.

Senator FARRELL: But that's very good. It's good that you anticipate the questions. Over a number of estimates sessions, information has been provided about transitional arrangements and how the authority has been developing. Have all of your staff positions now been filled?

Ms Godwin: Yes and no. We have some staff turnover that is normal in an organisation, and we've had a number of non-ongoing staff and, when their contracts come up, those positions do move. We are looking internally at the moment to see whether or not we can transfer some more staff into the audit space. We find that that is a very time-consuming process, because we want to be thorough about what we're doing. That's a set of skills that isn't necessarily already available within IPEA. We did have some vacancies but we would like to see how we can continue to work to move that. So, yes, we have staff but, no, maybe not all the staff in the right places.

Senator FARRELL: Are you trying to promote from within to these audit positions or do you find it's a specialist area that requires specialist staff?

Ms Godwin: We are finding that that particular skill set is something that is not necessarily readily available within IPEA. As you know, a large proportion of our staff came across from MAPS. They didn't have, necessarily, the audit skills either, so we're having to look externally for some of that skill set.

Senator FARRELL: And the three people that you have got working full time on audit have all got qualifications and skills in that area?

Ms Godwin: No. They've got different skill sets. I've got one fully qualified auditor. I've got one person who's very experienced in the post payment validation and the systems. My final officer in that area is an ex-police investigator. So there is a different mix of skills to try and get the holistic approach. As I said, they do an extraordinary job with the resources that we have.

Senator FARRELL: What's the total number of staff engaged in the authority at the moment?

Ms Godwin: As of today, we have 52 ASL, so 52 staff that are on board. We have 65 positions for IPEA. Of those, we can usually afford around 58 staff numbers. So we have a number of staff positions that we have not filled at this point.
Senator FARRELL: I think you may have answered this question in your summary, but how many inquiries has the authority now received and answered since its inception?

Ms Godwin: We average around 50 a day. I'll just have to look up the specific number of those. I don't have a total since we started. The main ones that we have got are that IPEA logged 5,469 unique client contacts between 1 July and 31 December, and 55 per cent of those were to with staff matters, 24 per cent with parliamentarian matters, 12 per cent with reporting matters, four per cent with PEMS related matters and three per cent with audit related matters. That doesn't quite add up to 100 per cent, because there are some queries that will come in where people have just called the wrong number or need to be moved on to another area. So they don't quite add up, but that's the breakdown in those numbers.

Senator FARRELL: That PEMS you mention is the electronic processing of the—

Ms Godwin: Parliamentary Expense Management System.

Senator FARRELL: How's that going?

Ms Godwin: That project is one that is being project-managed out of Department of Finance. I think that that's probably the better place for you to ask those questions.

Senator FARRELL: At the moment, it's electronic on the side of the MPs but not at the back end. Is that still the situation?

Ms Godwin: You are correct. From the parliamentarian, you have your apps and you can work through and do things online. I have spoken to you previously and to other members of parliament about how, behind that, we still do our work in a manual system, so we pedal very fast.

Senator FARRELL: Those inquiries you are receiving and the various breakdowns—what's happening to them? Are they increasing? Are you getting more inquiries or are they slowing down as people become more familiar with your work?

Mr Frost: They have marginally slowed down. I think we were averaging close to 50 per day, and it's close to mid-40s now. We're coming up to an election, so that may change again, and any other activity that may happen that will result in more calls or fewer calls—we had a pretty quiet period over Christmas, which affects your numbers, and then it ramps up again around sitting times.

Senator FARRELL: Does that create a problem for staffing when the numbers fluctuate like that?

Mr Frost: What we've tried to do is use some mobility within our team—within my branch and across the other branches—as a training opportunity for staff. But we move staff in and out of the advice team reasonably quickly to cover peak periods and then provide support.

Ms Godwin: They're very agile and flexible.

Senator FARRELL: I'm very pleased to hear it. All public servants are like that, are they not?

Ms Godwin: From my experience, yes.

Senator FARRELL: There we go. Have there been any inquiries that have gone unanswered for any reason?
Ms Godwin: I think at the moment we've got a 97 per cent closure rate on our inquiries.

Mr Frost: Just on that, we aim to answer every telephone call every day, so, if a message has been left or we have a missed call, we'll contact them within that day. We obviously can't answer every query straightaway, because some queries are complex and take some written advice. We try to get back as quickly as we can. A majority of the calls are still travel allowance related: 'Where's my payment up to? Has my travel allowance been processed yet? Has it arrived?' Those are the sorts of queries, and we solve those pretty much straightaway. Where they've sought advice and the travel might be a little bit complex and we've got to go out to suppliers, that can take a little bit longer. But at the moment we're tracking very well towards our KPIs and service level agreement.

Senator FARRELL: Thank you. What's the average wait time for an expenses claim? Let's take a travel allowance.

Mr Frost: We don't actually have a system that records that wait time, so we're hoping to move to better technology going forward where we'll be able to record that.

Senator FARRELL: Is there a difference between whether you submit it electronically or submit it through the PEMS?

Mr Frost: No, we've deliberately not differentiated between those, because all parliamentarians and staff have access to work resources. What does happen when you use PEMS is that it comes in electronically with the data in a format that's easier to read and then transpose into the system, so it is better in PEMS. Once we've enabled some technology which transfers the data across to our system automatically, it will be a lot quicker to process claims.

Senator FARRELL: So why isn't it quicker now?

Mr Frost: Because, whether the form arrives or whether it is an electronic piece of information that we then turn into a form, it's someone rekeying that data into another system.

Senator FARRELL: Why did you say you didn't have wait times or turnaround times on the expenses? You just don't record them?

Mr Frost: In terms of turnaround of expenses or queries? Can I just check the question.

Senator FARRELL: Like travel allowance claims, for instance.

Mr Frost: Travel allowance claims we process within seven working days—that's our KPI, and we meet that 99 per cent of the time. In general, the one per cent will be where we've gone back with a query or there's an outstanding issue with that claim, so we meet that close to 100 per cent of the time. For all other transactions, it's the same KPI. We set it at 95 per cent. We aim to beat it every time and have done that consistently for the time we've been in IPEA.

Senator FARRELL: If somebody has made an obvious mistake on their travel claim, do you always ring them back and say, 'Look, I think a mistake has been made here,' or do you wait for them to ring and say, 'What's happened to my expenses claim?'
Mr Frost: I'll just talk in general terms. If we received a claim that wasn't dated or signed or there was a piece of information that didn't marry up correctly on where they were claiming or where they travelled to, it automatically generates work within our team to go back to the office—not necessarily the claimant, because it might be the office manager claiming on behalf of the senator or member. We interact backwards and forwards with the office till we resolve the claim to a level where we can process it.

Senator FARRELL: But you don't just leave it sitting there?

Mr Frost: No.

Senator FARRELL: How often do you have to do that?

Mr Frost: I don't have a quantifiable number.

Senator FARRELL: No, just ballpark will do.

Mr Frost: It's not a high percentage of claims. Certainly with PEMS, which mandates fields like date, destinations and stuff, it is less prone to any error because the fields are mandated.

Senator FARRELL: Have your IT systems been sufficient to deal with the workload?

Mr Frost: I think we are managing. PEMS will certainly help. PEMS will be delivered by the Department of Finance, whom we are partnering with for the project, in terms of specifications, design and requirements.

Senator FARRELL: When do we think that will happen?

Mr Frost: I think that would be a matter for the Department of Finance to answer the exact dates, but the plan is 2019-20, so it's not that far away.

Senator FARRELL: Are you trialling anything at the moment?

Mr Frost: No.

Senator FARRELL: Got to that stage?

Mr Frost: No. It's still in-house at the moment.

Senator FARRELL: Have there been any requests to government for additional resources in order to continue to perform key functions?

Ms Godwin: We are in some ongoing discussions with the Department of Finance to try and secure some additional resources for the audit function and for some more general governance related issues within IPEA, based on some assumptions that were made when IPEA was first established. I understand that the processes they went through were quite quick. And there were some assumptions made about what the audit process would involve and other functions. Now that we're 12 months in, and had some practical experience about how that works—and as a small agency we still have all the PGPA type requirements that you would have in a larger agency. We do struggle with that skill set and being able to move some staff around while continuing our BAU issues. So we are having some ongoing discussions with the Department of Finance about some options.

Senator FARRELL: Good luck.

Ms Godwin: Thank you.
**Senator FARRELL:** I have a couple of questions regarding the travel expenses of the two special envoys Abbott and Joyce. Last estimates I asked some questions about their ability to travel for parliamentary business. I asked in particular regarding the positions of the special envoy as distinct from the minister or shadow minister. Is the authority aware of the positions of special envoy within the Morrison ministry?

**Ms Godwin:** Yes, certainly. There are two people who have that title.

**Senator FARRELL:** Yes. Has any travel occurred using the position special envoy as the dominant purpose for travel?

**Ms Godwin:** The special envoy title has not been—not that I'm aware of—used in claiming for any travel or travel related expenses. My understanding is that travel that might have been undertaken by those two particular people has been put under the other parliamentary business categories.

**Senator FARRELL:** But how does that work? A backbencher can't just go off and turn up in somebody else's electorate in another state and claim that it's a dominant parliamentary purpose can they?

**Ms Godwin:** Some of the travel that would be undertaken by those two individuals will continue to be part of their usual focus as a parliamentarian, and other travel that would be undertaken by them. My understanding is that the Department of the Prime Minister and Cabinet has had a role in setting up the special envoy arrangements, so I'm not across any specific arrangements that have been put in place for them.

**Senator FARRELL:** But if I'm the member for Kingston and I want to go and visit Queensland in an area that is not part of my portfolio, I can't do that under my dominant parliamentary purposes can I?

**Ms Godwin:** I'm not aware of how their travel has been claimed.

**Mr Frost:** Parliamentarians are able to travel within Australia for parliamentary business. Parliamentary business is defined in a determination and as a list of categories. Some of those categories are quite broad, and it would be imagined that most of the activities—

**Senator FARRELL:** Yes, but—

**Mr Frost:** that those two would do would fall under parliamentary business.

**Senator FARRELL:** I understood you to say earlier that there's no category for special envoys, so, if you're doing special envoy work—which, I assume, is what former Prime Minister Abbott is doing and former Deputy Prime Minister Joyce is doing—

**Ms Godwin:** In answer to your question, there was nothing claimed that was claimed as special envoy specific travel.

**Senator FARRELL:** No, because there is no category.

**Ms Godwin:** That's right. So any claims for travel are being undertaken through the 'other parliamentary business' definitions, which are: electoral, parliamentary and official. So it has been claimed under those sorts of categories. As I said, I wasn't involved in the establishment of the special envoy statement, so I don't quite know any further details about what was envisaged in terms of their roles or how that would play out.
**Senator FARRELL:** Did the government seek any advice from you about how those special envoys might be treated?

**Ms Godwin:** No.

**Senator FARRELL:** Is there any other way in which the special envoy is different from any other backbench parliamentarian?

**Ms Gartmann:** The particular roles that a parliamentarian has, either on a committee or as a special envoy, will impact what their particular parliamentary business is. So, whilst it's difficult to answer in a hypothetical, there will be circumstances where the parliamentary business of one of those individuals looks slightly different because of their particular role.

**Senator FARRELL:** Have the staff of these two special envoys been using 'special envoy' as a category for claiming staff travel?

**Mr Frost:** No.

**Senator FARRELL:** You mentioned earlier that one of your people doing your audit was a former police prosecutor, or police investigator?

**Ms Godwin:** He is doing investigation work for us.

**Senator FARRELL:** Why have you chosen somebody with those skill sets?

**Ms Godwin:** This particular individual had a great deal of experience in dealing with investigations that had previously involved some members of parliament, so he already had some experience in that area, and he had left the AFP and was working in another agency, so he had a good combination of investigative policing experience and also Public Service experience. It was that combination that we thought was a good combination for us to have, when you combined that with some of the other skills that we had also brought in, or were, at this stage, intending to bring in. It was to try to give us a good spread of experience.

**Senator FARRELL:** So this is a person who worked for the AFP prior to joining IPEA?

**Ms Godwin:** And prior to joining the APS. He'd worked in another department within the Public Service. So he had that combination of skills sets, which we thought was very valuable.

**Senator FARRELL:** And he had previous experience in investigating parliamentarians?

**Ms Godwin:** That's right.

**Senator FARRELL:** State or federal parliamentarians?

**Ms Godwin:** Federal.

**Senator FARRELL:** In the Federal Police?

**Ms Godwin:** Yes.

**Senator FARRELL:** For what? Breaches of travel?

**Ms Godwin:** For a range of matters. I'm not privy to all of the details.

**Senator FARRELL:** Is that a function that, previously, the Federal Police had responsibility for?

**Ms Godwin:** My understanding is that there was a matter, or matters, that had been referred to the AFP, and he'd been involved in those investigations through that avenue.
Senator FARRELL: And, from time to time, issues are referred to the AFP in respect of parliamentarians, are they not?

Ms Godwin: That's my understanding.

Senator FARRELL: Thank you.

CHAIR: If there are no further questions for IPEA, I thank you very much for your attendance here tonight and your evidence. The committee will now move to the AEC.

Australian Electoral Commission

[22:05]

CHAIR: I welcome the Electoral Commissioner, Mr Tom Rogers, and officers from the Australian Electoral Commission. The committee has set 29 March 2019 as the date by which answers to questions on notice are to be returned. Mr Rogers, do you wish to make an opening statement?

Mr Rogers: No, I don't, thank you.

CHAIR: Senator Farrell.

Senator FARRELL: Welcome, Mr Rogers and your team. Are you all ready for a busy 2019?

Mr Rogers: We are always ready. As I said recently, probably more accurately, we're ready to be ready. I'm very conscious of costs; if we were ready all the time, the costs would be through the roof. But we are ready to be ready, and we're confident with where we are.

Senator FARRELL: I wanted to raise some questions about an issue that's had quite a bit of publicity this week. It relates to data breaches and the AEC. I'd first like to address those data breach issues and the cyberattacks within the parliamentary network and, as the Prime Minister revealed yesterday, directly towards a number of political parties. Are you aware of these reports?

Mr Rogers: I am aware. We have been working with our partner security agencies on that issue to make sure that the AEC's data and systems are protected. I might just point out, because it's important to give people a degree of confidence, that there is no evidence that the AEC's systems have been compromised.

CHAIR: I think it's worthwhile spending a little bit of time on this question, because I do want to give people some confidence that we are aware.
Senator FARRELL: Yes; that's what I'm looking for.

Mr Rogers: Not only are we aware but we do work closely with some of our overseas partners. We share information where we can. In particular, we belong to a thing called the four countries conference, where we share information with the UK, Canada and New Zealand—and we also reach out when we can to the US—and we exchange information about what's occurring. It's important for us to do that. This is not just a threat to one country; it's a global issue that the West is dealing with, so we like to be across those issues. I'm confident, in the information that we have picked up and in the structures that we have got in place, that we have a robust framework in place. I might ask Mr Pope to opine on this as well. He's a member of the electoral integrity assurance task force. He might talk a bit further about some of those measures as well.

Mr Pope: As the commissioner was saying, we do work very closely with our partner agencies and we exchange information with our international agencies and our security agencies.

Senator FARRELL: Just to be clear: who are your partners?

Mr Pope: Overseas or here?

Senator FARRELL: Overseas.

Mr Pope: Predominantly, as the commissioner was saying, it's the New Zealand Electoral Commission, Elections Canada and the UK Electoral Commission. We do occasionally do some work with the federal electoral commission in the US, but, as you'll appreciate, the US has got a very different system to us. We find greater alignment with those other three countries that I mentioned. We work very closely with them and exchange information with them on a regular basis.

Mr Rogers: For example, we have alerted them already to the Prime Minister's statement yesterday so that they're aware of those issues as well. It's a two-way street.

Mr Pope: And, as the commissioner was also saying, through the electoral integrity assurance task force there are a number of Commonwealth government agencies we are working closely with to ensure the integrity of the election. There are a range of measures we are looking to put in place. As you'd appreciate, I don't think we should go into too many specifics, but—

Senator FARRELL: We don't want any—

Mr Rogers: I would say that we were briefed on the issue and we have taken appropriate steps, which is why I'm confident making the statement that we don't think that our systems have been compromised.

Mr Pope: Broadly, I can say that we're enhancing our cybersecurity measures. We are obviously testing those measures on a regular basis. We always remain vigilant. Every day is a different day in the cybersecurity world and every day presents a different risk, so we remain as vigilant as we possibly can with that. We are looking at what measures we can put in place with some of the social media companies. We are looking at what measures—

Senator FARRELL: Just on that point: there was some suggestion that you weren't getting cooperation from some of those social media companies. Is that correct?
Mr Pope: No, that's not correct. In fact, we've got quite a productive and very effective relationship with the social media companies. They're working with us very closely and very collaboratively. At the moment we take great confidence, from the conversations that we are having with them, that additional measures and cooperation will be in place, particularly for the election.

Senator FARRELL: Who initiated that? Have you contacted them or have they come to you?

Mr Pope: We've been dealing with them for quite some time; this is not a new thing. We've had some ongoing engagement with their representatives here in Australia for the last couple of years. We've escalated that engagement since the middle of last year, and that continues. So it's been a two-way street. We have also engaged with social media companies' head offices in the US in recent times.

Mr Rogers: If I can speak on behalf of my state colleagues as well: we have all taken this matter very seriously. For the state, territory and Commonwealth electoral commissions, electoral integrity is at the centre of everything that we do. Well over 12 months ago, we reached out to the Council of Australian Governments and sought governmental support across Australia to assist all electoral commissions to ensure the security and safety of their systems, and all governments have been willing to provide that.

Senator FARRELL: What about your interactions with political parties to ensure that their access is not being compromised?

Mr Rogers: I know you'll understand that I'm not trying to delimit my responsibility here, but there is a limit to what we can do. The act requires us to provide information to political parties, which we do. All the information we provide is surrounded by a safeguard agreement, and I know that the parties do what they can to secure the roll. Any other body that we provide the information to is also covered by a safeguard agreement. We do treat roll security as a very high priority for us, and we continue to work with organisations to make sure they understand the impact of that.

Senator FARRELL: Do you think you need any additional resources to ensure that the roll is secure and safe?

Mr Rogers: I've been at this committee previously, and I've made that comment about resourcing. Let me be more nuanced, because I want to be fair to the many partners who've been working to assist us in this process. The system on which the electoral roll sits needs to be updated. It's a very old system. I have said to this committee previously—I can't remember when—that it was first built back in the late eighties, I think. The Commonwealth has certainly had its value out of that particular system. It's written in a language—I'm not a computer expert—called Adabas Natural. I think there are only several people left who really understand the nuance of that. It's hardcoded; it was built for the legislation that was in train at the time. The Department of Finance has been working with us on that, which is great, and we are very grateful for the support. But there is a point at which that system needs to be replaced. Based on looking at the costs of IT projects globally, that is unlikely to be a very small project. It's a very sensitive piece of data, and, at a point, we need to get that replaced. It is secure at the moment, but, eventually, it needs to be replaced.

Senator FARRELL: I'm very relieved. Have you put that proposition to the government?
Mr Rogers: Pretty much my first submission to the joint standing committee after the election was that we needed to replace—while I'm on a roll here, it's not just the roll management system; it's also our election management system. There are two systems we need to replace; they are both as old as each other. That was the first submission we put to the joint standing committee, and that is being worked on. But they are secure. The message I would like to leave is: they are secure but they need to be replaced.

Senator FARRELL: I'm sure that will come as a great relief to the Australian voters. Talking about the election: I think the Prime Minister has said on a number of occasions that the election's going to be held in May, and there's been speculation that it may be 25 May. Can you advise the committee on the processes required by the commission to conduct the upcoming federal poll, and, in particular, to ensure that the senators are returned by 1 July, as is constitutionally required?

Mr Rogers: Obviously the date of the election is the preserve of the Governor-General and the Prime Minister. I would make a couple of generic points—and Mr Pirani might care to join in here as well. We need a period of time to conduct the task that we conduct after the event. There's a bit of misinformation out there about what that is. I've had a number of people say to me words to the effect of: 'Hey, listen, it's just paper. Why don't you count it? That must take a weekend.' There are a whole range of processes around both the House of Representatives and the Senate, in particular, that take time. The less time we have, the more we start to butt up against that hard deadline. I do know that there was a Parliamentary Library paper, Mr Pirani, that outlined many of the options involved in this. I know there's been a lot of speculation, and I'm rejoicing in not joining in that speculation. We do whatever we are told by His Excellency.

Senator FARRELL: No, I'm not asking you to in any way speculate on the date of the federal election—I appreciate that's in the hands of the Prime Minister and the Governor-General, as you say. What I'm asking you about is your time frames; the amount of time you're going to need to do everything you're required to do to ensure that the senators, in particular, are returned. I appreciate if we had a half-Senate election disconnected from the House of Representatives—of course, the House of Representatives can go for a much longer period of time, but the Senate, as you know, hits that constitutional deadline of 1 July.

Mr Rogers: I'm happy to provide information about that, as long as it's not taken as me indicating a particular date or a lack of a date. I've had some of those conversations about election dates previously, and I would prefer not to go through that process again. I might get Mr Pirani to talk about some of the generic dates that are required for the issue of the writ.

Mr Pirani: Perhaps the best way of illustrating the issue that we've got is the 2016 election, where we returned the writ 42 days after polling day. That was a double dissolution election and a full House of Representatives election. In 2013, we returned the writ 67 days after polling day. You might recall that, in 2013, we had the issue with the missing ballot papers in Western Australia. We also had the reserve ballot papers for the division of Fairfax and the recount in Fairfax, and that delayed the return of the writs. So, if you work back from Friday, 28 June—so 1 July is a Monday—the issue for the AEC is whether we are able to return the writ within a period of time following polling day.
Mr Rogers: What we can't predict, as Mr Pirani is pointing out, is whether or not there'll be something like a close seat or a request for a recount—some sort of challenge—and that can delay things quite markedly.

Mr Pirani: The requirement of the Electoral Act of 100 days—

Senator FARRELL: Just on that point: let's say you had a repeat, God forbid, of the Western Australian situation, does that delay the whole?

Mr Pirani: No. We actually returned the writ in Western Australia, despite the missing ballot papers and then we did the petition to the Court of Disputed Returns. The legal advice we had was that, until we returned the writ, we couldn't challenge the election result. The issue of the missing ballot papers was a complication in 2013, but the big issue for us in 2013 was the recount in Fairfax.

Mr Rogers: I would have to say, if I remember that recount—and, Mr Pirani, you might remind me—there was an extraordinary number of challenged ballot papers as part of that process.

Mr Pirani: There were nearly 42,000 ballot papers that were challenged and reserved for decision by the Australian Electoral Officer. So the very last writ that I returned, and I returned it to Kirribilli, was the writ for the division of Fairfax. Of course, until we return the last writ, the period doesn't open to go to the Court of Disputed Returns to challenge the election. The process is set out in section 155 and 156 of the Commonwealth Electoral Act; it sets out the various periods of time that a writ must have. Of course, the Senate writs in the six states are not issued by the Governor-General; they are issued by the state governors under state legislation, and they specify the writ periods in the writs that are issued by the state governors, and we have to return those writs to the state governors. So, it's a whole process and time frame that we have to go through, but the issue for the AEC is that period between whatever date is selected for polling day and then the date by which we have to return the writs by to enable there to be a full Senate there for 1 July, and those were matters that were in the purview of the Prime Minister.

Mr Rogers: Just to point out again: the close seat issue is something that also slows us down. With the number of close seats, we have to wait for the full 13 days for postal votes, and where there are a lot of challenges to the vote it takes time. We will do whatever we are told by His Excellency with the writ, and, if we have a shorter period, we'll work doubly hard. But there's always a risk at a point, whatever that point is, that it will be difficult to return the writ in time.

Senator DEAN SMITH: Mr Rogers, what are the things that reduce the risk? You are saying these are risks, so what are the things that reduce those risks?

Mr Rogers: We are reducing those risks as speak, Senator, through our planning. I guess part of what we do is reduce those risks with the processes that we have in place. If there are a large number of close seats, we have particular methods that we put in place to deal with those close seats, including deploying experienced staff to the seats where there are close seat management issues. We particularly focus on the Senate, given the changes to the Senate voting system at the last election. We have got a fairly slick process involved.

I don't want to leave anyone here with the feeling that I'm saying returning the writ is at risk, we won't make it, depending on what happens. But there'll be a point at which it will be
very difficult for us to make that date. If I think back, Mr Pirani, I can't remember exactly how many days left we had when we returned the last writ last time. Mr Pirani will check that. It's just an issue that we have to deal with, and we'll come up with a plan to make sure that we can deal with that appropriately.

Senator DEAN SMITH: Senator Farrell, if I may, this might be of interest to you as well. I would be interested in understanding the number of days for the 2010 and 2007 elections as well for the return of the writs, just to understand the experience over a broader period.

Mr Pirani: Senator, I don't have those with me but that would be in the Electoral Pocketbook that's on our website. We do them for each election.

Senator DEAN SMITH: Do you still distribute them in hard copy?

Mr Rogers: No.

Senator DEAN SMITH: I wondered where mine got to. We have corrected the matter with regard to plebiscites and referendums, haven't we?

Mr Rogers: We did. We've moved into the digital age.

Senator DEAN SMITH: I'm a traditionalist.

Mr Rogers: It's a collector's edition that last one.

Mr Pirani: For 2013, we only had six days left, and that was for the 100 days; that's the maximum period between the issue of the writ and the return of the writ. There is a process in the Electoral Act if we're not going to meet that, where it's possible for us to go back to the Governor-General and seek an extension of time, but if it involves the Senate then that's a bit complicated, given the writs are issued also by the state governors and they've got specific powers under their legislation to extend any of the time frames.

Senator FARRELL: Can you explain the 100 days, Mr Pirani.

Mr Pirani: The 100 days is actually listed in the Commonwealth Electoral Act. It's section 159:

The date fixed for the return of the writ shall not be more than 100 days after the issue of the writ.

It's just a juggling act working out the various time frames in the Electoral Act and also how they align with the Constitution. The Governor-General is required to issue the writ within 10 days of the dissolving of the House of Representatives. That's a requirement that's in the Constitution. And then you come to the Electoral Act, which sets out all the things like the date fixed for the close of rolls has to be seven days after the issue of the writ and the date of nomination cannot be less than 10 and not more than 27 days. All those time periods are set out in sections 155 through to 159 of the Commonwealth Electoral Act.

Mr Rogers: At the last election, Senator, you will remember with the changes to the Senate voting system, it was the first time we had done that mammoth scanning project with the 15-odd million ballot papers. Because it was the first time and we ran the scanning process in each state, we found that they were working at a different pace, as we were making sure that there was progress nationally. And we then spent some time focusing on those areas where we were worried about progress overall to make sure we were going to meet those dates, but we didn't have a huge amount of time at the other end of that to ensure that we made the date.

Senator FARRELL: It was six days, apparently.
Mr Pirani: Six days was 2013, not 2016.

Senator FARRELL: I'm sorry. I thought you said six days was 2016.

Mr Pirani: It was 2013, not 2016.

Senator FARRELL: What was 2016?

Mr Pirani: In 2016, we actually returned it on the last day. The reason for that being the writ period in that election was only 84 days, not the usual 100 days.

Mr Rogers: That was tight.

Senator FARRELL: That was a long election.

Mr Rogers: It was a long campaign—

Mr Pirani: and a short period after polling day. So it wasn't the minimum 33 days between the issue of the writ and polling day. You had a longer period at the front, leading up to polling day; therefore, we had a more compressed time at the back after polling day to do the count and, therefore, to return the writ.

Mr Rogers: That took some intense management, which is what we do, to make sure that that process ran smoothly and, adjusting as we went, to make sure that we were putting resources where the greatest need was, and that's something we do at every election. I did want to leave the committee with the view that this is not, as some people say to me, an easy job, count a bit of paper and, there, it's done. It's a complex process, with many moving parts, and we monitor it closely several times a day during that period to make sure things are running smoothly.

Senator FARRELL: I mentioned at the outset that there have been some reports that the election might be held on that last Saturday of May. Have you been asked to provide the government with any advice regarding that as the possible day?

Mr Rogers: Not that I'm aware of.

Senator FARRELL: There have been some media reports—and I don't know if you're aware of this—by some unnamed government members, and I quote them:

It's just a bloody resourcing issue which supplementary funding in the Budget could solve.

As a way of pushing back the date. In other words, if you had some more money, you could count faster and the election could be held later. Do you have any comments about that?

Mr Rogers: I have some thoughts on that. It's not just a resourcing issue, as Mr Pirani has just pointed out. There are legislative restrictions that drive the AEC. I might also point out a mantra that we've been using in various forms to explain to people why we are so deliberative and methodical. The slogan we use with everybody is 'right, not rushed'. There's a process to go through to ensure the accuracy of the result. I think we do a couple of different things. One is we provide a chance for every Australian to have a safe, secure place to cast a vote, to have their say and that's critical. But the second thing is we provide a valid result that citizens can have confidence in, and to do that we follow a legislative process in detail and that takes time. It's open to scrutiny. It's transparent. In fact, it's one of the most transparent counting processes in the world where scrutineers from all the parties are able to look at it. We have average citizens working for us who are there also as representatives of the community, who participate in the count, and it takes time. Compared globally, we have quite a complex voting and counting system, particularly in the Senate, and it takes time to work through that process.
So to the fact, as Mr Pirani said, that last election the last writ was handed in on the last available day, it takes all of that time, and none of that is the AEC trying to slow things down. I know in an age where some people vote for various TV programs on their phone and they get a result, they think that voting finishes at 6 pm, the result will be available at 6.01 pm, and then every minute that goes past since 6.01 pm, there's pressure on the AEC. Some of the media reports are already written now about the slow count, ready to be piled in, and I'll tell you now there'll be a—

CHAIR: That's a very cynical view of the media, Mr Rogers!

Mr Rogers: Well, Chair, I have to tell you—I'll just make sure my blood pressure doesn't go up—there'll be a media report on the Sunday after the election saying the fat cats aren't working on Sunday. They're having cups of tea and they're not counting the vote, when Australians are desperate for their government, when my staff, by that stage, have been working overtime for a number of weeks and on the Sunday. We will have counted on the Saturday pretty much every vote there is available to count, and then we go through that complex process, as you know, of getting hundreds of thousands of envelopes through 30,000 transport channels back to their home divisions. It's a hugely complex operation. For anyone that's listening and for members and senators, whenever you see those reports about the slow count, it's rubbish.

CHAIR: I hope the media haven't gone home already tonight, because they'll miss this important message.

Mr Rogers: Exactly. It's rubbish.

Senator DEAN SMITH: Mr Rogers, I do think that many senators on this committee, indeed many members of parliament, would agree that there has been a marked improvement in the professionalism and efficiency of the Australian Electoral Commission since those dark days of 2013. It's not necessarily dark days from where we sit. Senator Farrell, I don't know where you're going, but I've got some very brief questions around pre-poll access, and I know that Senator Stoker has got some questions as well.

CHAIR: Have you finished with this round of questions?

Senator FARRELL: Just another couple of questions on this topic. You talked about the complication of the Senate voting system, but isn't the voting system that we had in 2016 simpler than the voting system that we had in 2013?

Mr Rogers: It is still a complex voting system.

Senator FARRELL: No, I appreciate that.

Mr Rogers: And the process of scanning those votes is still a complex process. Getting something like 15 million Senate votes—or however many million it was; forgive me for not having that figure in front of me—to a vast number of scanning centres, going through a process with scrutineers involved, ensuring the security of those votes and then transferring them to highly secure storage is still a complex issue.

If I look at many of our partner agencies overseas, just by way of comparison: New Zealand doesn't have an upper house, Canada has no elected upper house, the UK has no elected upper house, and we have a highly complex system with two ballot papers and a range of things occurring at the same time. Explaining to anyone, even Australians, let alone people...
from overseas, the algorithms behind that process and the formula outlined in the act is complex. So it's a complex voting system.

**Mr Pope:** The biggest shift obviously from 2013 was about three per cent of the ballot papers, the elector had voted below the line and filled in every box, which required manual data entry. So that was about three per cent. Because of the Senate voting law changes for 2016, 100 per cent of the ballot papers now need to be entered into the system, so it has just flipped on its head the work—

**Senator FARRELL:** So it's actually made the counting more difficult rather than—

**Mr Pope:** Well, it required the implementation of an entire newly design process for us to be able to cope with 100 per cent of the Senate ballot papers requiring all data from the ballot paper to be entered into our system.

**Senator FARRELL:** But is the conclusion that you reach from that it actually takes longer under the new system to count the Senate ballot—

**Mr Pope:** It is more complex. We've got to get every ballot paper for every state to a single scanning place. So that's from interstate votes, overseas votes and all of the polling places within the state back to one scanning place.

**Mr Rogers:** Perhaps if I might go further, that process that Mr Pope is talking about we used to do manually. Effectively it was a manual data entry of three per cent of the ballot papers. I was the state manager for New South Wales in 2007 and I remember we established the central Senate scrutiny at a warehouse somewhere in the west of Sydney. I think we had less than three per cent of the vote actually in New South Wales that required data entry. Interestingly, not one scrutineer was there for that entire process; it just occurred in any case. If we were to try and do that manual entry system for the new voting system in the Senate, we would not make it. There's no way in the world we could do a manual process for that highly complex system, which is why we've got a scanning process in place.

**Senator FARRELL:** Now I referred you to that unidentified government person who talked about increased resourcing meaning you could speed the process up. Have you been offered any increased resourcing that would enable you to count the vote faster for this election?

**Mr Rogers:** No, I can tell you we haven't been offered resourcing to count the vote faster. I'm always on the lookout for additional resourcing, but in this particular case if someone said, 'If we give you additional money for a faster count,' there is the law of diminishing returns and legislative restrictions so that money would not make a difference.

**Mr Pope:** I think it's also important to keep in mind that scrutineers play a very important part of the process and there are only so many scrutineers to go around and there are only so many hours that people can actually scrutinise for. So it's not just a decision that rests with us, but if we were to scan Senate ballot papers for 24 hours a day, seven days a week, then that has significant implications on parties and participants.

**Senator FARRELL:** I get that.

**CHAIR:** This builds on Senator Farrell's question, and it's purely for my amusement and interest. Am I right in understanding that, should this election be a conventional half Senate election, the next parliament will face the same constraints that this parliament faced about
the timing of the next election, should the government wish to have a half Senate and House of Representatives election at the same time, because of the 2016 election and the short and long-term senators all beginning their terms on the same day?

Mr Pirani: Certainly, the issue is in relation to the lapsing of the senators with three years and six years, but of course the House of Representatives has a maximum of three years, so it is just an alignment issue. But, yes, there is the potential that the House, to align it—because the House isn't due to expire until November this year. That's their three-year term, so they could have had a separate House of Representatives election from a half Senate election, but of course it's cheaper and more cost-effective to combine the two. So there will be issues about alignment, yes.

CHAIR: But if the constraint on this election is the expiring short-term senators, who have three-year terms, me included, the same constraint will apply exactly three years later to the people elected at the same double dissolution election for six-year terms?

Mr Pirani: That's correct.

CHAIR: Is that right?

Mr Pirani: That's correct.

Senator DEAN SMITH: Do you have available the number of pre-poll places that existed for the 2010, 2013 and 2016 elections readily available?

Mr Rogers: We may have. No, we don't.

Senator DEAN SMITH: If the information becomes available in the next few moments, perhaps you might just share it with the committee. Just going to your point, Mr Rogers, about planning for this election, what decisions have you taken in terms of the number of pre-poll places that will operate for the 2019 federal election?

Mr Rogers: I might start off, if that's okay, and get Mr Gately then to provide some additional information. There will be an increase in pre-poll voting centres at this election. The reason is—if I might just give you some statistics—over the last three electoral cycles we've put something like almost three million extra Australians on the electoral roll, and it would appear to us that a large number of those Australians are choosing pre-poll as the method of voting. If I go back to 2007, the total pre-poll and postal vote in 2007 was 1,768,000; in 2010, the total pre-poll and postal went up to 2,290,000; in 2013, it went to 3,625,000; and then in 2016 we were at a record 4,456,000 pre-poll or postal. So, in essence, if I look at just pre-poll—if I take postal out for a moment and look at the percentages—that means in 2007, pre-poll, as a total of the vote, was 8.22 per cent; in 2010, pre-poll as a percentage of the total was 11.29; in 2013, pre-poll as a percentage of the total was 18.15 per cent; and in 2016, that bumped up to 22.67 per cent. So we are having this mammoth increase in, first of all, the number of Australians on the roll, and then—I almost hesitate to say this—if you look at the figures, it is almost becoming like a voting period rather than a voting day.

Senator DEAN SMITH: We have to disclose that this is not a Dorothy Dixer, because I do enjoy it when you bring to the committee these sorts of statistics, but of course this goes to my first point: I'm assuming that the access to pre-poll has also increased in the period 2007 to 2016—that is, there has been an increase in the number of pre-poll places?

Mr Rogers: Yes.
Senator DEAN SMITH: Build it and they will come. I'm curious to know, are more people going to pre-poll because there is more access to it in terms of physical access? Then my second question is, is it actually, from a regulatory point of view, easier now for people to pre-poll, because once upon a time you had to go through quite a detailed list of questions with an official in a polling station prior to election day in order to pre-poll? This is important to me as someone who has to organise volunteers and someone who is interested in giving people safe access to the election, but I'm curious to know where the policy imperative for this is? Is it in fact—because it is quite a significant change or evolution in terms of how Australians go to vote and participate in elections. From a campaign perspective, it changes the way the political parties are forced to campaign, because there is no particular apex in the campaign—that is, election day—it is more of a plateau as you get to the final few weeks.

So the first question is: Do we know the number of prepoll places that have increased? We've got those details now? Yes? There's a lot in this, and I'm really interested to know: is this something that the Electoral Commission has been doing as a way of perhaps better managing voter numbers on election day in order to reduce queues and time delays and those sorts of things? Or is this a policy instruction that has come from successive governments?—because it is changing the voting experience for Australians at elections. Yes, it's making it easier for many, because they've got more choices in terms of when they can vote, in terms of days and weeks and that sort of thing. But I'm really interested to understand this, because I don't think it's a matter that has been properly inquired into or investigated.

Mr Rogers: Let me make a couple of statements where I agree with a couple of things you're saying. I'm sure that the original policy was simply designed to provide a safety valve for Australians who couldn't turn up on the day. It was as simple as that. But the point we've made is that the moment that was put into the legislation—it cannot be regulated, and what we are seeing is a trend, not only in Australia. I think at the last New Zealand election they bumped up towards a high 40 per cent of prepoll voting. This is becoming a trend wherever prepoll voting is allowed. I think I mentioned to the joint standing committee that the No. 1 issue that people are frequently upset about at voting is queuing. Queuing is a real thing. It's a thing in Australia. Australians don't like queuing and their tolerance for queuing is not particularly long. I think citizens quite often turn up and see a queue in front of them, and they get very angry about that. We get some very immediate feedback, and that feedback is not just from individuals; it is from the media—all over the place. We have a responsibility to ensure that we provide sufficient services to make sure that there are not queues.

In 2016 I reintroduced the requirement for people who are prepoll voting to self-assess against a list of criteria that are provided to them at the polling place. It's effectively an extract from the act saying that you're only able to prepoll vote if you meet these conditions, and we show them those conditions and they're asked the question, 'Do you satisfy those conditions?' The number of people who self-select out I think would be in the very low single digits. People say: 'Yes, I meet all those criteria. I'll have my vote, thank you very much.' That's as much as we can do with ensuring that the act is complied with. What Mr Gately has done is an assessment of demographics, usage and a range of issues to ensure equal access to prepoll voting centres. I might get him to talk briefly about those numbers.

Senator DEAN SMITH: I don't want to run over Senator Stoker's time. She's been very patient. We can explore this after the next election. You said there would be an increase in
prepoll. Is that a modest increase? A significant increase? Do you have the new prepoll numbers?

Mr Rogers: Yes, we do. I would call it an appropriate increase, if I can use my terminology, to match the demand.

Senator DEAN SMITH: We can explore this at another time.

Mr Rogers: But the one point you've made there that I really agree with, too, is that, whether it's a good thing or a bad thing, it's a thing that I'm not sure has been discussed in huge detail. It's just a thing that's occurring, and I think it is worthy of some further exploration.

Senator STOKER: We're going to have to be very efficient, so forgive me if I speak quickly. Where a political consultant does some paid work for a political party or a candidate in a federal election, does that cost or that expenditure need to be disclosed by an entity or candidate?

Mr Pirani: It depends on whether it falls within the definition of gift. The definition of gift in section 287 excludes voluntary labour, but anything that would otherwise be paid for normally should be included as a donation and therefore should be included in the return from both the party and, if it's over the threshold, from the actual donor.

Senator STOKER: So, if a political consultant who normally charges a fee for providing that expertise as their work provides voluntary full-time professional work for a political party in a federal election, does that cost or that expenditure need to be disclosed by an entity or candidate?

Mr Pirani: It would depend on the circumstances, but, again, the definition of 'gift' in section 287 sets out that it's got to be consideration in money or money's worth within adequate consideration, so it's really a question of fact.

Senator STOKER: So, in the factual scenario I've described?

Mr Pirani: Again, in the factual scenario, I would suggest that they should disclose it.

Senator STOKER: Who holds that disclosure obligation? Is it the consultant, the political party or both?

Mr Pirani: It's both—again, depending on whether the amount involved is above the disclosure threshold.

Senator STOKER: Sure. Fair enough. That's a fair caveat. Where the same political consultant does full-time professional work during an election but without direct payment from the beneficiary, would it matter for the purposes of this analysis if the beneficiary is an Independent candidate rather than a political party?

Mr Pirani: No.

Senator STOKER: What if a campaign professional from a full-time campaigning organisation provided their services for free to a party or candidate? Is there, on that person, a disclosure obligation, either on the candidate or on the party that they work for?

Mr Pirani: Again, it depends on the facts, but, prima facie, if it were something that is within adequate consideration and it's not truly volunteer labour, then it falls in the definition of 'gift', and, if the amount involved is more than the disclosure threshold, then there'll be an
obligation on both the person involved who's provided the free service and the recipient of the service.

**Senator STOKER:** Thank you. If a candidate was advised on their campaign by an organisation providing that kind of professional service, such as a group like GetUp!, would this advice be regarded as an in-kind donation?

**Mr Pirani:** There's not enough information for me to conclude. I mean, generally, advice per se would not be something that you'd say is something that would require money's worth of consideration. Again, there are not enough details for me to be able to make a judgement call. Again, the issue is: does it fall within the definition of 'gift'. That's what they'd have to look at in deciding whether there was a disclosure obligation. And, similar to what I say in authorisations: when in doubt, disclose.

**Senator STOKER:** If we hark back to the example we talked about before, where a person who is a professional provides advice of this nature as their ordinary earning activity—it's what they derive their living wage from—and they are, I guess, delegated by an organisation such as GetUp!, from whom they are normally paid, how could that be regarded as anything other than an in-kind donation if it's the same scenario that we mentioned before?

**Senator McALLISTER:** Chair, could I just make the point that, over the course of the evening, there has been resistance from Senator Seselja and other officers at the table about making comment about specific examples. Senator Stoker is clearly mixing hypothetical examples with references to an actual organisation. I wonder if the questions that she is asking, in the particular way that she is presenting them, are in order?

**Senator Seselja:** Chair, just to clarify in terms of what we were talking about: we were talking about a longstanding principle of privacy when it comes to staff members. I'm not sure that we were concerned necessarily—

**Senator STOKER:** Everything I'm talking about is on the public record.

**CHAIR:** The distinction I'd draw is that the minister generally doesn't intervene when the AEC is at the table. Given the arm's-length agency that it is, generally they are well equipped themselves to decide which questions to answer.

**Senator McALLISTER:** It was really a question of consistency, Chair.

**Mr Rogers:** What I might just point out is that it is very difficult for the AEC to answer hypothetical questions, even if they are semi-based in fact, because our judgement frequently turns on the individual facts of the case. There are normally a number of tentacles that run out from each individual case and that makes them unique, so it's very hard for Mr Pirani to make some sort of comment on the detail of a hypothetical without knowing the exact details of what we're talking about.

**Senator STOKER:** I would suggest it's the kind of thing that is more than hypothetical. It happens all the time. But I shall move on to ask: would it be prudent for a group such as GetUp!, who provide advice of this kind to, for instance, Independent candidates, to advise the candidates of the value of that professional work supplied by that campaign professional for disclosure?

**Mr Pirani:** In my view it would be prudent for the person providing the service to indicate what the value of those services are. That would not necessarily be the person who has
arranged for them to provide that service, because the obligation is on the person who provides the service for inadequate consideration as well as the recipient. That's what the definition of 'gift' says.

**Senator STOKER:** The recipient and the person providing the service.

**Mr Pirani:** That would be my view.

**Senator STOKER:** Are you aware of any professional services or in-kind donations of support of this kind being declared—for instance, during the 2016 election or during any of the recent byelections?

**Mr Pirani:** I would have to take that on notice and go through every single disclosure return to see what has been done. That's a pretty huge task. At the moment, no, I'm not aware, but for me to answer that question properly I would need to go through every single disclosure return.

**CHAIR:** Senator Stoker, I might have to ask you to put the rest of those on notice so that we can fit in Senator Waters, and I believe Senator McAllister needs to put some on notice, as well.

**Senator STOKER:** Okay.

**Senator WATERS:** Can I just ask in relation to GetUp!'s being raised and somewhat impugned by the previous questioner, is it correct that the AEC has now considered three times whether or not they are an associated entity, first in 2005, next in 2010 and most recently, initiated in 2016 and concluded I think yesterday? Am I correct in saying that you didn't find that it was an associated entity to a political party in any of those instances?

**Mr Rogers:** That's broadly correct. I think the way we'd phrase it is that we found that they didn't have a reporting obligation as an associated entity during that period.

**Senator WATERS:** Can you quantify the amount of cost, time and staff resources that you would have incurred in those three investigations?

**Mr Rogers:** I couldn't do that. We have a small number of funding and disclosure staff. They have multiple tasks across a range of different activities on any given day, so it would be almost impossible for me to disaggregate the costs of this. But clearly it took some time and some staff effort.

**Senator WATERS:** 'Some time and some staff effort': would you be able to say what proportion of their time had been spent on these repeated investigations?

**Mr Rogers:** Not off the top of my head, it would be very difficult—

**Senator WATERS:** I'd be happy for you to take that no notice.

**Mr Rogers:** I'll take it on notice and consider it. I would, to be honest, just point out that it's going to be a very difficult thing for me to ascertain, because of the way that we do our staffing structure within the area. But I'll take it on notice.

**Senator WATERS:** Are there any other associated entity investigations currently on foot?

**Mr Rogers:** I think I might have to take that on notice as well, to make sure that I'm not—the use of the word 'investigation' worries me, as well.

**Senator WATERS:** Perhaps I'm using a misleading terminology. Have you been asked or tasked to look into whether or not any other body is an associated entity?
Mr Rogers: I'll take it on notice.

Senator WATERS: I'm interested in whether that's occurred in a comparable time frame. Are there others that you've looked into, not just GetUp!?

Mr Rogers: Just to be clear, in any given year we do a number of compliance reviews across the political spectrum of parties and entities. The language is important here because we have a regular and rolling series of reviews of a number of different entities. There may well be one of those going on right now. We select those using a risk based matrix. So let me take that on notice and have a look.

Senator WATERS: Those might be for associated entities or possible associated entities?

Mr Rogers: Yes.

Senator WATERS: Great. I'll look forward to that. Can I ask whether you have a threshold for when you investigate or look into it, whatever term is the right one?

Mr Rogers: I just used the phrase 'risk based matrix', which at this time of the evening is becoming increasingly difficult to say. We have deliberately not published the background to what the risk based matrix is, for very obvious reasons, but, without going into that, you could tell that materiality would be one of the issues. If there's a party that has a very large number of transactions or a large fund involved, that will get more of a look at than a very small entity or political party that has very few transactions. So it's clearly part of the deal.

Senator WATERS: Given the recurring nature of the GetUp! inquiries, at the behest of the Liberal Party, are there any other criteria that kick in for how many times you can keep looking into the one organisation?

Mr Rogers: No.

CHAIR: That'll have to be the last question.

Senator WATERS: There are no criteria. Thank you. So you could keep looking if the government kept asking you to.

Mr Rogers: To be clear, the review of GetUp! occurred as a result of interaction at the Joint Standing Committee on Electoral Matters. For not just GetUp! but any entity, if the situation changed, if the circumstance involved in that entity changed we would look at it again in any case.

Senator WATERS: You could look. Thanks very much.

Senator McALLISTER: I wish to place these questions on notice, given the time, and I'm happy to provide further detail in writing if you need it to answer. There have been a series of media articles and public discussion about the ability of credit bureaus to access electoral roll data. I'm interested to understand from the AEC the legislative basis on which this occurs, the underlying policy reason why it is allowed to occur, any constraints that are placed on organisations that receive data from the electoral roll and the responsibilities and powers in relation to enforcements of those constraints.

Mr Rogers: We don't need anything else. We'll take those questions as they are. We've got some information to provide on them.

Senator McALLISTER: Thanks very much, Mr Rogers.
CHAIR: Thank you, senators. That concludes the committee's examination of the Finance portfolio. Thank you to the AEC for attending late in the evening, as they always do. I would like to thank ministers and officers who have given evidence to the committee today. I'd also like to thank Hansard, Broadcasting and the secretariat for their assistance.

Committee adjourned at 23:01