



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

ECONOMICS LEGISLATION COMMITTEE

Consideration of Additional Estimates

WEDNESDAY, 10 FEBRUARY 1999

CANBERRA

BY AUTHORITY OF THE SENATE

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SENATE
ECONOMICS LEGISLATION COMMITTEE

Wednesday, 10 February 1999

Members: Senator Ferguson (*Chair*), Senator Murphy (*Deputy Chair*), Senators Chapman, Cook, Murray and Watson

Senators in attendance: Senators Calvert, George Campbell, Chapman, Conroy, Cook, Ferguson, Gibson, Lundy, Murray, Schacht and Watson

Committee met at 9.20 a.m.

CHAIR—I call the committee to order and declare open this public meeting of the Senate Economics Legislation Committee. On 28 November 1998, the Senate referred to the committee for examination the particulars of proposed additional expenditure in relation to the parliamentary departments in respect of the year ending 30 June 1999, the particulars of proposed additional expenditure for the service of the year ending 30 June 1999, and the particulars of certain proposed additional expenditure in respect of the year ending 30 June 1998, the advance to the Minister for Finance and Administration, the issues from the advance to the Minister for Finance and Administration as a final charge for the year ended 30 June 1998, the provision for running costs, borrowing statements and supporting applications of issues in the final budget outcome 1997-98. The committee will examine these documents in respect of the portfolios of Industry, Science and Resources, and Treasury.

Following today's hearing, the committee will prepare a report on its examination of additional estimates and present it to the Senate by 9 March 1999. The committee has agreed that 5 March be the date by which answers to questions taken on notice are to be provided. If required, a supplementary hearing of the committee will be conducted during the period of 4 May to 6 May 1999.

I remind senators that the Finance and Public Administration Legislation Committee is continuing its inquiry into the portfolio budget statements and the portfolio additional estimates statements. As we go through the documents, if you have any comment about their format or contents, you may wish to put them on the *Hansard* record.

The committee will examine departments and agencies as set out in the circulated program, noting that interstate agencies have been scheduled time immediately after lunch on each day so as not to hold them in Canberra longer than necessary.

[9.22 a.m.]

DEPARTMENT OF INDUSTRY, SCIENCE AND RESOURCES

Proposed additional expenditure, \$55,060,000 (Document A)

Proposed additional expenditure, \$17,145,000 (Document B)

In Attendance

Senator Minchin, Minister for Industry, Science and Resources
Department of Industry, Science and Resources—

Mr John Spasojevic, Deputy Chief Executive Officer

Office of AusIndustry

Mr Andrew Bain, Head of Division

Mr Denis Taylor, General Manager, Services and Information Branch

Mr Phil Constable, General Manager, R&D Tax Concessions Branch

Ms Margaret Fanning, General Manager, Venture Capital and Program Coordination Branch

Ms Tricia Berman, Acting General Manager, Venture Capital and Program Coordination Branch

Mr Russell Edwards, General Manager, R&D Start Branch

Mr David Gallagher, Manager, Program Management Section (Start)

Ms Chris Butler, Manager, Communications Section

Ms Jennifer Wardle, Acting Manager, Finance and Administration Section

Industry Division A

Mr Alan Evans, Head of Division

Industry Division B

Mr Keith Croker, Head of Division

Ms Helen Georgopolous, General Manager, Invest Australia

Mr Bruce O’Meagher, General Manager, Invest Australia

Mr Garry Wall, General Manager, Automotive and Advanced Manufacturing

Sport and Tourism Division

Mr Robert Crick, Head of Division

Mr Keith Maxted, General Manager, Tourism, Transport and Business Development Branch

Ms Jenny Harrison, General Manager, International Tourism and Industry Development Branch

Mr Peter Sesterka, General Manager, Regional and Environmental Tourism Branch

Mr David McCarthy, General Manager, Strategic Directions

Mr Peter Robins, Director, Bureau of Tourism Research

Mr Aulis Mikkonen, Manager, Administration

Mr Bill Rowe, Manager, National Office of Sport and Recreation Policy

Industry Policy Division

Mr Barry Jones, Acting Head of Division

Coal and Minerals Division

Mr Malcolm Farrow, Head of Division

Mr Robin Bryant, General Manager, Energy Minerals Branch

Mr Jeff Harris, General Manager, Minerals Access and Rehabilitation Branch

Mr Craig Burns, General Manager, Minerals Development Branch

Energy Division

Mr Ian Cronshaw, General Manager, Domestic Energy Branch

Mr Steve Irwin, General Manager, Greenhouse Response Branch

Mr Chris Hyman, Resource Manager

Electricity and Gas Reform Division

Mr Kevin O'Brien, General Manager, Electricity Reform Branch

Mr Bill Crawshaw, Director, Gas Reform Policy Section

Petroleum Division

Mr John Hartwell, Head of Division

Science, Technology and Innovation Division

Dr Paul Wellings, Head of Division

Mr Eric James, General Manager, Science and Technology Advisory Branch

Mr Ken Pettifer, General Manager, Science and Technology Policy Branch

Mr Keith Besgrove, General Manager, Innovation Branch

Analytical and Mapping Division

Mr Drew Clarke, Head of Division

Mr Peter Holland, General Manager, AUSLIG

Corporate Services Division

Mr Philip Noonan, Head of Division

Mr Trevor Rodgers, General Manager, Ministerial and Coordination Branch

Mr Chris Dainer, General Manager, Resource Management Branch

Mr David Baussman, Manager, Budget Coordination Unit

Mr Peter Moore, Budget Coordination Unit

Mr Anthony Steve, Budget Coordination Unit

Mr Lyn Hansen, Manager, Policy and Portfolio Coordination Section

Mr Krishan Singh, Policy and Portfolio Coordination Section

Ms Alva Maguire, Policy and Portfolio Coordination Section

IP Australia

Mr Rick Gould, Acting Director General

Mr David McEwan, Deputy Director General, Information Technology Services

Ms Shirley Keating, Director, Finance

Australian Tourist Commission

Mr John Morse, Managing Director,

Mr John Hopwood, Manager, Business Services

Ms Margaret Hudson, Manager, Corporate Strategy

Mr Andrew Larcos, Government Liaison Officer

National Standards Commission

Mr John Birch AM, Executive Director

Australian Institute of Marine Science

Dr Russell Reichelt, Director

Australian Nuclear Science and Technology Organisation

Professor Helen Garnett, Executive Director

Dr Ron Cameron, Director, Safety

Mr Roger Gray, Director, Business Collaboration

Dr Walter Zuk

Mr John Rolland, Director, Government and Public Affairs

Mr Richard Baker, Director, Corporate Services

Commonwealth Scientific and Industrial Research Organisation

Dr Malcolm McIntosh AC, Chief Executive

Mr Bob Garrett, General Manager, Corporate Finance

Mr Ian Rout, Assistant Manager (Budget)

Ms Marie Keir, Manager, Ministerial and Parliamentary Liaison

Australian Geological Survey Organisation

Dr Neil Williams, Executive Director

Dr Trevor Powell, Deputy Executive Director

Mr Tony Robinson, Head, Corporate Branch

Australian Sports Commission

Mr Jim Ferguson, Executive Director

Mr John Boulton, Director, Australian Institute of Sport

Mr Bob Hobson, Director, Sport and Business Services

Mr Geoff Strang, Director, Sports Management

Mr Allan Smith, Finance Branch

Mr Steve Arnaudon, Director, Sports Development and Policy

Australian Sports Drug Agency

Ms Natalie Howson, Chief Executive

Mr John Mendoza, General Manager, Sports Services Division

Ms Helen Quiggin, Manager, Corporate Services

CHAIR—I note for the record that the Industry, Science and Resources portfolio is seeking an increase of \$72 million in both Appropriation Bill (No. 3) 1998-99 and Appropriation Bill No. 4 1998-99. I welcome Senator Minchin, Minister for Industry, Science and Resources before the committee and the officers of the Department of Industry, Science and Resources. Minister, do you wish to make an opening statement?

Senator Minchin—No, thank you, Mr Chairman.

Program 7.0—Commonwealth Scientific and Industrial Research Organisation

CHAIR—Welcome, Dr McIntosh. On behalf of the committee we would like to acknowledge and congratulate you on your award in the Australia Day honours which was certainly noted and well deserved. We congratulate you.

Dr McIntosh—Thank you very much, Mr Chairman.

Senator GEORGE CAMPBELL—Dr McIntosh, there were answers to questions taken on notice at estimates on 2 June last year which were received just before Christmas. What was the reason for the 6½ months delay in providing the answers?

Dr McIntosh—I am sorry. I cannot answer that, Senator. They were done briskly in CSIRO and I suspect there was a process beyond that which I just do not know about. I think the only thing I can do is take that on notice and try and explain to you where it went.

Senator GEORGE CAMPBELL—Are you aware, Minister, why it took 6½ months?

Senator Minchin—No, I am sorry, I do not know.

Senator GEORGE CAMPBELL—It seems to be a very common practice in this committee that we set three weeks for answers and no-one pays any attention to providing the answers. There is a constant delay in returning answers to questions in this committee.

Senator CONROY—They are flouting authority.

Senator GEORGE CAMPBELL—Maybe it is the chairman.

Senator CONROY—No, I think they are just flouting.

CHAIR—Senator Conroy, if you wish to ask questions, please do.

Senator GEORGE CAMPBELL—Dr McIntosh, on 2 June, you described in some detail the process within CSIRO for prioritising areas for investigation and then said, ‘It is out of that process that individuals are declared redundant.’ In the last year has any redundancy occurred because of a management decision to cease a particular line of research and then that research has been reinstated?

Dr McIntosh—Not that I can think of. If you wish, I will take that question on notice and be a bit more careful, but I think that is extremely unlikely. What would normally have happened is that a line of research may have ceased and a similar, but significantly different, line would have been restarted.

I can think of a number of instances, for example, relating to salinity, some wild life and ecology issues and things of that kind where a particular line of approach has ceased and we have gone for a different line of approach. You could be pedantic and split hairs and say that is reconstituting the same program, but it is reconstituting it from a different scientific perspective, so the skills we have required have been different. I am unaware of anywhere that we have sacked specialists in an area and then rehired specialists of the same kind.

Senator GEORGE CAMPBELL—I would ask you to check that on notice.

Dr McIntosh—I will double-check for you, but I think it is highly unlikely.

Senator GEORGE CAMPBELL—And perhaps you might also want to take this follow-up question on notice. Has CSIRO lost external project funding or potential project funding because of management initiative redundancy or redundancies of research scientists?

Dr McIntosh—That is occasionally a claim made by individuals who may be eligible for redundancy. I am not aware of it being anything other than extremely small, if at all. We have lost external earnings for other reasons but not those reasons.

Senator GEORGE CAMPBELL—Again on 2 June, Dr McIntosh, you were able to distinguish between voluntary and non-voluntary redundancies, estimating perhaps a dozen involuntary redundancies in the past two years, but undertaking to provide the number, yet the answer provided appears to contradict. It says that all redundancies at CSIRO are regarded as managerial initiated and provisions do not distinguish between voluntary and non-voluntary. All redundancies are therefore non-voluntary. In view of the admission of a number of staff who have appealed against their redundancies, why has CSIRO been unable to provide any estimate of the number of redundancies which have been non-voluntary?

Dr McIntosh—It is my fault entirely, Senator. With the best will in the world, I think I have partially misled you. It turns out that our award does not permit us to make that distinction and that is the correct answer that you have now been given in the formal documentation.

When you asked me the question, I was trying to run through in my mind my perception of how many people had been persuaded to go rather than had volunteered to go. What I should have done is give you the formal award answer and that would have closed off this line of questioning completely.

What I was offering to do at the time, and what I am still prepared to do, is make a pretty rough estimate of how many of the people, when the redundancy came up, offered to go willingly and cheerfully and were pleased to take the payment, and how many were much more reluctant to go. But the official position is exactly as you have been given in the written work. [9.29 a.m.]

Program 1—Department of Industry, Science and Resources

Senator GEORGE CAMPBELL—At the 1996 election campaign, the then minister for industry made a commitment to the creation of 200,000 new manufacturing jobs by the year 2000. I note in a statement that Senator Minchin made just shortly after the last election that he had abandoned that target. Can you tell us, Mr Spasojevic, what was achieved in terms of jobs growth in the manufacturing sector in the previous two years of the government? How far did we get along the road to making that commitment?

Mr Spasojevic—The people who will have the answer to that are not in this program. They are in subprogram 1.5. Can we come back to that later this afternoon?

Senator GEORGE CAMPBELL—We can come back to that except it was a lead-in question. I wanted to ask the minister why he had abandoned the 200,000 target.

Mr Spasojevic—The people who will have the answer to the factual number are not here until a bit later. Do you want to take the next question?

Senator GEORGE CAMPBELL—Perhaps we can leave that aside and come back. What program did you say it was on?

CHAIR—It is 1.5 this afternoon, industry policy, which will be held after the conclusion of the interstate agencies. This morning we have subprograms 1.1, 1.2 and 1.3.

Senator GEORGE CAMPBELL—Sorry, I misread that. I thought that was industry policy in respect to resources. Is that going to be general industry policy?

CHAIR—I think that if you want the people who can provide you with the answers, Senator Campbell, we cannot do it until this afternoon, because that program encompasses that.

Senator GEORGE CAMPBELL—I am just trying to clarify it. Would that also apply in respect to some general questions about investing for growth?

Mr Spasojevic—Yes.

Senator GEORGE CAMPBELL—We had better leave them to 1.5. That is fine.

CHAIR—Have you got other general questions or do you want to spend more time?

Senator GEORGE CAMPBELL—No, most of the questions I have got will come under industry policy. I misread the heading; I thought it related to resources.

Senator CONROY—I have got just some questions relating to subprogram 1.1.

CHAIR—Okay, we will move to subprogram 1.1.

[9.31 a.m.]

Subprogram 1.1—AusIndustry

CHAIR—Senator Conroy.

Senator CONROY—The annual report states that in April 1999, the department will complete the pilot of a business profit program, which is currently being piloted in Queensland with 24 participating firms. The goal of the program is to improve a firm's previous year's sales or turnovers by at least five per cent over 12 months. What is the status of this pilot?

Mr Bain—That was the early stages of the investment ready program, which the government announced earlier this year. That pilot, I think, is virtually completed now and the outcome from that pilot will be incorporated in the development of the new program.

Senator CONROY—So it will conclude in April, or are you saying it has been rolled into—

Mr Bain—The outcome from the pilot, as far as I am aware, is being rolled into the development of the new program.

Senator CONROY—Do you have any preliminary results or any evidence that the firms are meeting the goal that you could share with us?

Mr Bain—I would need to go back and find some more detail about that. As I understand it, the pilot was quite successful in terms of developing our own views as to how the program should develop.

Senator CONROY—Could you take that on notice?

Mr Bain—Yes.

Senator CONROY—How much funding was allocated for that?

CHAIR—We have some more officers, Senator Conroy.

Mr Bain—Unfortunately, it was before my time. Could I take that on notice as well?

Senator CONROY—Yes. The annual report states that during 1998-99 the department will evaluate the effectiveness of the business networks program. This was put in place in 1994-95 for four years and is now being concluded. What is the status of this evaluation?

CHAIR—Before they answer, can I just ask the officers could they please identify themselves for the purposes of *Hansard*? It is a bit difficult for *Hansard* to read the names. So before answering questions, could you please identify yourselves?

Mr Bain—The evaluation process is being undertaken by the S&T division. As I understand it, it is proceeding.

Mr Spasojevic—Can we come to that when the S&T people arrive which will be a little bit later?

Senator CONROY—That is not within AusIndustry?

Mr Spasojevic—No, it is not. It is in science and technology.

Senator CONROY—Apologies. Innovation and investment funds, can we deal with that now?

Mr Spasojevic—Yes.

Senator CONROY—Were there published criteria against which applications were made and assessed and the measurement of who should be chosen for the innovation investments fund program?

Mr Bain—I am sure that there were. Ms Berman can answer the detail of those criteria.

Ms Berman—The assessment criteria were clearly spelt out in the ministerial directions and guidelines and these were made available to all people who applied for the funds. There is a set of criteria across some two pages relating to management skills, venture capital experience and the ways in which they intended to obtain investment funds from the private sector—a whole range of criteria.

Senator CONROY—Is it possible to get a copy supplied to the committee?

Ms Berman—Not a problem.

Senator CONROY—How many applications were there?

Ms Berman—In round one, there were 35 applications.

Senator CONROY—Has there been a second round?

Ms Berman—The second round calling for applications has been announced by the minister. It will take place in the first half of this year. We have not yet done that.

Senator CONROY—Could you take me through the process after the 35 applications came in? What was the next stage?

Ms Berman—Thirty-five applications came in. We employed a due diligence firm who were contracted. We also had a probity auditor throughout the process. Assessment was done by the board in conjunction with the due diligence contract people and the probity auditor. Over some two to three months, various assessments were made and ultimately it came down to five final successful competitive bids.

Senator CONROY—They were selected by, did you say, a committee?

Ms Berman—The IR&D Board—Industry Research and Development Board—itself made the final selection as part of their responsibility in the act to look after this particular program.

Senator CONROY—Were any of the five not in the 35 original applications?

Ms Berman—No. They were all in the 35.

Senator CONROY—Is it true that the minister's office or the minister intervened to add two firms to the short-list?

Ms Berman—No, the minister's office did not intervene at all. The 35 came forward and throughout the process the minister's office was informed of various decisions that had been made. At no time were they involved in any decision making.

Senator CONROY—Take me through the process again—I may not have picked it all up—of how the short-list was compiled.

Ms Berman—Originally, as I said, 35 applications came forward. The first assessment involved a desk assessment whereby the information that was provided in the applications was analysed, both by the board and by the due diligence firm. A short list, I believe, of some 20 to 21 was then arrived at. I would have to check those exact figures.

Senator CONROY—That was a long short list.

Ms Berman—That was the first cutting. At that point the people who did not come through were advised that they could have their application fee returned to them because they would not be going through further analysis. Some chose to do that; others chose not to do that and wanted to continue to the next stage.

Senator CONROY—So, fifteen did not make the first cut. You advised them that they could have their fee back. Some chose not to and tried to—I thought they had been cut. Can you take me through that?

Ms Berman—They had been cut but they chose not to have their fee returned and to continue in the process.

Senator CONROY—How could they continue in the process if they did not make the cut?

Ms Berman—We advised them that they had not made the cut and that their fee would be returned. If they came back and said, and I think several did, that they would like to continue, we said they did so knowing that they had not been selected and that they would then lose the application fee. Some chose to do that because they felt that they would come up better in the second assessment process.

The second assessment process involved interviews with firms, more rigid analysis of the capabilities of the proponents and came back down to a short list, at that point, of about 12.

Senator CONROY—So the 20 or 21 drops to 12?

Ms Berman—That is right. The final analysis brought it back to five. There was another list of four should any of the five not go through and be able to attract the necessary funding. There were four that we could then turn to.

Senator CONROY—I am just trying to understand this process whereby about 14 or 15 were cut. How many of them decided to proceed?

Ms Berman—It was in the order of two or three—quite small.

Senator CONROY—On what grounds were they cut in the first place?

Ms Berman—It was a totally competitive process. In other words, they were ranked and they fell outside the area that the board felt was competitive at that stage, on the advice of the due diligence contract people.

In terms of equity it was agreed that, given they would not be analysed further, the substantial registration fee that they paid could be returned to them. On a couple of occasions they said, no, they would like to proceed, and they were prepared to forfeit the registration fees—

Senator CONROY—Even though they were not going to be analysed further?

Ms Berman—They were further analysed. They were kept in because they wanted to proceed, even though they did not come within the top, most competitive bids at that point.

Senator CONROY—I am just trying to follow what you said. The board cut them and said they were not going to be further analysed. They were then advised, ‘You can have your money back.’ They said no—

Ms Berman—That is right.

Senator CONROY—and even though they were told, ‘You are not going to be further analysed’—

Ms Berman—No, they were not told they would not. They were told that they were not the top bids, that a line had been drawn and that we were now prepared to give them back their registration fee. On two occasions—and I may be wrong with two, it could have been three—the people concerned felt that they would like to proceed, even though they had not met the criteria to the same extent that those who had got in at that point had met it.

Senator CONROY—Who were those two?

Ms Berman—I would have to take that on notice and get back to you.

Senator CONROY—I am just trying to understand how it was that they proceeded when the board said they were not going to analyse them any further. The board then changed its mind and analysed them further?

Ms Berman—No. The board advised the 35 whether or not they were seen to be the most competitive at the first analysis, the first assessment stage, which was a desk assessment. The second stage was more involved. It involved talking to the proponents, meeting with the proponents and exploring further the applications.

Senator CONROY—You indicated that somebody was not going to be analysed further. What was that in reference to and who made that suggestion?

Ms Berman—The board advised the applicants that this group here had been selected as most competitive, this group here were not considered competitive and they were advised that they could take their registration fee back and be removed from the process because they were not seen to be the most competitive. At that point, two or three of those said, 'No, despite the fact that we are not seen at this stage to be the most competitive we would like to continue and we would like our registration fee, therefore, to be kept. We would like to go through the second-stage analysis.'

Senator CONROY—Do you remember using the words 'not analysed further'? I am just trying to work out what context that was in. We will get the *Hansard* in a few days, but I am just trying to work out who it was that was not going to be analysed further, which I think were the words that you used. I am just trying to work out who that was communicated to, whether that was just you using a different terminology to what they were told. I am just trying to find out exactly who was told they would not be analysed further.

Ms Berman—A letter was sent out at the end of the desk assessment from the board to the 35 applicants advising where some were considered not to be competitive. Those people were advised, 'You have the opportunity now to have your registration fee returned to you and undergo no further assessment.' Several of those people—two to three—said, 'We would like the registration fee to remain and we would like to go through the next stage of analysis.'

Senator CONROY—Okay. Is it possible to get a copy of the letter that was sent out—the form letter?

Ms Berman—Certainly, yes.

Senator CONROY—So you have got a short-list of 20 or 21 and they are in the second stage. You have said there were interviews. Could you take me through that next stage of the process before they dropped to 12.

Ms Berman—That is correct.

Senator CONROY—No, could you just take me through what was involved in the assessment process, from that point to the elimination to the 12, I think you said.

Ms Berman—It went beyond the written applications, which was the desk assessment. It involved further work by the contracted due diligence company. They provided advice to the board indicating that these were the most competitive and we should stay with a grouping of about 12, as I remember. The board looked at that issue on the advice of the due diligence group and confirmed that they wanted 12—I think it was 12—to stay in at that point.

Senator CONROY—So the board ticked off on the 12.

Ms Berman—That is right, and they advised those applicants that that was the case. Then there were a final two to three meetings in which that was further dropped to five successful applicants and a group of four who were seen to be next in line should one or two of the five not be able to meet the requirements in the proposed time.

Senator CONROY—Is it possible to get a list of the firms that the letter was sent to?

Ms Berman—The final letter?

Senator CONROY—No, the first letter indicating they would be undergoing no further—

Ms Berman—Analysis?

Senator CONROY—The people who missed the first cut.

Ms Berman—Yes, no problem.

Senator CONROY—How often was the minister's office kept updated on the process? Was it an informal, once a week briefing note? Was it a letter from the board saying, 'We have gone from 35 to 20'? And what information was supplied to the minister's office during the process?

Ms Berman—I would have to take that on notice because I was not actually involved in that process, so I would have to get back to you on that. I imagine there would have been several briefings.

Senator CONROY—Sure. You would imagine it would be each time they made a decision—

Ms Berman—That is correct.

Senator CONROY—at each stage of the process. So the minister's office would have been informed that it had dropped from 35 to 20 or 21, presumably with a list of those who had made the cut and those who had not, and then again when the board dropped it to 12. Did any of the firms that received the letter saying that they were not competitive, that they did not make the cut, make the 12?

Ms Berman—From my memory, no.

Senator CONROY—Would you be able to check that just in case there is—

Ms Berman—Confirm that? Yes.

Senator CONROY—Did any of the firms that did not make the 12 stay in the race in the same way that a couple stayed in the race into the 21 process? Did any of the firms that did not make the 12 say, 'We want to stay in the process even though we know we have been passed'? Was there a capacity to do the same thing as in that first stage cut?

Ms Berman—No, that was only done at the first stage. After that, there was no question of returning the registration or—

Senator CONROY—They knew they forfeited the fee by staying in the first time.

Ms Berman—That is right.

Senator CONROY—And there was no returning of fee if you made the 20 or 21 but then got cut at the 12.

Ms Berman—Yes.

Senator CONROY—Did any firms stay in the race at that point?

Ms Berman—My understanding is no.

Senator CONROY—So no further consideration was given to any of the applicants that did not make the 12?

Ms Berman—That is correct.

Senator CONROY—So none of the applicants that had been cut either in the 21 cut or the 12 cut made it to the five?

Ms Berman—I believe not.

Senator CONROY—If it is different, you will let us know?

Ms Berman—Yes, certainly.

Senator CONROY—Did all five proceed?

Ms Berman—Five did proceed, yes—the original five. The final agreements were made late last year, the signing off of the licensing. The first group were signed in May last year and the final group in, I think, November.

Senator CONROY—Of the five?

Ms Berman—Yes.

Senator CONROY—It was split into two groups?

Ms Berman—That is right.

Senator GEORGE CAMPBELL—Can I follow up on that. As I understand it, by the end of 1998, only three out of five licence holders had actually raised enough capital to commence operating under their licences. Is that right?

Ms Berman—At the end of 1998?

Senator GEORGE CAMPBELL—Yes.

Ms Berman—No, that is not correct. Licences are not given until they have raised the capital. The last two raised their capital in October-November last year and they were then licensed. So all had raised their private sector capital by November last year.

Senator GEORGE CAMPBELL—So they have all now achieved start-up status?

Ms Berman—That is correct.

Senator GEORGE CAMPBELL—That was by November last year?

Ms Berman—That is correct.

Senator GEORGE CAMPBELL—And all the IIF licences have now been issued?

Ms Berman—That is correct, yes.

Senator GEORGE CAMPBELL—What is happening with the start up of existing licence holders?

Ms Berman—Where are they at?

Senator GEORGE CAMPBELL—Yes.

Ms Berman—The first firm—which was licensed in May-June—has, I think, made in the order of five to six investments in eligible investee firms. The second fund, which was licensed at the end of June, has made one to two investments. The third firm, which was licensed in August, has made one investment. The two latest ones—the final two that were licensed in November—have yet to make an investment, but that is not surprising given that they have just started up. So, altogether, I think about 10 investments have been made and, in some cases, a second tranche of funding has been made into an eligible investee firm.

Senator GEORGE CAMPBELL—Do you know what the value of those investments is?

Ms Berman—At this point? I think it is in the order of \$10 million to \$12 million.

Senator GEORGE CAMPBELL—Out of an available pool of money of what?

Ms Berman—The total available funds over the 10 years is in the order of \$195 million across the five firms. So in less than a year—if you like, eight months—\$10 million to \$12 million has been invested.

Senator GEORGE CAMPBELL—Do you know the number of firms that that money has been invested in?

Ms Berman—I believe 10.

Senator GEORGE CAMPBELL—So it is about \$1 million a firm?

Ms Berman—That is correct, except in some cases a second tranche of funding has been provided. What happens is that they provide funding at the initial stage of investment and it could be three or four follow-up funds at different times for that particular company.

Senator GEORGE CAMPBELL—Have you a breakdown of the industries that these firms are operating in?

Ms Berman—At the moment, the predominance is in the IT industry. There are some—I think it is one or two—in the biotechnology area. There may be one in the mining area. The rest are IT.

Senator GEORGE CAMPBELL—Right. Do you know the size of firms—number of employees?

Ms Berman—All the firms that are invested in have to be on the small side. They cannot have assets exceeding \$5 million in the previous two years, so the number of employees does not tend to exceed 30, and in some cases it is fewer than that. We do have records about the numbers. This is part of the program. We keep information of that nature. I could not, without referring to the file, tell you exactly how many, but they are all on the small side.

Senator GEORGE CAMPBELL—Could you take that on notice and advise us? The reason I am asking the question—I will be quite open about it—is that I think it is valuable to compare down the track whether or not these firms actually do grow into larger organisations. So it would be interesting to have the number of employees employed now and see what the number of employees in those firms might be in, say, five years time as a measure of how successful the program actually is. I presume you are keeping statistics for that purpose.

Ms Berman—We are. The first investee company—I think it was in May that the fund invested in it—has already doubled its employment. I know that because it was one that was drawn to our attention.

Senator GEORGE CAMPBELL—Do you keep any measurement of what is happening in the venture capital industry generally as opposed to what is happening specifically in these funds?

Ms Berman—That is something that the department does, and it is the Science, Technology and Innovation Division which will be maintaining that data.

Senator GEORGE CAMPBELL—Perhaps I should ask the question of them.

Ms Berman—That is correct.

Senator GEORGE CAMPBELL—I am just interested in the comparison in terms of how these funds are performing as against the general venture capital industry. But I will ask that of STID.

Senator CONROY—I want to go back over what we were talking about before, for a moment. Did you have any contact with the minister's office yourself over this program?

Ms Berman—I have been involved in the program since February last year. In relation to the identification of the first five funds, I was not involved in contact, as I indicated. Since February we have kept the minister's office advised when funds have raised their capital and been licensed.

Senator CONROY—That is February this year, or February last year?

Ms Berman—February last year. That was happening all of last year, so it was a regular passing of information about where funds were up to in terms of identifying their private sector capital.

Senator CONROY—So the minister's office was, as we said, kept fairly well briefed on where it was at?

Ms Berman—Kept informed of how licensing was proceeding, yes.

Senator CONROY—You would say the minister's office had no role in that selection process whatsoever?

Ms Berman—None whatsoever.

Senator CONROY—You are not aware whether the minister's office contacted the board direct?

Ms Berman—On no occasion to my knowledge did that occur in relation to this program.

Senator CONROY—So the minister's office had no involvement in the 21-cut process, the 12-cut process or the final five-cut process?

Ms Berman—No. That was totally the board's responsibility.

Senator CONROY—Did the minister have the capacity, under the way the program was set up, to make a final decision? Does he have any discretion about reviewing the board's nominations, or is the board's process final?

Ms Berman—The board's process is final. That is their responsibility.

Senator CONROY—It is not subject to approval?

Ms Berman—No.

Senator CONROY—Review?

Ms Berman—No.

Senator CONROY—I have no more questions on that program.

CHAIR—That concludes general questions.

Senator GEORGE CAMPBELL—I have got a number of questions in relation to AusIndustry. A recent ABS survey of growth and performance of manufacturing SMEs states

that less than nine per cent of firms have documented a formal strategic plan, less than 17 per cent of firms have a formal business plan, less than 12 per cent export goods or services and less than 8.5 per cent use electronic commerce, and that only 4.1 per cent will commence exporting and only 5.1 per cent will maintain exporting. They are pretty poor statistics in terms of the performances of those SMEs in the manufacturing sector. With the fact that there has been a cut to AusIndustry funds available to assist the enterprise development of these businesses, is it your view that these rates will become worse?

Mr Bain—I think the correct answer to that is no, it is not my view that they will become worse.

Senator GEORGE CAMPBELL—Why do you say that they will not become worse?

Mr Bain—I have not undertaken the work to have a firm view on that; that is why I say it is not my view that they will become worse. I am conscious that, when the decisions were made to refocus the work of AusIndustry in some new directions, there was consideration as to where the most benefit from public sector resource would be achieved from.

Senator GEORGE CAMPBELL—There was a substantial program run within the department to assist these firms in terms of getting them export ready, preparing their business plans, et cetera, getting them investment ready. Have you measured or endeavoured to measure what the impact on small and medium enterprises has been as a result of those programs being abandoned?

Mr Bain—No, AusIndustry as an organisation has not. There will be views about that in other parts of the department. AusIndustry has quite deliberately become a program delivery organisation, and that sort of work would occur elsewhere in the department. But the decision to reach that outcome was a decision following substantial evaluation towards the end of 1997.

Senator GEORGE CAMPBELL—When that function was operating, was it the general view in the department that it was successful, that it was being effective in helping these firms?

Mr Bain—I think there was a view that the programs had been successful but they had run their course.

Senator GEORGE CAMPBELL—You say that there has been a review. What is happening in terms of activities within the department to assist firms in this category, to get them export ready?

Mr Bain—The government has announced, sequentially, two different programs. A program for innovation and Investment Ready were announced in the context of the election as an election commitment. Both those programs are being developed jointly, and they will very deliberately address the needs of small business in being effective in the process of innovation. Investment Ready will look quite specifically at how you can get a small start-up business to be effective commercially. Both those programs will, to some extent but with a lot more focus, address some of the issues that were addressed by those wider programs earlier.

Senator GEORGE CAMPBELL—Does that include looking at the introduction of advanced technology systems into these firms?

Mr Bain—I think potentially the answer to that is yes, but the programs are still under development.

Senator GEORGE CAMPBELL—So the programs actually have not been put in place yet?

Mr Bain—The programs have not been put in place yet. They will deliberately, though, focus very much on getting the small, start-up company successful.

Senator GEORGE CAMPBELL—Will they also look at the export opportunities for those firms?

Mr Bain—That I think is part of that process, although very often a small, start-up company is some time away from exports at that very early stage.

Senator GEORGE CAMPBELL—What is the relationship with state governments in terms of delivery of these programs?

Mr Bain—State governments have been involved in the development of those programs. Again the development of the programs is being done by the S&T division and I am not directly aware of the very recent involvement or the detail of involvement with state governments, but state governments have been involved in that process.

Senator GEORGE CAMPBELL—So there is collaboration going on?

Mr Bain—There is collaboration.

Senator GEORGE CAMPBELL—How are the programs going to be delivered, do you know?

Mr Bain—That is yet to be decided.

Senator GEORGE CAMPBELL—Are you aware of any programs being developed at the state level that are similar to the programs that were abandoned?

Mr Bain—I am conscious that the state governments still run some business assistance programs. I am not in a position to provide you with the detail of those.

Senator GEORGE CAMPBELL—You are not aware of the details of those assistance programs?

Mr Bain—No.

Senator GEORGE CAMPBELL—Is there anybody in the department that is aware of them?

Mr Spasojevic—The people who have been discussing with their state counterparts the development of the innovation program and Investment Ready may have some information on that. They would be coming forward under subprogram 1.9, science and technology, a little later in the course of events.

Senator GEORGE CAMPBELL—Is it that group that is doing the development of the actual programs?

Mr Spasojevic—That is right.

Senator CONROY—I return briefly to what we were talking about earlier, while the officers are still at the table. Who was the probity auditor—which company?

Ms Berman—I would have to take that on notice. I do not have the name in front of me.

Senator CONROY—The due diligence?

Ms Berman—TRM.

Senator CONROY—What does that stand for? Or is that just their name?

Ms Berman—That is their name. I am advised that it stands for Total Risk Management.

Senator CONROY—Could you just take me through their roles again, in terms of their analysis of the criteria and applicants.

Ms Berman—Their role was to do a desk analysis of the applications against the criteria as outlined in the ministerial directions and guidelines. The probity auditor was brought in from the beginning to ensure that the process was done correctly. That probity auditor stayed with the process throughout and wrote a report at the end endorsing the process. TRM did the desk assessment and then it did a more thorough—

Senator CONROY—So TRM would make recommendations for the board for the board to tick off?

Ms Berman—That is correct.

Senator CONROY—That was only in the first cut?

Ms Berman—No. They were involved throughout.

Senator CONROY—They then went on to do the subsequent assessments?

Ms Berman—That is correct.

Senator CONROY—Did any company not recommended by TRM to the board make the cut?

Ms Berman—In arriving at the 12—

Senator CONROY—I am talking about the 21. Can I start with the 21?

Ms Berman—Even at arriving there, the board had a perspective. I would have to go back and look at the actual documentation but I do believe that the board had a slightly different perspective to what was proposed by TRM. In other words, what was put on the table by TRM may have been modified by the board before that first desk analysis was complete.

Senator CONROY—Before it was complete?

Ms Berman—In other words, the recommendation was made to the board. The board at that stage may have looked at what was in front of it and made some variations.

Senator CONROY—Do you think that is the case? You have a recollection that the recommendations by TRM were not adopted completely?

Ms Berman—Without question?

Senator CONROY—No, not without question. You can question and still adopt totally.

Ms Berman—Yes.

Senator CONROY—All the companies that TRM recommended make the cut were not necessarily, from your recollection, the ones that they adopted. The board did not just tick the TRM recommendations; they made their own assessment at some point and you have a vague recollection that they were not necessarily the same. They may have been, but they were not necessarily.

Ms Berman—That is correct.

Senator CONROY—You would not be able, off the top of your head, while you are here, let me know how many changes there were?

Ms Berman—I could not because as you are aware I was not intimately involved at that stage.

Senator CONROY—Is there anyone in the room that might be able to speed the process up? Are you able to check back and come back to us before we let you go?

Ms Berman—An officer who could elaborate further will be involved in the ST&I component of this morning's discussion which is Science, Technology and Innovation division. He could provide further information.

Senator CONROY—With the leave of the Chair, I will return to these questions when the officer, whoever it is, is in the chair. Is it okay, Minister, that we go back to discuss this when he is at the table?

Mr Spasojevic—Yes. That would be appropriate.

Senator GEORGE CAMPBELL—I just come back to Mr Bain's answers to my previous questions. Mr Bain, are you aware of the study that was done of the enterprise improvement programs by the consultancy firm A.C. Nielsen ?

Mr Bain—No, personally I am not.

Senator GEORGE CAMPBELL—Were you aware that that study found that almost 60 per cent of the firms participating in these programs gave as their main reason for doing so the desire to grow their business. The study also found that participants in the program were successful in going for growth with 85 per cent experiencing an increased sales turnover; 49 per cent increased export sales; and 61 per cent an increase in market share. The firms participating in these enterprise improvement programs attribute approximately one-third of their improvement in achieving growth to the participation in the programs. The consultants concluded that the firms who participated in enterprise improvement programs were more likely to have developed into competitive firms and experience a period of sustained growth. That is hardly an argument for saying that the programs had run their course, is it? What was the view of the department in relation to—

Senator Minchin—Senator Campbell, don't you think that is really asking for a subjective judgment, which is not fair to the officers? It is a government decision to change it. It is not for them to pass subjective judgments like that.

Senator GEORGE CAMPBELL—But I am asking what the department's view was about the report.

Senator Minchin—No, you are asking about the implications of that for the decision to change the programs, which I think is asking them to make subjective judgments, which is not fair on the officers, given that it was a government policy decision.

Senator GEORGE CAMPBELL—Are you aware of the analysis?

Senator Minchin—No, I am not.

Senator GEORGE CAMPBELL—The reason I ask you this is because there is some concern that the reason why these programs were abandoned had more to do with a dispute between the previous minister and state governments over who was going to get the credit for the success of the programs. It had to do with the fact that the programs were no longer delivering in terms of outcomes. The A.C. Nielsen study would tend to prove that.

Senator Minchin—It is reasonable for you to put that report on the record but not then to ask officers whether that leads them to a subjective conclusion one way or the other as to whether or not the government was right or wrong to abandon those programs. That is a policy debate which is not appropriate to engage these officers in at an estimates hearing.

Senator GEORGE CAMPBELL—But the officer did make a statement saying that the programs had run their course.

Senator Minchin—Exactly. The government had to decide which policy direction to take and it took a policy decision. I do not think it is fair on the officers then to get into a subjective debate about whether the government was right or wrong to make those policy decisions.

Senator GEORGE CAMPBELL—I think the point is made in relation to the study because it does in fact contradict the direction of the policy.

Senator CONROY—I have some questions on the Renewable Energy Equity Fund. Is that appropriate now?

Mr Bain—AusIndustry is delivering that program on behalf of the Australian Greenhouse Office. So the policy ownership of that belongs to the Greenhouse Office. We have been contracted to deliver that program.

Senator CONROY—I have got a question on the guidelines. Are you in a position to help with them?

Mr Bain—Yes.

Senator CONROY—Is it true that the guidelines for REEF are still being designed?

Ms Berman—They are still to be finalised. Correct.

Senator CONROY—How long has that process been going for?

Ms Berman—Agreement was reached with the Australian Greenhouse Office finally in January this year on the exact changes to the guidelines that they would like. We are now having those changes made. The guidelines and ministerial directions will be endorsed by the minister and then a call for applications will be made.

Senator CONROY—Could you take me through the process that has led up to the point that you are at now in terms of your department has suggested some guidelines—

Ms Berman—The Australian Greenhouse Office has policy responsibility.

Senator CONROY—So they designed the original guidelines or did you design them? Take me through that how worked.

Ms Berman—We did them jointly. The board has expertise and knowledge in venture capital and with its experience in the IIF program, the Australian Greenhouse Office has asked the board to administer and implement the REEF program. There have been several months of discussion about what policy issues needed to be crystallised in the guidelines. That came to a conclusion last month. We are now proceeding to make the changes to reach the policy objectives as required by the Australian Greenhouse Office. Shortly there will be a call for applications.

Senator CONROY—I am just trying to understand. You say that you are doing it jointly, but they have required you to make changes.

Ms Berman—As I indicated, the Australian Greenhouse Office has policy responsibility. There are certain objectives they have and they want to attain. The board has a committee which is very expert in venture capital, the fund management committee, and the Australian Greenhouse Office has asked the board to be responsible for administration and implementation of the reef program.

Senator CONROY—When did this process start? When did the first negotiations start?

Ms Berman—Negotiations started about June last year.

Senator CONROY—Was that when the policy announcement that led to it—

Ms Berman—No, the policy announcement was made in the previous year, but that was when the Australian Greenhouse Office was established. Until that was established it was not possible to go further.

Senator CONROY—When was that?

Ms Berman—It was May or June last year.

Senator CONROY—The policy announcement was 12 months before?

Ms Berman—The policy announcement was made about the October of the previous year.

Senator CONROY—The policy announcement was in October 1997.

Ms Berman—Correct.

Senator CONROY—The Greenhouse Office was set up in May-June 1998. Did that require legislation?

Ms Berman—I cannot answer that question, I am sorry.

Mr Spasojevic—It is a question for Environment Australia, it is not in this portfolio.

Senator CONROY—So your department's involvement starts in about June when they have finally been set up. You start the negotiations in June?

Ms Berman—Yes.

Senator CONROY—They are now completed in January?

Ms Berman—Correct.

Senator CONROY—Does it normally take seven months to run through this?

Mr Spasojevic—This is the first time, so I do not know whether there is a normal.

Senator CONROY—At what stage does it go to the minister's office for him to tick off?

Ms Berman—At this moment it is going through that process.

Senator CONROY—You had to complete those negotiations before you could supply it to the minister's office?

Ms Berman—Certainly, yes.

Senator CONROY—How is it going, Minister?

Mr Bain—That process of developing the guidelines also included going to the market and seeking expressions of interest from potential fund managers and so on, on the way through, because there were some question marks about how big the market would be and so on. There was quite an involved process in doing that on the way through.

Senator CONROY—So that contributed to the—

Mr Bain—That contributed to the timing, yes.

Senator CONROY—It is now on the minister's desk. How are we going? A lot of reading at the moment?

Senator Minchin—Yes.

Senator CONROY—Any idea how long before you are able to give it a big tick?

Senator Minchin—If you like I can find out where that is at and come back to you in the course of today.

Senator CONROY—Thank you, that would be good.

I want to talk about a decision by the R&D board to provide a grant to Gough Industries. Can you take me through the process for the providing of the grant to Gough Industries in terms of what the program was and what the selection criteria are, that sort of thing?

Mr Gallagher—Certainly. You will appreciate that we provide hundreds of grants a year, but I am aware of a grant being provided to Gough Industries.

Senator CONROY—Of \$100,000?

Mr Gallagher—Yes, it was about \$100,000. My recollection is that it is a Queensland company and it was a grant under the R&D START grants for research and development projects.

The process for applying for those grants, very briefly, is that companies apply under a standard format, applications are considered by a committee of the board against the criteria established in the ministerial directions for the program, and the most meritorious projects are supported for funding. Once the board or its committees makes those decisions, we proceed to enter into an agreement with the company for that project and pay them progressively as they undertake that project. That agreement was about in the second half of last year, but I would have to take that on notice.

Senator CONROY—And they were going to produce a rotationally moulded solar hot water heater with an integral collector storage, and it was plastic. You may not be familiar—

Mr Gallagher—I was aware it was in that solar hot water area, but beyond that I am not familiar with the project.

Senator CONROY—If another Australian company was already selling such a product, is there any criterion that says you do not fund development of a product that is already in the market?

Mr Gallagher—There is no constraint on that per se, but it is a requirement that companies provide us with information that they own the background intellectual property for the project and—

Senator CONROY—There is a criterion about the intellectual property question?

Mr Gallagher—When you say a criterion, we do ask the company to outline the background intellectual property that they own. They are required to warrant that they will own the project outcomes. So if they do not own the background intellectual property and do not have arrangements to access it, they cannot make that warrant. We ask them the question, ‘Do you own the background intellectual property?’

Obviously, there is a limit to the checking we can do of that, but it would mean our officers would normally, for example, check on the Internet or other sources for competing products and so on. The company is also required to provide us with their analysis of the competitive market.

Senator CONROY—I am just looking at a memo that you sent. It is under your name.

Mr Gallagher—Yes, I am aware of what you are talking about.

Senator CONROY—This was sent to SOLCO Industries. They have obviously written to you and asked you a few questions and you say, ‘However, I can indicate to you that the board does give consideration to the commercial potential of projects, and as part of that assessment takes into account competing products currently on the market.’ How do you do that?

Mr Gallagher—Firstly, we ask the company to identify what competing products are on the market. As I said, the assessment officer in the department will conduct some inquiries

through the Internet or industry contacts. I think it is fair to say that I am not going to pretend that is an exhaustive assessment of the market. There is risk analysis here.

Senator CONROY—So in the case of those investigations by the officer, whether it is by the Internet or industry contacts or whatever that process was—and I accept the point you make that you cannot have complete knowledge—did they come up with any indication that there was a competitor in this market at all?

Mr Gallagher—They were aware that there is competitiveness in the market. Obviously, for hot water systems, that is a very big market in itself. What Gough Industries was proposing was an innovation in that market. I am not well versed in the detail of it but they—

Senator CONROY—That makes two of us.

Mr Gallagher—The assessment, and the view of the board's committee, was that this project was indeed innovative in that area and because of that had market potential. I am aware that—

Senator CONROY—Obviously, it was an innovation on existing products. The innovation was a new product and therefore did not have a competitor. Is that the sort of assessment that was made? Is it possible to get a copy of that assessment report on the competitive situation? Is that available?

Mr Gallagher—I would have to check what—

Senator CONROY—Presumably you would write a note, a minute, that said you had had a look.

Mr Gallagher—What happens is that the company lodges an application which would comment on those things. We review that information and supplement it where appropriate. I am fairly certain that the assessment which went to the board did not specifically go into any detail or specifically deal with competitors in the market. The case officers recognise that it is a market where there are plenty of players at the moment. It was the question of whether this application demonstrated innovation and there was market potential, the company having warranted that they were not breaching anyone else's intellectual property. That would have been the extent of what we would have resolved.

Senator CONROY—So you were satisfied that it was a genuine innovation, and that there was no rival competitor. This is, at the end, going to be a technical argument that neither of us is really going to be able to make any judgment on. I am just trying to ascertain the department's overall view that this was a unique, new feature.

Mr Gallagher—I think that we—or the board—would have made a judgment that it was innovative, but we would not have made a judgment that there were not competitors. We knew there were competitors. The competitors really relate to the end product, not to the innovation. This was a relatively small project. It is someone who obviously is not going to be in a dominant market position in the short term. It is not a problem for us that there are competitors in the market.

Senator CONROY—It is just that in your memo you do say that part of that assessment takes into account competing products currently on the market.

Mr Gallagher—Yes.

Senator CONROY—That seems a little at odds with what you have just said. I am not trying to put words in your mouth. It is just that I thought you said, 'We do not really take that into account.'

Mr Gallagher—That analysis would have been not only in terms of that there is competitors in the market, but whether the product has commercial potential, which is one of the criteria the board is required to assess applications on, in the context of there being a need for it to have commercial potential and some analysis of the commercial opportunity which obviously takes account of competitors.

Senator CONROY—But if you were giving a grant to a company that was going to produce a product identical to something that was already in the market, would that be an influence?

Mr Gallagher—It would, but if the company was able to demonstrate that the product could be cheaper or more efficient or, in this case, more environmentally friendly, there is no constraint on providing a grant.

Senator CONROY—You said ‘in this case’. Are you indicating a level of knowledge on this? An assessment was that this is more environmentally friendly. Is that what you meant when you said ‘in this case’?

Mr Gallagher—No. What I was saying was that, in this case, they would have been the considerations which the board would have taken into account, given that it was a solar hot water system—

Senator CONROY—A plastic one. I am just trying to make sure I have not misunderstood what you have said as opposed to what you put in the note to Mr Marwick from SOLCO. In the note you indicate that the board does give consideration to the commercial potential projects. I do not have a problem in understanding what you have said here. You indicate that, as part of that assessment, it takes into account competing products currently on the market. But now you are really saying that is a lesser priority in terms of the criteria used.

Mr Gallagher—I do not think I am saying that it is a lesser criterion. All I am saying is that we do not preclude applications or downgrade them because there are competitors in the market. That is a judgment the board has to make about whether the product has commercial potential. The board requires applicants to describe the competition situation for the proposed product, including other competitors in the market. That was the purpose of what I was trying to say in that note, Senator.

Senator CONROY—Okay, thank you. Obviously, you are aware of SOLCO’s correspondence. Their argument is a twofold one. I will come to the intellectual property question, patents and those sorts of issues in a minute. Their argument seems to be that they have already developed a product and that the company Gough have then used your money to further refine what they seem to believe is essentially their product. That seems to be what they are saying, appreciating that you have probably done hundreds of these since then.

Mr Gallagher—My recollection is that SOLCO’s concern was that we were funding something and giving government funding for a competing product which was very similar to what they had developed already.

Senator CONROY—They have described it in a letter that I have in front of me as a more advanced version of their own product. Is that consistent with their complaint to you?

Mr Gallagher—Their complaint, in essence, was that we had provided funding to Gough Industries and were we aware that this was their product and an advance on that product? That related, as I think you were going to come to, as the intellectual property issue.

Senator CONROY—I suspect we are going to grasp trying to come to terms with it. I am looking at the general perspective in trying to understand. Let’s put aside this particular instance. If I have developed a product, whether it is with the assistance of the Western

Australian government or Austrade or not, for which I have the property rights, and I have patented it and somebody else comes to you and what they have said is, 'Give me \$100,000 and I will further refine that product that I have', you are quite relaxed about the fact that it is my property over here and I have developed it. Instead of me coming to you and asking for the \$100,000 to further refine my product, a competitor of mine could come along, take my product, come to you and say, 'Give me \$100,000 and I will go and develop it a bit'? You would not be in that?

Mr Gallagher—No, we would not because the company needs to warrant that they have appropriate access to the background intellectual property. They either have an arrangement with you, which would be fine because you would then presumably gain some appropriate benefit, or they are not being truthful with us and then again we have to make a decision. There is a risk management of whether we find out about them. At the end of the day, they have to warrant that they have that background.

Let me say, Senator, and I think this is relevant in the case we are talking about, that if there is a dispute about who owns the background intellectual property, that is a matter between the companies involved. We are not involved in that, we do not pretend to be, and it is not our business. If company A is infringing the intellectual property of company B, it is company B's call as to whether they do anything about it or what happens. If, of course, we get to a situation where company B takes action and is successful against company A, who is a grant recipient, we would then take action which could and may include us retrieving our grant. In a sense, that is the other constraint on people warranting untruthfully. If they are caught, we will—

Senator CONROY—At what stage would you start reviewing it? If litigation commenced or letters from lawyers started flying or only at the end of whatever the process for determining who has the intellectual property/patent?

Mr Gallagher—Let me answer that by saying that, generally and specifically, if we get an inquiry like the one you were referring to, we will further review the information, and if we have concerns we would go back to the applicant company. I think you would appreciate, Senator, that we are not in a position to then discuss that with the complainant because it is a commercial issue.

Senator CONROY—I know, absolutely. There are commercial-in-confidence issues here that I am trying my best to avoid and not enter into.

Mr Gallagher—If that raised further concerns, we would pursue it. But I think at the end of the day, if we were to get to a stage of retrieving the grant, it would probably mostly be only where there had been an established fact.

Senator CONROY—The court had made a decision. Thank you.

Mr Gallagher—It is a matter we treat seriously.

Senator CONROY—Yes. So, in this particular instance, you have received the complaint from SOLCO.

Mr Gallagher—Yes.

Senator CONROY—You have then gone through the process you described as, 'We had gone off and had a discussion with Gough.' And you have established in your minds that, in relation to the issues raised by Gough—and I am doing my best to be as general as I can, but I need to be a little specific—the criteria you used to give your grant have not been breached in any way.

Mr Gallagher—Yes. I cannot say for sure whether we went back to Gough. I know that the office concerned investigated the issue, in terms of being aware of SOLCO's technology and then, from the application, being aware of Gough Industries' technology. We then reviewed whether there was a matter of concern. There may have been a discussion with Gough—I do not recall—but what I do know—

Senator CONROY—The only reason I described that was that that was the way you outlined what would happen if you received a complaint—you said you would go back to the applicant.

Mr Gallagher—We would first go back to the information we had, which was the application. If it provided enough information for us to be satisfied that there was no evidence of a breach of intellectual property that was someone else's or infringing someone else's, we probably would not take the matter further.

Senator CONROY—I was not trying to be tricky, I was not trying to throw the 'Did you talk to Gough again?' line. I only suggested that because of the way you described it a little earlier. So you reviewed the file and, in your view, in this particular case there was not grounds to support the complaint from SOLCO—

Mr Gallagher—We were satisfied that there was not, yes.

Senator CONROY—over the question of the intellectual property. You were satisfied that Gough did have the ownership—I am trying to make sure I have got the exact words you used—or the background knowledge—were they the words you used—in terms of the intellectual property that they had access to? My apologies for wandering around: I am not trying to pin you but to use your words.

Mr Gallagher—What we did was establish that the project which was being supported under the grant did not appear to be using other people's technology in a way that was likely to be a problem.

Senator CONROY—So you satisfied yourself of that?

Mr Gallagher—We were satisfied. But I should emphasise that when we wrote back to SOLCO I think we did indicate to them that we were not pursuing the matter any further, which is, in a sense, another way of saying how I just answered that. But of course we did not say that if they wished to pursue it that was a matter for them.

Senator CONROY—I accept that. I can throw to the minister, who has, I am sure, been keeping his ear on our lively discussion. In terms of that policy, on the question of a grant being given in a competitive situation—and accepting the intellectual property argument is not in contention—what are your views if one company is developing or refining a product similar to one that is on the market? Can you give the policy position in terms of giving a grant that would perhaps be seen to favour one over the other, though not necessarily in a deliberative sense, just that they come up, they put the grant in, they meet the criteria and they are actually competing with something that is already on the market.

Senator Minchin—Thanks for the invitation, Senator Conroy, but given that this clearly derives from a complaint that has been made to you by one particular company about a grant to another company, I do not think it is appropriate for me to enter into a general conversation about that matter. I would like to be more fully briefed on the complaint that has been made.

Senator CONROY—I am happy to take an answer on notice.

Senator Minchin—I will promise to give you an answer on notice.

Senator CONROY—Thank you. I was not trying to catch you.

Senator Minchin—In relation to that renewable energy fund and the projects, these have to be approved by the ministerial council, which is Vaile, Hill and me. The proposal has been put to our officers, our officers are discussing the proposal and we should have a decision next week.

Senator CONROY—Great. Thanks very much. That is all the questions I have on that issue.

Senator GEORGE CAMPBELL—Mr Gallagher, in the 1997-98 budget, there was an allocation of \$155 million for R&D which was underspent by about 44 per cent. The allocation in this year's budget is, I think, \$132 million. What is the position in terms of the R&D START program and applications—is it on target or is it still underspent in terms of applications?

Mr Gallagher—Our best estimates are that the funds are likely to be all spent this year. We are funding hundreds of projects and the funding is, in effect, a reimbursement for usually 50 per cent of their project costs, so we are to some extent dependent on the speed of the projects which companies are undertaking. But our best estimates at the moment are that we are likely to spend the available funds.

Senator GEORGE CAMPBELL—So all the available funds will be committed this year?

Mr Gallagher—Yes.

Senator GEORGE CAMPBELL—You are reasonably confident of that?

Mr Gallagher—Yes. We have spent about \$58 million to \$60 million to date, and it is traditionally a little bit higher at the end of the year as companies put their March reports in. So, given that we are depending on the behaviour of companies to some extent, we are on track for what we expected to spend.

Senator GEORGE CAMPBELL—Is there a fairly even spread of the money that has been allocated across companies? There are no big buckets of dollars in there to one particular company or two particular companies?

Mr Gallagher—The board, under the ministerial directions, can approve projects up to \$15 million in size. Some projects have been supported for that amount or close to it, so obviously there are some projects which are receiving substantially more than others.

Senator GEORGE CAMPBELL—I am not trying to nail you down on specific projects. I am trying to get a feel for the spread of applications that are being made. In another Senate committee, a references committee on regional unemployment, there was a fair degree of criticism of the START fund program by small businesses—I think it was in Nowra where we were meeting—saying that the amount of paperwork and red tape they had to go through just made it bloody impossible for them to comply with—they just did not bother making the applications. I am only trying to get a feel for whether the applications that are being granted are at the top end of the market, or the bottom end of the market, or if there is an even spread across large, medium and small enterprises.

Mr Gallagher—I can say that there is a spread. I have not got the exact figures in front of me, and I can give them to you. But approximately over 50 per cent of our grants are for projects where the grant amount is less than about \$300,000 or \$400,000. So the great bulk of the volume of grants is for projects of less than half a million dollars. There would have been fewer than 20, maybe fewer than 10, where we have had grants of over \$5 million. So there are obviously smaller numbers at the top end and the great bulk of grants are to smaller projects. There is a spread of project sizes. Of course, that does not necessarily directly equate

to the size of companies, but the great majority of our grants to date have all been to companies of less than \$50 million turnover and, indeed, most of them are in the lower end of that category.

Senator GEORGE CAMPBELL—Is the department reasonably satisfied with the way the program is working?

Mr Bain—I think the answer to that is yes. The program has some significant new elements in it this year, which were marketed extensively during the first half of the financial year. We believe that they are working pretty much to expectation.

Senator GEORGE CAMPBELL—Is the board satisfied that the program is working properly?

Mr Bain—I believe the board is satisfied. You mentioned the complexity of the application process. There have been some processes put in place to simplify applications for small business and small-level applications.

Senator GEORGE CAMPBELL—I am pleased that those six companies got fixed up at last.

Mr Bain—I think there is a belief that the program is working very much on schedule and to expectations.

Senator GEORGE CAMPBELL—It will be interesting to come back in June and see what the exact figures demonstrate. In another context: recent ABS figures have been showing a falling spend on R&D. There have been tax concessions; there has been the \$550 million allocated for investing in growth. Why do you think R&D in this country is not improving? Has there been any discussion on the board about why R&D spending is falling?

Mr Bain—Not substantial discussion. Again because of the development within the department to establish AusIndustry as primarily a program delivery agency—the policy side of the department having responsibility for developing policy and the analysis of the overall statistics—a better briefing on the understanding of those issues will come from the ST&I Division. But what is very clear is that there are a number of factors that influence the amount of R&D done by business, that go well beyond the extent of the assistance given by government.

Senator GEORGE CAMPBELL—I agree with that. The assistance is not the only factor that determines the spend. I may have misunderstood what you said, but are you saying that the Science, Technology and Innovation Division is looking at these issues? You see, I am concerned. Everybody agrees that innovation is a key issue for the development of our industries. There is money being thrown at it. The Labor Party supports it. The current government supports it. Yet the statistics show that there is a decline in research and development taking place. The obvious question to be asked is: why is that occurring? I would have thought that somewhere in the department someone is on the phone, ringing up and asking that very question.

Mr Bain—That is correct: the process of innovation is clearly very important to the department. The department works on the analysis of what is driving it and where it is going. But it is not a responsibility now of AusIndustry to do that. So while I might have some views, they are personal views and they are not formal views of the department at all.

Senator GEORGE CAMPBELL—So you are saying that I should ask that question of Mr Besgrove, when he comes to the table?

Mr Bain—I think that would be better.

Senator GEORGE CAMPBELL—I will do that. Mr Gallagher, my staff contacted the department a couple of months ago and asked for a copy of the R&D *Scoreboard* for 1998. I understand from my staff that it has just arrived in my office this morning. Why did it take two months to provide that?

Mr Bain—Could I answer that, Senator? When we did the first version of *Scoreboard*—I am trying to think of dates; my guess is that it was in September or thereabouts—

Senator GEORGE CAMPBELL—A bit earlier than that, I think.

Mr Bain—That may well be correct. At the last minute we became aware of some serious errors in the data. We withdrew the publication at that stage and went back to every company that provided data for it, asking them to verify the data. There was a significant number of differences. We rebuilt *Scoreboard*—if I can put it that way—from that new set of data. That process took time.

Senator GEORGE CAMPBELL—Is it true that the one that was produced in the middle of last year was pulped?

Mr Bain—I am not sure at this stage whether it is being pulped or not, but it is an inaccurate publication. It has individual company data which we are very concerned should be correct. A number of these companies in one way or another promote themselves on the effectiveness of their R&D performance, and the data in that original publication is incorrect. I believe very strongly that it would be inappropriate and unfair to the earlier contributors for that data to become public.

Senator GEORGE CAMPBELL—Is the basis upon which the new *Scoreboard* has been produced the same as the basis on which the last one was produced?

Mr Bain—Basically, yes, it is, except that companies clearly had an option when we went back to ask them to confirm that the data was correct. We had first of all collected the data from different sources—individual companies, the Ibis database and a number of other places. To produce the final *Scoreboard*, the one that has just been released, we went back to every contributing company and said, ‘We would like you to verify that your data is correct.’ In that process the companies had the option to say, ‘We no longer want to be involved.’ So there were some dropouts in that process.

Senator GEORGE CAMPBELL—Would the fact that some of the data may have been incorrect substantially alter the outcome?

Mr Bain—I think on broad averages no, but the purpose of *Scoreboard* was never really to produce a view about what is happening to aggregate levels of R&D or R&D spend in Australia. It was much more a document designed to promote the benefits of R&D for industry, to engender a bit of competition between companies in their approach to R&D. It does not have a statistical base that is really valid to say, ‘This is going to give you a picture of where R&D is going in Australia.’ It is a scoreboard of contributing companies’ results. The better documentation for that broad picture is the ABS data.

CHAIR—We have concluded subprogram 1.1, so the officers from that subprogram can go.

[10.54 a.m.]

Subprogram 1.2—Industry liaison

Senator CONROY—The annual report states that by late July 1998 the preliminary results were expected from a survey conducted by DIST and the ABS of firms in the construction

industry, and that this information was to be used in the development of a construction industry action agenda. Have the preliminary results been received?

Mr Evans—Yes, Senator. We have got preliminary results. The ABS are cautioning us to be careful of those because they will verify the data, and when the publication is released the data will actually be fully incorporated into the development of a strategy, but it gives us enough at the moment to pick some directions.

Senator CONROY—Is the committee able to get a look at the results?

Mr Evans—They have been provided with some of the data.

Senator CONROY—Sorry, I meant this committee. Can we have a look?

Mr Evans—I would need to ask that of the ABS, because the ABS owns the data. They provided it to us on the basis that it was not for release or publication. Could I come back to you on that? I will have to ask the ABS.

Senator CONROY—How long do you think before they can tick it off?

Mr Evans—They were looking to the full publication of the data in March this year.

Senator CONROY—That data is going to be used in the construction industry? The annual report also states that in late 1998, the government will release the construction industry action agenda. At a briefing by the department, the opposition were advised that this action agenda is still being developed and that the target date is now April 1999. We seem to be running behind a bit.

Mr Evans—The reason for that is that it is a quite comprehensive process involving significant industry leaders: companies which are involved in financing property and others involved in construction. They put to the previous minister in the latter part of last year that they would like further time and that the task was much more comprehensive than they originally envisaged. They indicated that they would target April this year as a date for getting final advice from ministers so the minister can then deal with that within government.

Senator CONROY—We are running seven months behind on getting a look at the preliminary results. We now put off the construction industry action agenda for another five to six months?

Mr Evans—At the request of industry.

Senator CONROY—Are you confident that we will meet the new revised April 1999 deadline?

Mr Evans—Yes, I am confident.

Senator CONROY—So there will be no further delays? No further postponements?

Mr Evans—Not that I can envisage at the moment.

Senator CONROY—It is a fairly important area?

Mr Evans—A very important area. The national building and construction committee is meeting next week. Unless something untoward occurs, everything is on track.

Senator CONROY—Minister, are you happy to sign up that it will be ready to go?

Senator Minchin—You are quite right; it is important. I hope the April deadline is met and we can proceed. The construction industry is doing well but it is very important to look to the future and I would like to see this in April.

Senator CONROY—You would like to see it but you are not prepared to give us a firm commitment that it will be fired up and ready to go at that point?

Senator Minchin—I would like to see it in April, Senator Conroy.

Senator CONROY—You have the opportunity to assure the committee that it will be seen in April.

Senator Minchin—I am sure the department will make sure that we try to meet our deadlines.

Senator CONROY—We will have to have the headline, ‘Minister will not confirm to the committee.’

Senator Minchin—Fortunately, you do not write the headlines.

Senator CONROY—The annual report also states that in 1998-99, two further benchmarking studies into best practice in the TCF industry will be funded by the department. What are these two studies?

Mr Evans—We initiated a program of firms involving themselves in an international benchmarking study. The second stage is now under way.

Senator CONROY—What was the first stage, before we move on?

Mr Evans—The first stage was conducted by Arthur Andersen and the program was significantly financed by the government. It involved collecting data on some 90-odd variables in the operation of firms in the TCF industry in Australia and overseas and providing information on that to the industry as a whole. I can provide you with a copy of that report.

Senator CONROY—Yes, that will be great.

Mr Evans—The individual firms were able to obtain individual comparisons. We the department did not get that because it would provide some commercial-in-confidence information which the firms were concerned about displaying outside their own bailiwick. Those variables went right through from investment in capital equipment and in training, their productivity levels and their stockholdings. There are 90 variables in 50 key areas.

Senator CONROY—You said we could get a copy of that aggregated report?

Mr Evans—I will give you a copy of the aggregated report, yes.

Senator CONROY—That will be great. That was your first stage?

Mr Evans—That was the first stage.

Senator CONROY—Arising out of that report you then—?

Mr Evans—We are going to repeat that exercise with more Australian firms involved and some further overseas firms.

Senator CONROY—How many firms did the first cover?

Mr Evans—In Australian firms, in the order of 140. I will give you the precise number later.

Senator CONROY—How many overseas firms, roughly?

Mr Evans—Overseas there was around a similar number from Asia and North America.

Senator CONROY—The second stage is now doing a more expanded survey?

Mr Evans—Yes.

Senator CONROY—On the same issues?

Mr Evans—With some refinement, we learnt from that first exercise that some of the variables have more relevance in the Australian context than others. There was an extensive exercise involving the participants, post the first benchmarking study, to make sure of two things: one, that the information was beneficial and relevant to them and, secondly, that we were not imposing undue burdens on firms in collecting this data.

Senator CONROY—Are you going back to some of the same 140 or you are going to a totally new sample?

Mr Evans—No, all the firms that participated in the first one were invited to participate in the second one. Indeed, I think most of them have.

Senator CONROY—How big is this second survey?

Mr Evans—We will have 200 firms, we believe.

Senator CONROY—Of which 140 did the first survey?

Mr Evans—It might be slightly less than the 140. The 140 in the first one were invited to participate in the second, Senator. My understanding is that most of them are keen to participate in the second selection.

Senator CONROY—They are being benchmarked to death at this rate.

Mr Evans—Can I just comment that a number of the participants found that it provided them with information which made them more competitive and gave them information they had not collected before which was very relevant to the decisions they would make in their corporate directions.

Senator CONROY—How long before this benchmarking exercise is completed?

Mr Evans—It takes about two months for full collection of the data, because there are both weekly and monthly reports provided.

Senator CONROY—What do you intend to do with it then?

Mr Evans—We have engaged Arthur Andersen again to carry out this work. They will then collect the data, analyse the data, provide aggregate information to the government which the minister will then look to releasing to industry. Also individual firms will receive individual data.

Senator CONROY—What happens then? The minister decides yes or no to release and we wear these things? What is the finalisation date for the report to go to, or that aggregated material to be supplied to, the minister?

Mr Evans—I will confirm later but I believe it is June.

Senator CONROY—In June, what does the minister do then?

Mr Evans—If I look at what we did last time, we conducted seminars in the major centres involving both us and Arthur Andersen. A number of the firms have participated in the best practice in the benchmarking programs so that they could give an outline to the rest of the industry of what is involved in participating and what they saw as the positives and the benefits that flow from it. In fact, I cannot recall anyone pointing out any negatives. We use this to disseminate across the industry the benefits of benchmarking and also how we compare in some of the key variables on an international basis in this industry.

Senator CONROY—Is this part of the TCF action agenda?

Mr Evans—TCF is getting quite a comprehensive range of support from the government. The TCF action agenda is another activity.

Senator CONROY—Is this part of the action agenda or is this preparation for that?

Mr Evans—No, it is separate to the action agenda, and it helps inform, I would think, the deliberations of the industry in their participation in the action agenda. But it is separate and it was initiated before the action agenda.

Senator CONROY—Okay. So they are not connected, although they can complement each other?

Mr Evans—They complement each other, yes.

Senator CONROY—How much funding has been put into it so far and will be by the end of this process?

Mr Evans—The benchmarking study?

Senator CONROY—Yes.

Mr Evans—Could I take that on notice so that I can give you precise figures?

Senator CONROY—Sure. I asked about two studies.

Mr Evans—There would be intended to be a third stage of the process I have just described.

Senator CONROY—What is the time line on that?

Mr Evans—That would be next financial year but this calendar year.

Senator CONROY—Okay. So they are the two further benchmarking studies that are referred to in your annual report?

Mr Evans—We believe that by the time the third study is completed we would have carried out benchmarking across a comprehensive range of firms in the industry.

Senator CONROY—Covering the same firms again or trying to reach further—or will you run out by that point?

Mr Evans—Each time trying to reach further and each time trying to make sure that we have comprehensive coverage in each of the sectors because of the sensitivity of some of the information. If you only have a limited number of firms in a subsector within the TCF industry it may not then be possible to provide information on an aggregated basis because it is too easy to identify. If, for example, you go into a topical area, auto leather, there is only one firm so it is hard to do anything in that sector.

Senator CONROY—Sure. Is it true that the government planned to have 20 demonstration projects of supply chain partnerships established by June? What progress has been made against that objective?

Mr Evans—The supply chain management projects? Yes, we will in fact achieve 20 by June. We are well on track to that.

Senator CONROY—How many are in place now?

Mr Evans—In fact, there are more than 20 but, because there are stages in it, we are doing a bit of risk assessment and working on the assumption that not all of them will get through to finality. I will give you the precise number.

Senator CONROY—So there are actually more than 20 going right now?

Mr Evans—There are actually more than 20 in now, but we work on the basis that there are basically three stages and that not all of them will get right through the three stages for a variety of factors, including their own choice.

Senator CONROY—You mentioned risk assessment: what is the overall assessment of the effectiveness of these partnerships? Obviously risk assessment is going to be part of it.

Mr Evans—To date, the participants in the program and the advisory group we have—which involves a range of people out of industry—are very pleased with the program. Those who are in it and who have gone through have indicated already that they are gaining substantial benefits from participating in it, and they will be able to convey to the rest of industry how they participated and what those benefits were.

Senator CONROY—Thank you.

Mr Evans—There has been some release by the minister of information which we will give you.

Senator CONROY—That will be great.

CHAIR—Are there any further questions, then, on subprogram 1.2, Industry liaison?

Senator CONROY—I have got Industry Division B, which relieves Mr Evans.

CHAIR—Okay. Keep going, Senator Conroy, while you are on a roll.

Senator CONROY—I want to talk about the Visy Industries pulping project in Tumut. You have guaranteed them \$30 million from established programs—is that right?

Ms Georgopolous—It was \$25 million from existing programs—

Senator CONROY—Okay, \$25 million. And \$5 million from?

Ms Georgopolous—It is \$15 million dollars from new money, which is the Investment Incentives Program.

Senator CONROY—What are the implications of this for other potential applicants in the programs where the \$25 million is coming from?

Ms Georgopolous—They are on a competitive basis. They apply under the guidelines as per any other applicant under those programs.

Senator CONROY—What would the total pool be?

Ms Georgopolous—Pool of what, Senator?

Senator CONROY—The pool of funds for the existing program.

Ms Georgopolous—They are administered by other departments so I would have to take that on notice. That is not something I am aware of.

Senator Minchin—The \$25 million funding coming from existing programs draws from programs in other departments.

Senator CONROY—Okay. Essentially, what I am trying to arrive at is an understanding of how much is left in those other programs after you take the \$25 million out. Maybe it is \$5 million from this one. Was it a \$10 million program that \$5 million has now come out of and therefore there is \$5 million less for the other applicants in that competitive process to fight over? I am trying to see if you are able to—

Ms Georgopolous—Not off the top of my head, Senator.

Senator CONROY—I am happy for you to take it on notice. Were the decisions to guarantee Visy funding under these programs made in accordance with the normal decision making processes for these programs?

Ms Georgopolous—Yes, Senator, they apply under the normal decision making process and under the normal guidelines that currently exist for those programs.

Senator CONROY—So Visy applied to all of these individual programs in different departments?

Ms Georgopolous—Yes, they have made approaches to apply for the funds under those programs.

Senator CONROY—Is there a formal application process, as in a piece of paper?

Ms Georgopolous—I understand so, yes.

Senator CONROY—And they have completed all the paperwork?

Ms Georgopolous—I would have to check, but I understand that they certainly have in the case of a number of those, yes.

Senator CONROY—Are you saying you cannot be absolutely definitive because you do not know about the other ones?

Ms Georgopolous—No, because there are other departments that are administering those.

Senator CONROY—I do not want to verbal you, I am just trying to make sure—

Ms Georgopolous—No, that is all right.

Senator CONROY—Will you check that all the appropriate applications went in?

Ms Georgopolous—Certainly.

Senator CONROY—And that the selection processes were followed?

Ms Georgopolous—Correct.

Senator CONROY—Please note the parts you are not able to answer. What about criteria in the programs you are able to refer to, the ones that you have got some knowledge of? What criteria are used for selection?

Ms Georgopolous—In terms of investment incentives, Senator?

Senator CONROY—Just the ones you are able to talk about. You said there are a number of programs so I cannot ask you about the ones you do not know about.

Ms Georgopolous—The one that we do know about is the incentives criteria that the government published in December 1997 which applies to any proposals that are provided to Mr Mansfield for investment incentives.

The criteria include that the investment is not likely to occur in Australia without an incentive; that the investment provides significant net economic benefits through substantial increases in employment; that there is substantial business investment; that there is a significant boost to Australia's R&D capability; that there is a significant benefit to, or investment by, other industries, that is, either user or supply industries; that it does not involve substitution of existing production capacity which would provide an unfair advantage over competing projects; that the investment complements areas of Australia's competitive advantage; that the investment is viable in the long term without a subsidy; that the incentives are open to both foreign and domestic investors; that the quantum of the project's specific assistance takes into account the availability of other assistance from the Commonwealth or state or territory governments; and that any incentives are consistent with our international obligations, including those under the WTO.

Senator CONROY—Thank you. Minister, you have that clause in there about existing competing companies. I might be interested in seeing how you balance that with the discussion we were having earlier about SOLCO and Gough as part of that contribution that you will give us on notice.

Senator Minchin—Obviously, the strategic investment coordinator, Mr Mansfield, is charged with the responsibility of advising the government on whether any applicants for funding under this program do meet the criteria, and the government then makes a decision.

Senator CONROY—I am saying the criteria for that particular program seem a little inconsistent with the discussion we were having earlier about SOLCO and Gough where a competitor could get funding, but under these criteria they would not necessarily do so. It is just a consistency question. You might want to give some thought to that in the note you are preparing.

Senator Minchin—I have noted that.

Senator CONROY—What progress has been made in regard to other major investment proposals, for example, in new greenfields investments in the petrochemical area?

Ms Georgopolous—In what respect?

Senator CONROY—How is it going through the process? Is there a decision pending? Are you aware of the applications?

Ms Georgopolous—I am not aware of any application to the strategic investment coordinator on that project, per se. I am aware of the project. I understand it has yet to receive the results of its feasibility study and that the commercial participants themselves do not know whether they are to proceed any further until they receive those results.

Senator CONROY—What about the Pilbara petrochemical project?

Ms Georgopolous—That is the one I was referring to.

Senator CONROY—Okay. My question related to new greenfields investments, and that is the Pilbara one. Is that correct?

Ms Georgopolous—Yes.

Senator CONROY—I want to talk about Comalco. Are you able to cover that one for me?

Ms Georgopolous—I will do my best.

Senator CONROY—What programs did it come out of? Are they ones that all come directly within your knowledge, or is it the same as the Visy situation where they are much broader?

Ms Georgopolous—The announcement by the Prime Minister talked about assistance that will come out of the investment incentives program, which is the program for which I outlined the criteria to you just then.

Senator CONROY—Is that just from the one program, or is it spread across different departments?

Ms Georgopolous—It is one program.

Senator CONROY—What is the dollar value of the Comalco case? Are you giving \$100 million?

Ms Georgopolous—The discussions and negotiations around the Comalco project have not been completed, as per the Prime Minister's statement. He did announce around \$100 million, but because it has not been finalised I cannot provide any further information.

Senator CONROY—That is okay. What is the total available pool of funds for that particular project? Is there a defined limit?

Ms Georgopolous—The project itself is a \$3 billion investment—

Senator CONROY—No, I am sorry, I did not make myself clear. I meant the program that you are taking the \$100 million or so from. What is the total pool of funds? Is there a defined limit?

Ms Georgopolous—Not that I am aware of. Because it is one-off, special, limited only, and case-by-case, the strategic investment coordinator will put proposals to government and it will consider them in that light. Obviously, there will be a responsible approach which is why there will be consideration of existing programs in the first instance, and then the incentives program.

Senator CONROY—Minister, is there a cap that you are aware of?

Senator Minchin—As the officer has just pointed out, these things are approached on a case-by-case basis to see whether a particular project meets those criteria for consideration for special incentives—

Senator CONROY—Is there a cap?

Senator Minchin—and then the government examines from within the whole scope of the budget and various government programs how best to bring together a range of programs and incentives to assist that investment to proceed if it meets those criteria.

It is not as though there is a box that says that this is the amount. As we saw with Visy, most of that funding comes from existing budgeted programs for which it is eligible. It is really a matter of coordination of a variety of government programs bringing to bear a critical mass to enable a project to proceed within the overall constraint of the budget.

Senator CONROY—So there is no maximum number of projects, or no maximum value to the—

Senator Minchin—No. They are all dealt with case by case. As you know, we announced the program more than a year ago and only the first one has been considered. We are adopting a very rigorous approach. It is not as though we are playing Santa Claus.

Senator CONROY—Don't you love the free market in action!

Senator Minchin—They are very rigorous criteria so not many are going to meet the criteria. As you know, only two have been announced.

Senator CONROY—What are the implications for Australian producers who may be in competition with Comalco? I know you read out the criteria before and one of the criteria, I thought, was a non-competition type of criterion. Could you read that one out again.

Senator Minchin—I think it said 'substitution.'

Ms Georgopolous—It says, 'Ensuring that it does not involve substitution of existing production capacity which would provide an unfair advantage over other competing projects.'

Senator CONROY—Richard Court seemed to be a bit upset. Is it the case that there is a competitor in the West?

Senator Minchin—The government is satisfied that all the criteria have been met in the case of the Comalco project.

Senator CONROY—Richard Court did not seem to be satisfied.

Senator Minchin—I think Mr Barnett had something to say in the media. As you know, Western Australians are fiercely parochial. I imagine that he would very much like to see the government provide investment incentives to projects in Western Australia. It may be that in due course that is possible.

Senator CONROY—I thought his argument was a bit more specific than just find us a payback to shut us up.

Senator Minchin—Whatever Mr Barnett's views, the government is satisfied that it is appropriate according to the criteria to make this incentive package available to Comalco and that it does meet all the criteria.

Senator CONROY—So you are satisfied that there is no substitution of existing—

Ms Georgopolous—Substitution of existing production capacity which would provide an unfair advantage over other competing projects.

Senator Minchin—By definition, the government is satisfied that the criteria have been met.

Senator CONROY—So the Western Australian government, as you described it, have been a tad parochial?

Senator Minchin—I have written to Mr Barnett acknowledging his comments in the media and indicating to him why we believe the criteria are met and that there is no basis for his concern.

Senator CONROY—But if they were able to get a project, pull it all together and apply under the same program?

Senator Minchin—Exactly, I have drawn his attention to the fact that any project in Western Australia that believes that it meets those criteria is obviously free to seek such assistance itself.

Senator CONROY—Mr Barnett seemed to be indicating he felt that there was a similar project that could have been picked.

Senator Minchin—I am not going to speculate about what projects may or may not be under consideration for assistance under this scheme. I do not think that is appropriate. I did remind him that Western Australia is a big state with a lot of projects and, if any of those believe they meet those criteria, they are free to apply.

Senator CONROY—What are the odds on WA picking up a project in the next round?

Senator Minchin—Again, I am not at liberty to speculate on that prospect, or any hypothetical situation.

Senator CONROY—You would not want to see a situation where you were giving grants to all the competitors in industry, would you? That would not meet your criteria, would it? Or would that pass your criteria?

Senator Minchin—You have had the criteria read to you two or three times now.

Senator CONROY—I am just slow.

Senator Minchin—We will give you a copy of the criteria if you like and you can study them again. I am happy for Mr Mansfield to come and brief you.

Senator CONROY—Okay, that might be worthwhile. Was the grant to Comalco made in accordance with the normal decision making processes for this program?

Ms Georgopolous—Yes, Senator, it was. May I repeat that deliberations are still proceeding.

Senator CONROY—I appreciate you said that. I want to talk about the importation of second-hand vehicles. Is that appropriate at this point?

CHAIR—Yes, fire away, Senator Conroy.

Senator CONROY—Has there been a substantial increase in the number of low volume imports over the last five years?

Mr Wall—I believe that is the case from the figures I have seen.

Senator CONROY—What are your figures? I want to confirm that they are roughly consistent with the picture that has been painted to us.

Mr Wall—I think the figures range from the order of about 1,100 vehicles to around 6,000 vehicles.

Senator Minchin—The volume is still very low, but it has been increasing.

Senator CONROY—It has increased substantially from a low base.

Senator Minchin—Pro rata yes, but from a low base and it is still at a very low level.

Senator GEORGE CAMPBELL—Where do they come in from?

Mr Wall—I believe the primary source is Japan. There are also vehicles imported from Europe, as I understand.

Senator CONROY—Does Japan have that system whereby, the longer you hold onto your car, the more punitive the registration becomes each year?

Mr Wall—That is correct. In fact, I think they have a very stringent inspection system which encourages people to—

Senator CONROY—Change their car every—

Mr Wall—About every three years.

Senator CONROY—Every three weeks I would have thought.

Mr Wall—I think it is slightly longer than that.

Senator CONROY—Longer than three weeks or longer than three years?

Mr Wall—No, longer than three years.

Senator CONROY—So they would generate a lot of surplus second-hand cars, given the size of their market?

Mr Wall—That is right.

Senator CONROY—This is probably a question for Senator Minchin. I got the impression from the comments you made that you did not believe that this was a problem?

Senator Minchin—No, to the contrary. I am concerned to ensure that the integrity of current policy is preserved and that we do not have a backdoor loophole emerge in relation to this policy. I am not keen to see the Australian currency prejudiced by second-hand inputs of this kind. I have had discussions with the FCAI and its office bearers about this, and they do see it as an emerging problem down the track. There is a review going on in this area and the government will be considering what, if any, other measures may need to be taken to ensure that the integrity of the existing policy is maintained.

Senator CONROY—Is there a competition policy review of the Motor Vehicles Standards Act 1989?

Mr Wall—I believe it is correct that it is a regulation review. It is part of a program of regulation review which has its origins in the national competition policy.

Senator CONROY—What is the status of that? Is it near completion; is it in the early stages?

Mr Wall—The review is being conducted by the department of transport—the federal Office of Road Safety—and your best advice would be to ask them about the timing of that, but I believe it is relatively imminent.

Senator CONROY—Are you aware of that, Minister?

Senator Minchin—No. Thank you for—

Senator CONROY—Always keen to help. You know I am always here to help you. It might be a bit of a concern if they recommend we are breaching competition policy.

Senator Minchin—Well, let's wait to see what the review says.

Senator CONROY—Does anybody want to volunteer to talk about the importation of used tyres?

Mr Wall—I am happy to take a question, Senator.

Senator CONROY—There was an article in the December edition of the Victorian Automobile Chamber of Commerce journal. Are you familiar with that at all? It is entitled 'ATMA calls for used tyre import restrictions now'. Does it ring any bells yet?

Mr Wall—I am not familiar with it.

Senator CONROY—It is a survey about quality tests on tyres, and I am just wondering whether there is any review on the import duty for used tyres. I apologise because you are not aware of the survey, so it is hard to ask you questions when you are unaware of it.

Mr Croker—I think it is fair to say that there are probably two issues involved there. One is the question of the tariff duties that apply to imports, and the other issue that may have been raised is the question of safety. I think the best we can do today is take on notice your interest in this and come back with a view.

Senator CONROY—That would be great. Thanks.

CHAIR—That concludes program 1.2 and I thank the officers for their attendance.

[11.29 a.m.]

Subprogram 1.3—Tourism

Senator GEORGE CAMPBELL—My first question is to the minister. Minister, can you advise the committee of the progress of the \$8 million domestic tourism campaign?

Senator Minchin—I will ask one of the officers to report on that, if you do not mind.

Mr Crick—The \$8 million to the domestic tourism campaign, as you know, was an election commitment. The conditions of that proposal were that it should be an industry driven campaign and that it would be matched by industry and state and territory funds. We are currently liaising with the industry in the development of a program.

Senator GEORGE CAMPBELL—So it has not been developed yet?

Mr Crick—No, it has not been finalised yet.

Senator GEORGE CAMPBELL—Which bodies will be involved in this program?

Mr Crick—Tourism Council Australia is the main body that has initiated it and is coordinating it through industry.

Senator GEORGE CAMPBELL—With all the other industry bodies?

Mr Crick—With a wide cross-section of industry representation, yes.

Senator GEORGE CAMPBELL—Has the department considered the submissions by Tourism Council Australia to the Senate Select Committee on A New Tax System? They highlighted a number of issues: that prices will rise 4.3 per cent across the board, which is more than twice the national average; that packages to persons offshore will face price rises of up to 5.5 per cent, without taking into account the expected currency appreciation; and that the open and closed bag systems for tourism shopping should be maintained. What is the department's response to these issues?

Mr Crick—Inasmuch as they are submissions to the Senate committee, we have not involved ourselves in them. That is a matter for the Senate committee at this stage.

Senator GEORGE CAMPBELL—May I have a response in respect to those three issues that have been raised?

Mr Crick—Not in the context of their consideration by the Senate committee.

Senator GEORGE CAMPBELL—Has the department made any recommendations to Treasury in respect of the application of a GST to the tourism industry, or to tourism packages purchased overseas?

Mr Crick—The department was involved in the development of policy advice, yes.

Senator GEORGE CAMPBELL—So you have made recommendations or put proposals to Treasury?

Mr Crick—Only in the sense of the development of policy advice to government, and government has already made its decisions now.

Senator GEORGE CAMPBELL—So it is no good asking you whether your recommendations were included or excluded?

Mr Crick—No.

Senator GEORGE CAMPBELL—Let us talk about the Tourism Forecasting Council, the TFC. Has the council conducted or commissioned any forecasts of the expected inbound tourism levels following the government's tax plans?

Mr Crick—The Tourism Forecasting Council's forecasts are based on current policy.

Senator GEORGE CAMPBELL—So they do not take into account the tax plan?

Mr Crick—My understanding is that at this stage they base their forecasts on the current government policy.

Senator GEORGE CAMPBELL—If the tax legislation is passed in the Senate, will the council be revising any of its forecasts?

Mr Crick—That will be an issue for the council.

Senator GEORGE CAMPBELL—What do you expect the impact of the GST to be for inbound arrivals?

Mr Crick—We have not done detailed assessments on that. All of that has been part of assessments done within the Treasury.

Senator GEORGE CAMPBELL—Have you done any assessments on what the price elasticity of demand for international domestic tourists will be?

Mr Crick—I think that is all tied up with the policy advice to government.

Senator GEORGE CAMPBELL—But have you done work in that area? There is a fair bit of debate on the committee about what is the correct price elasticity that should be applied in those areas.

Mr Crick—Yes. While the Senate is looking at that, I do not think we would be adding anything to the debate.

Senator GEORGE CAMPBELL—Can you tell me the remuneration of the chairman and the other committee members of the council, plus the council and the technical council?

Mr Crick—Of the forecasting council?

Senator GEORGE CAMPBELL—Both of the council and of the technical council.

Mr Crick—There is not any remuneration at all to the members of the technical committee and the council, apart from the chair.

Senator GEORGE CAMPBELL—What is the remuneration for the chairman?

Mr Crick—I have a figure in my mind, but I would hesitate to say it in case it is a little bit inaccurate. Can I take that on notice?

Senator GEORGE CAMPBELL—Yes. The Tourism Minister's Council: has there been another meeting of the TMC since 17 April 1998?

Mr Crick—No, there has not. There will, I think, be another one at the end of April this year.

Senator GEORGE CAMPBELL—Is there any reason why? Is it normal for it to be just once a year?

Mr Crick—It normally meets once a year.

Senator GEORGE CAMPBELL—Can you provide the committee with a copy of the minutes of the last meetings?

Mr Crick—I expect so. I do not think there should be a problem with that, but can I take that on notice and make an inquiry with the portfolio?

Senator GEORGE CAMPBELL—Sure. Did the TMC consider the impact on tourism of the tax package?

Mr Crick—Not that I am aware.

Senator GEORGE CAMPBELL—Has there been another meeting of ASCOT since 16 April 1998? It is a standing committee.

Mr Crick—No, there has not.

Senator GEORGE CAMPBELL—Is it due to meet?

Mr Crick—It is due to meet at the end of this month.

Senator GEORGE CAMPBELL—Is it normally an annual type meeting?

Mr Crick—No, it normally meets a couple of times a year.

Senator GEORGE CAMPBELL—Can you provide us with a copy of the minutes of the last meetings that have been held?

Mr Crick—Can I take that on notice?

Senator GEORGE CAMPBELL—Yes. Are you aware whether or not ASCOT considered the impact on tourism of the tax package?

Mr Crick—Not in any formal sense, no.

Senator GEORGE CAMPBELL—Can you explain why, in 1996-97, consultancies entered into by the department, including APIO, totalled \$6,523,384, yet in 1997-98 that has almost doubled to \$11,328,224?

Mr Crick—Consultancies to? Sorry, I missed the first part of the question.

Senator GEORGE CAMPBELL—Consultancies entered into by the department, including APIO.

Mr Crick—Overall?

Senator GEORGE CAMPBELL—Yes. The total in 1996-97 was \$6½ million. In 1997-98 it has doubled to \$11½ million, virtually.

Mr Crick—I am not aware of that.

Senator GEORGE CAMPBELL—You are not aware why there has been a significant jump like that? Can you take that on notice and provide us with the reason?

Mr Crick—Yes.

Senator GEORGE CAMPBELL—Can you provide us with copies of the following: the \$30,000 ACIL Economics and Policy Pty Ltd study described as ‘Regional tourism infrastructure impact study’, which was an analysis of the potential net economic benefit of Commonwealth funding of tourism projects in regional Australia; the \$15,000 ACIL Economics and Policy Pty Ltd study described as ‘Economic impact of the tax reform on the tourism industry’; the \$5,000 Adelaide and Flinders University study described as ‘Investigating the effects of international charters on tourism and the economy’; and the \$30,000 Australian Economic Consultant Pty Ltd study described as ‘An economic analysis of the marine tourism sector and its impact on regional Australia’s economy’?

Mr Crick—I will have to take advice on each of those to see the nature of the report and whether it was involved in as a contribution to policy advice or whether it was a purely economic analytical document, so I will come back to you through the normal channels.

Senator GEORGE CAMPBELL—So you will take that on notice? Can you explain to us the \$30,722 to manage the industry consultation process for development of a national tourism plan?

Mr Crick—In general, that money would have been spent on the need to fund the person who undertook some initial studies, and the travel involved. Consultative forums were set up in capital cities to have public consultations and industry consultations. So I think it is a reasonably humble sum to have spent on pulling together the national tourism plan.

Senator GEORGE CAMPBELL—Could you take it on notice to give us a breakdown of that expenditure, saying what was involved in it.

Mr Crick—Sure.

Senator GEORGE CAMPBELL—What electorates were the Office of National Tourism discretionary grant recipients from?

Mr Crick—I would have to take that on notice. That would be a list an inch thick.

Senator GEORGE CAMPBELL—Take it on notice. Who was on the selection panel?

Mr Crick—The grant recipients are selected from within the department.

Senator GEORGE CAMPBELL—But who was on the selection panel?

Mr Crick—It was a mix of officers within my division. It is all done at the departmental level.

Senator GEORGE CAMPBELL—Can you give us the names of the officers involved?

Mr Crick—We can provide some information on that, yes.

Senator GEORGE CAMPBELL—Can we have a copy of the list of all the unsuccessful applicants?

Mr Crick—I can take that on notice. I think that should be all right.

Senator GEORGE CAMPBELL—I will move on to the regional tourism program. How many officers were involved in the program, and how much does it cost to administer?

Mr Crick—I will take that on notice, too.

Senator GEORGE CAMPBELL—Will the same criteria be used in the next financial year for grant allocation under this program?

Mr Crick—The criteria that are currently being used are on the public record. The government has not made decisions on whether they would be the same criteria for next year.

Senator GEORGE CAMPBELL—What was timing of the grant being approved and the applications being received?

Mr Crick—For this current financial year?

Senator GEORGE CAMPBELL—Yes.

Mr Crick—I think applications had to be in around mid-October. We are expecting the whole process to be completed around the end of April.

Senator GEORGE CAMPBELL—So the grants have not actually been done?

Mr Crick—Not for this financial year, no.

Senator GEORGE CAMPBELL—When were they done for the last financial year?

Mr Crick—On much the same sort of timing.

Senator GEORGE CAMPBELL—How was the program advertised?

Mr Crick—Through national press advertisements, local newspaper advertisements and mail-outs to a long list of interested bodies.

Senator GEORGE CAMPBELL—So there was general advertising as well as direct invitation?

Mr Crick—I would not say direct invitation. It was just made known to all the regional tourism bodies and tourism industry bodies, as well as public advertisements.

Senator GEORGE CAMPBELL—Where were the public advertisements done—in the daily newspapers in metropolitan and regional areas?

Mr Crick—The main metropolitan newspapers—we would have to check in detail, but certainly the main newspapers.

Senator GEORGE CAMPBELL—The \$2 million for the program has not been allocated yet, has it?

Mr Crick—Some of it has been allocated, but most of it has not been.

Senator GEORGE CAMPBELL—What is the approved destination status for China? What is the progress in that area?

Mr Crick—The progress has been quite good. We have been in negotiation with the Chinese on details of how it will work, and they are almost completed.

Senator GEORGE CAMPBELL—When are you likely to be making an announcement about that?

Mr Crick—That is difficult to say until the actual final agreements have been reached. They have not been reached as yet.

Senator GEORGE CAMPBELL—But is it imminent? Is it six months away, 12 months away?

Mr Crick—I keep saying it is imminent. Hopefully, it will be, yes.
[11.45 a.m.]

Subprogram 1.5—Industry policy

Senator GEORGE CAMPBELL—I have a number of questions, a lot of which relate to the investing for growth statement. I presume this is the appropriate area to ask them. I come back to the original question, Minister, in respect of the 200,000 jobs commitment. Can you tell us what had been achieved at the point when the proposal or commitment was abandoned?

Senator Minchin—Just to give the context: I do not know whether you would call it an expectation or a hoped-for position, but it was stated in the lead-up to the 1996 election by the then minister as to what he hoped—

Senator GEORGE CAMPBELL—I thought it was a promise.

Senator Minchin—might be an outcome in the first term of government. That was for that period of government. In the policy statements for the 1998 election, no specific expectation, hope or outcome was put in our policy. You are referring to a target, outcome or expectation from a previous election for a previous term of government. In this election we were elected by the people without any statement of that kind in our policy commitments for this term of government. I am happy for the officer to tell you what the facts were, as between February 1996 and October 1998.

Senator GEORGE CAMPBELL—Just before the officer does that: I understand what you are saying. However, the commitment made by the previous minister was for 200,000 new jobs in manufacturing by the year 2000. So it had a life beyond the period of the last government.

Mr Jones—Between February 1996 and November 1998, for which the most recent data is available, the number of manufacturing jobs fell by about 27,000. The total number of jobs increased by 310,000 across the economy.

Senator GEORGE CAMPBELL—So there was actually a decline in employment in manufacturing over the period of the previous government?

Mr Jones—In the period between those two dates. The number of manufacturing jobs has, in fact, cycled around 1.1 million for about eight or nine years. It fluctuates up and down around that level.

Senator GEORGE CAMPBELL—But the truth of the matter is that there was an actual decline, over the period, of 52,000 jobs?

Mr Jones—Of 26,900—

Senator GEORGE CAMPBELL—My figure is 52,000. That is between November 1997 and November 1998.

Mr Jones—That is correct. I was talking about the entire period since February 1996, which is the period immediately prior to the 1996 federal election when that promise was made.

Senator GEORGE CAMPBELL—In fact, over that period there was not one additional job created in manufacturing?

Mr Jones—There are jobs created and jobs destroyed all the time.

Senator GEORGE CAMPBELL—I understand that.

Mr Jones—There are many additional jobs being created.

Senator GEORGE CAMPBELL—We were to have an additional 200,000 jobs.

Mr Jones—The net number of jobs in manufacturing, as measured by the ABS, fell over the period.

Senator GEORGE CAMPBELL—It declined. Is that the grounds, Minister, for your abandoning the commitment?

Senator Minchin—I have to say that all of this pales into insignificance when compared with the destruction of jobs in manufacturing under your administration of the AMWU. Paul Keating himself, as the Labor Treasurer, roundly attacked you at a Labor conference in 1986 for your destruction of jobs in manufacturing. I would not have thought this was a healthy or sensible course of debate for you in particular to pursue. The fact is manufacturing jobs—

Senator GEORGE CAMPBELL—I understand, Minister, that you are talking about a period in 1980, when I was only a minor official with the Manufacturing Workers Union, when your current Prime Minister was the Treasurer of this country. He left this country, in 1983, with double digit unemployment and double digit inflation. If you want to start pointing the finger at me for what happened in that period, I think we can start to point the finger at a few other people around this building. It is about time you destroyed the myth of the 100,000 jobs.

Senator Minchin—I am not pointing the finger. I am pointing out that Paul Keating fingered you, Senator Campbell—

Senator GEORGE CAMPBELL—Paul has said a lot of things at ALP meetings. So have the rest of us.

Senator Minchin—Paul Keating fingered you. I would, therefore, have thought that, as I am assured that you are a reasonable man, Senator Campbell, this is probably not a good line of debate for you to pursue. The fact is, as we all know, that in industrialised developed countries jobs growth is in the services sector. Jobs growth under this government has been quite spectacular across the economy. What we are on about is maximising jobs growth across the economy. As you have just heard, over 300,000 jobs were created across the economy during our first 2½ to three years of government. We hope that jobs growth can continue. But it will depend on getting the right policy settings, including a sensible approach on industrial relations.

Senator GEORGE CAMPBELL—I agree with you, Minister, that it is about getting the right policy settings. But what is obvious, in terms of what occurred in this sector of the economy compared to the commitments or promises your government made in 1996, is that you did not get the right policy settings as far as manufacturing is concerned. I think that is the point that has to be drawn.

Senator CONROY—You have got your IR legislation, your small business legislation. You got everything you wanted.

Senator Minchin—It is historical fact that employment in manufacturing essentially was maintained at the 1.1 million. The hope or expectation that Mr Moore expressed about an

additional 200,000 jobs was not achieved. Nevertheless, across the economy, 310,000 jobs were added.

Senator CONROY—He cut Moore.

Senator GEORGE CAMPBELL—Yes. That is exactly what he did.

Senator CONROY—I thought that was what he did.

Senator GEORGE CAMPBELL—What he said was that Mr Moore's commitment/promise was totally unreal.

Senator CONROY—I thought Mr Moore was a member of the government though, George—a member of the cabinet.

Senator Minchin—Mr Moore is a noble man who would like to see job creation. Regrettably, his hope for manufacturing was not achieved.

Senator CONROY—I thought it was an election commitment from the Prime Minister.

Senator Minchin—It is very significant that over that period we were able to sustain employment in manufacturing at 1.1 million. That is a remarkable achievement for which we should take considerable credit.

Senator CONROY—But that falls about 200,000 short of the 200,000 promised.

Senator GEORGE CAMPBELL—Where it should have been.

Senator Minchin—Let us not go over the history of the destruction of jobs in manufacturing.

ACTING CHAIR (Senator Chapman)—Perhaps we should get back to some questions relevant to the estimates.

Senator CONROY—A sensible suggestion, Mr Chairman.

Senator GEORGE CAMPBELL—I have a number of questions in relation to sections of the investing for growth proposals. The funds announced in the investing for growth document in respect to export market development grants are capped at \$150 million to the year 2003. I understand there are about 3,500 participating companies.

Mr Spasojevic—We do not administer EMDG. That is done out of another portfolio. It is a trade portfolio question.

Mr Jones—The investment for growth statement is a whole of government statement and comes under issues which are not this department's responsibility.

Senator GEORGE CAMPBELL—We will go looking for them. From what we have seen so far, it would appear that the strategic investment coordinator, Mr Mansfield, has been essentially pursuing large-scale investments. Is that true?

Senator Minchin—He wears two hats in a sense. He is the major projects facilitation coordinator as well as having this additional role of strategic investment coordinator. As to the division of his time, I am not sure whether you could put a percentage on one role or the other. Sometimes they overlap, of course. I do not know if any officer has an indication of how much time is devoted to which or what hat he wears, but he has both those roles.

Mr Jones—As I understand it, although strictly speaking the strategic investment coordinator is the responsibility of the industry liaison part of the department, the criteria for those investment incentives—the strategic investment coordination part of his role—was gone over later. There is no specific incentive relating to size of projects, so he will consider whatever proposals come to him, as I understand it. There is no specification of size.

Senator GEORGE CAMPBELL—I understand that, but the public appearance is that it is all major projects over \$100 million. Are you aware of any projects below the \$100 million range that are being pursued or looked at?

Mr Jones—I am not aware of that, Senator. As I said, I am not directly responsible for the strategic investment coordinator. I will perhaps leave it there.

Senator GEORGE CAMPBELL—The technology diffusion program that is part of the investment for growth—

Senator Minchin—The strategic investment program per se has, as one of its criteria—we were talking about it before—that the investment must provide significant net economic benefits to Australia. So while we have not put a dollar value, by definition, to be in the running they have to be quite significant projects to meet that criteria.

Senator GEORGE CAMPBELL—Minister, the officer said he did not know so there was not much point in pursuing it. I understand what you are saying, but in terms of looking at the distribution of unemployment in this country, particularly in regional Australia, the likelihood is that, if you are to get significant investment in regional Australia, it is more likely to be less than \$100 million projects in the lower region than in the upper region in some of those areas. No-one would argue that that would not be of substantial net economic benefit to the country if you could get projects into that area. I was only just trying to get a figure for whether or not all of their time and energy was being put into the big picture projects or whether or not there was a range of smaller—not insignificant—projects also being pursued. Particularly with the regional focus, I was about to ask whether or not there was any weighting given to the fact that they were proposed for regional Australia rather than the metropolitan or the more developed areas?

Senator Minchin—That is not a specific criterion. The criteria include significant economic benefits through substantial increases in employment. I guess, whilst it is not a specific criterion, the government is concerned to ensure that the benefits occur, to the extent they can, where unemployment is higher. I do not think it is insignificant that the two projects that have been approved are in regional Australia—in Tumut in New South Wales and up in Gladstone in Queensland—which I am very pleased about.

Mr Jones—I would also say that, as well as the strategic investment coordinator, the raft of activities undertaken by Invest Australia are directed towards the whole range of possible investments. They actively target investments across the spectrum and to regional as well as metropolitan areas. So there are, certainly, investment attraction activities outside of Mr Mansfield's responsibilities that cover regional Australia.

Senator GEORGE CAMPBELL—Is there a reasonable success rate?

Mr Jones—Again, Senator, it is not my direct area. I could not answer that question. I guess we could take that on notice.

Senator GEORGE CAMPBELL—I have a technology diffusion question.

Mr Jones—That is in the science technology innovation part of the portfolio, Senator.

Senator GEORGE CAMPBELL—I think that was my last question in respect to the general issue of investing for growth.

Senator CONROY—I just wanted to get a brief outline about the status of each of the action agendas.

Mr Jones—Senator, there are currently 17 action agendas in one stage or another. Four of those action agendas are now into the implementation phase—that is, an action agenda has been released and the activities of the government and of the businesses concerned are involved in getting the action agendas.

Senator CONROY—Which are the four?

Mr Jones—Of those four, two are the automotive and tourism agendas that are administered under this portfolio. The information industries and the agrifood action agendas are in other portfolios. As I said, there are another 13 which are in various stages of development where the actual agenda is still being developed and has not been released yet. Those range from being in a very advanced stage of development, where the agenda is due for release in the next month or so, through to being in very early development stages.

Senator CONROY—How many of them fall into being a month away from release?

Mr Jones—My understanding is maybe two or three.

Senator CONROY—Are you able to identify which ones they are or does the minister want to give us a sneak preview of which ones are close to release? You may not be able to.

Mr Jones—I do not think it is any secret—I am not sure.

Senator CONROY—You never can tell with Senator Minchin.

Mr Jones—I think the most advanced ones are in the areas of digital broadcasting—which is the responsibility of Senator Alston—and perhaps some in the petroleum area.

Senator CONROY—Okay, great. And the others are at different stages?

Mr Jones—Yes, but not as far advanced.

Senator CONROY—Can you give us some indication of when you think the remaining 11 may be released?

Mr Jones—Most of those would be scheduled for release this year but, as Mr Evans mentioned much earlier in these proceedings, it is a very intensive process of developing the agendas and sometimes the time lines can slip a little bit. But most are due for release this year.

Senator CONROY—Any due for release after this year?

Mr Jones—There would be a couple which would probably be in the first half of next year, I would think.

Senator CONROY—Are you able to identify which ones they are?

Mr Jones—It is difficult to put a finger on it that far out. It may be late this year or it may be early this year. There is no particular schedule.

Senator CONROY—I understand. But of the ones that are likely to be at the tail end of the process, is it furniture, is it energy and renewable energy, is it wood, paper and plastics?

Mr Jones—It is hard to say. I would imagine that furniture may be in that category. With the others it is harder to say.

Senator CONROY—Is there a problem with developing the furniture one? Is it just the consultation process that is going to take time?

Mr Jones—No. As I said, it is a very intensive process of developing the agendas. There is a research phase as well as a consultation phase, and both require quite some time.

Senator CONROY—And there is a minister's office phase. I presume that they have got to go up to the minister's office, as well?

Mr Jones—That is true. There are a number of stages.

Senator CONROY—What public reporting has occurred of the status of the action agendas at the moment? Do you publish a time line timetable? Is there a departmental newsletter? Does the minister's office put out a press release? Has there been any public reporting, other than what you have just done on the ones that actually already have been released or are in place? Is there a procedure to keep the public advised of where it is at?

Mr Jones—So far there has not been a progress report on action agendas as such.

Senator CONROY—Why is that?

Mr Jones—The agendas—which, as I said, are in the implementation phase—have their own reporting mechanisms. We are currently developing a mechanism for reporting on the suite of action agendas and we are considering the options for doing that. We anticipate that we will be producing some sort of public progress report on the whole action agenda program, if not in the department's annual report this year then in some other consolidated document perhaps towards the middle of the year.

Senator CONROY—When does the department's annual report get tabled, and is it publicly available?

Mr Jones—October, typically.

Senator CONROY—October? So between now and October there are no plans to give us an update on where all the action agendas are at?

Mr Jones—As I said, it is possible that we will put something out in the middle of the year. As I said, the four agendas that are in the implementation phase do produce their own material from time to time.

Senator CONROY—Sure.

Mr Jones—And, of the other action agendas that are still under development, I would expect a number will actually be published in the period up until about the middle of the year. It would probably be premature to—

Senator CONROY—So there are, from the sound of it, about half we will not have heard anything about. When was the action agenda decision made—the policy announcement on the creation of them?

Mr Jones—The action agenda initiative was announced in 'Investing for growth', which was December 1997.

Senator CONROY—So that is 18 months so far and a possible six months for about half of them?

Mr Jones—Somewhat less than 18 months.

Senator Minchin—I thought you were a good counter, Senator Conroy.

Senator CONROY—Better than Robert Hill, though.

Mr Jones—Four have been released in that period and a number more are under development, and a number were only announced in the election context last year. Our rule of thumb is that it takes at least 12 months to properly develop one of these things, so I do not think it is surprising that more have not actually been published at this stage.

Senator Minchin—I think you are right, there is legitimate—

Senator CONROY—It is not a question so much of the actual completion; it is just being advised of how that process is going.

Mr Jones—Yes.

Senator Minchin—I think there is legitimate public interest in that, but you would not want to do so in a way that prejudiced the actual development of the action agenda.

Senator CONROY—No—you are absolutely right, Minister.

Mr Jones—There is various material published on individual action agendas. I was more referring to a consolidated document of progress on the whole initiative. There is a variety of material—

Senator CONROY—I would imagine the four existing ones, as you said, are pumping stuff out—

Mr Jones—Yes.

Senator CONROY—on an ongoing basis. The other 13 do not have a reporting process, even though, as you said, there are a couple that are likely to be out in the next four or six weeks.

Mr Jones—The reporting so far would be to say that, yes, there is consultation under way and research under way. Most of them have produced a pamphlet outlining that there is an action agenda under way and outlining what the process is. For all of those that are into the consultation phase, the relevant industry associations, the relevant companies, will be intensively consulted and will know what is happening with progress on the individual agendas.

Senator CONROY—Does the minister have a view on what the process of that public disclosure will be? Will you make a statement; will the department issue another brochure? Do you have any views on that at all?

Senator Minchin—I am happy to take that on notice, but we have not made any decisions on that and I do not want to express any views at this stage.

Senator CONROY—Is it possible to get a copy of the action agendas that have been finalised?

Mr Jones—Yes, I can provide those to you.

Senator CONROY—In the respective industries, what has been the consultation process? How have you ascertained who to talk to? I appreciate it is a bit hard with 17.

Mr Jones—Typically, Senator, that is a decision that is made by the teams, the areas, responsible for the individual agendas. I could not tell you what the process is on all of them. Typically, the consultation phase would involve, I would imagine, talking to the peak industry associations, talking to the largest companies involved, and so on and so forth. Each area responsible for—

Senator CONROY—So the major player in terms of the industry association would be part of a consultation process?

Mr Jones—I would imagine so, yes.

Senator CONROY—Are there any that you are personally familiar with? I am interested in a real world experience of setting one up and who you talk to. Have you actually managed through a process on any of the action agendas?

Mr Jones—Personally no, Senator. I have only just taken over responsibility for the overall initiative.

Senator CONROY—Are there any plans for other industries to have action agendas developed?

Mr Jones—There are no firm plans at this stage. We would in the normal course of events be considering which other industries might warrant action agendas and providing advice to the minister in due course.

Senator Minchin—We announced a number in the October election campaign, so they are relatively recent.

Senator CONROY—You have not given thought to any other areas at this stage?

Senator Minchin—No. I think we have a fairly big agenda there, of 17.

Senator CONROY—The annual report states that, by the end of 1998, the APEC Mutual Recognition Agreement on Conformity Assessment for Electrical and Electronic Equipment is expected to be completed. What is the status of that?

Mr Jones—It has not yet been completed. There were discussions held as recently as last week at the APEC officials meetings in New Zealand to progress that initiative. It has taken a little longer than we expected to complete that but we are making very good progress. I would expect that possibly by the time of the next round of APEC officials meetings later this year we will have a finalised agreement.

Senator CONROY—When is later this year?

Mr Jones—I could not tell you off the top of my head.

Senator CONROY—Are they every six months or—

Mr Jones—Something like that, as I understand it.

Senator CONROY—So it will be about another six months before we get that one in place?

Mr Jones—Possibly, but it could be sooner than that.

Senator CONROY—Does the minister attend that? Do you get to wander along there, Senator Minchin?

Senator Minchin—I have not, but if an invitation is extended to me in any capacity I am always keen to accept.

Mr Jones—These negotiations are typically quite detailed technical discussions.

Senator CONROY—You would not want to waste your time, Senator Minchin—I appreciate that. Let us not waste the invite.

Senator CONROY—The annual report also states that in February 1999 the review of sections 154 to 161L of the Customs Act, dealing with the valuation of imported goods, will report. Is this still the case?

Mr Jones—Again, that has slipped a little, but a draft final report, if you like, of that review is now out for final comments.

Senator CONROY—Any time line at all?

Mr Jones—I hope we can finalise that review next month.

Senator CONROY—You hope? I appreciate there is a process being gone through but—

Mr Jones—We are very close. I would expect next month, rather than hope.

Senator CONROY—The annual report states that an Australian service sector review is being prepared by DIST in cooperation with the Australian Coalition of Service Industries. This report has now been finalised and published?

Mr Jones—That is correct.

Senator CONROY—What will the report be used for?

Mr Jones—The report will be used for a variety of purposes. It is mostly background information on recent trends in the services industries, prospects for the services industries; it provides a very detailed analysis of the structure of services industries in Australia. It has been published, as you said, and widely disseminated. I would expect it would be used for a variety of purposes. From our own point of view, it provides essential background to normal briefing and policy analysis.

Senator CONROY—How to cope with the contraction the industry will face?

Mr Jones—The services industries are expected to grow quite strongly into the foreseeable future.

Senator CONROY—Despite the GST?

Mr Jones—The services industries are expected to grow—

Senator CONROY—Did it take into account the report and the findings, or was it just not a variable the report canvassed?

Mr Jones—That is correct—it was not canvassed in the report, to the best of my knowledge.

Senator CONROY—How much funding has been provided for this review you were describing before—

Mr Jones—I cannot recall. I will have to take that on notice. It was not a large amount of money.

Senator CONROY—Minister, before I wander off from those action agendas, I am interested in getting you on the record in terms of your commitment to those action agendas and meeting the time frames that have been outlined. Can you confirm to the committee or reassure the committee that those time lines that have been outlined by the department are going to be able to be met?

Senator Minchin—I think the action agenda program announced in the investing for growth statement of 1997 was one of the more enlightened and significant commitments of the government—

Senator CONROY—Even though it was written by Mr Moore?

Senator Minchin—and a very good process and a very good way for government to interact with industry in helping to work towards a successful future for these industries.

Senator CONROY—I am sure they are well typed.

Senator Minchin—Obviously, one should always work to indicative time lines on these things, but what you want to get is the right outcome and not be artificially pressured into an outcome by some arbitrary date that is prejudicial to a good outcome. I am more interested in good outcomes than simply meeting arbitrary dates.

Senator CONROY—Will you give instructions to your department about getting them in place as quickly as you can?

Senator Minchin—I do not need to do that. The department is working diligently and thoroughly and professionally to progress these action agendas, with the overriding

commitment to get good, sensible outcomes in cooperation with industry. It is very important that we take industry with us in getting good, agreed outcomes, not enacting in a way that is driven by just meeting some arbitrary deadline. Obviously we have a very keen interest in progressing these things as quickly as is possible, but consistent with taking industry with us.

Senator GEORGE CAMPBELL—I think that was no.

Senator CONROY—Thank you, Senator Campbell. I think that was a no. Do you have any priorities at all in relation to the action agendas? Any ones that you believe should be up and running quicker, and have instructed the department—

Senator Minchin—They have all been initiated, in various stages—

Senator CONROY—Rome was not built in a day, yes.

Senator Minchin—and obviously some are going to be completed before others. They are all important and I am not going to sit here and say that one action agenda is more important than another. They are all very important to the industries concerned. As I say, I think it is a very good program which I am sure the opposition supports.

Senator CONROY—Nice try, Senator. No priorities, no instructions to get a move on—

Senator Minchin—They are all important.

Senator CONROY—and you do not have to worry about artificial deadlines—it is a big story so far.

Senator Minchin—You may put your spin on it but—

Senator CONROY—*Hansard* will have plenty of spin on it.

Senator CONROY—Is the government proposing to negotiate a mutual recognition agreement with Singapore?

Mr Jones—We have taken an in-house analysis of the cost and benefits of entering into an MRA with Singapore. We have had several rounds of discussions with Singaporean officials on that matter. Again, last week, in conjunction with the rounds of APEC officials meetings that were held in New Zealand, we had further discussions with our Singaporean counterparts on that score and we are currently considering options for how we could progress that initiative.

Senator CONROY—Minister, would you like to see that as an outcome—the agreement with Singapore? Is that something that you believe is worth while?

Senator Minchin—Sorry, I was just signing a very important letter. You seemed to be doing a very good job and I did not think my intervention was necessary.

Senator CONROY—You believed it was necessary, did you say?

Senator Minchin—I did not think my intervention was necessary.

Mr Jones—If I could just add, the initiative is still very much alive. In discussion with our Singaporean counterparts, we are considering the best way to progress that. There are a number of options for achieving the same sort of outcome as we hope to achieve through the MRA, and that is what we are tossing up at the moment—the best way to achieve that outcome. The idea of having an MRA with Singapore has been very well received, both on our side and on the Singaporean side, but finding out the best ways to achieve the outcomes that we hope to achieve is what we are working through at the moment.

Senator Minchin—We are not working to arbitrary deadlines with it, are we?

Senator CONROY—No, no deadlines. We would not want to hurry things up. It is okay. What are the implications if you finalise the agreement, for example, for Australian architects being able to operate in Singapore or Singaporean doctors being able to operate in Australia? Are you looking at those implications at the moment?

Mr Jones—Yes, that is the sort of issue that we are in detailed negotiations over at the moment. The extent to which there would be recognition for professionals operating in both countries is part of the considerations for the form of the MRA.

Senator CONROY—Minister, do you have any views about whether, under an agreement like this, a Singaporean doctor should be able to operate here or an Australian architect should be able to operate in Singapore? You would be happy to see that as part of the agreement?

Senator Minchin—That is not a matter I am going to comment on in this forum.

Senator CONROY—It is a policy issue.

Senator Minchin—It is a whole of government approach in terms of immigration, health portfolio—

Senator CONROY—Whole of government, no deadlines, no priorities?

Senator Minchin—A whole range of issues would have to be addressed in such a question, which I am not going to indulge myself in here.

Senator CONROY—You were watching *Yes, Minister* on Monday night, weren't you? I do not have any more on that section.

Senator GEORGE CAMPBELL—I asked a question before—you were in the room—about technology diffusion. In the investing for growth statement, there is a commitment for \$71.7 million over a four-year period for this particular program. Is there a business plan developed for the program? How are you going about doing this? Maybe you would like to tell us what it is.

Dr Wellings—The technology diffusion program is \$108 million over four years, that is, \$71.7 million of new money plus money from previous initiatives. It has three components dealing with technology alliances, technology transfer and on-line business. The last part, on-line business, was transferred under the new administrative arrangements to DOCITA in October and that is now being handled in that department. The alliances part and the transfer part are being handled within ISR as a whole of department initiative. There is a plan. The aim of the technology diffusion program is to do two things. One is to enhance international science and technology linkages by looking at innovation opportunities flowing from involvement of Australian scientists and Australian business in the global community. The link there is that, while we do about two per cent of the world's R&D, clearly 98 per cent of it happens elsewhere, and this mechanism is trying to get effective linkages between SMEs and public research providers in Australia with those entities overseas so that we can get access to technology.

The second part, which is the technology transfer part of the program, is to look at focusing activities to increase industry's ability to absorb new technologies and to get more explicit linkages between the science agencies and the universities with SMEs in that process.

Senator GEORGE CAMPBELL—I thought you said earlier on that there was a plan in place?

Dr Wellings—There is a plan. There is an overarching statement that sets out all of those issues which I have just enunciated.

Senator GEORGE CAMPBELL—Can the committee have a copy of that?

Dr Wellings—Surely.

Senator GEORGE CAMPBELL—In terms of the technology diffusion side of it, is that specifically spelt out in the plan? What has been done so far, given that the rate of technology uptake in our industries has been pretty poor, you would have to say, for the past decade or so. What specific strategies, actions or activities are you planning to undertake to drive that issue?

Dr Wellings—There are essentially grant processes for companies who want to get access to particular types of technologies, whether they be domestic or international. Those companies, or research providers, are able to come forward with an initiative which is then considered within the department and linked into the other frameworks that exist like the action agendas that we just talked about. On a regular basis there have been advertisements in the national press that have sought expressions of interest from companies to come forward to link in to the program.

Senator GEORGE CAMPBELL—Is there anything provided in the program in terms of making SMEs aware of the technologies that are available?

Dr Wellings—The online component deals with both e-commerce and also providing an electronic means of linking into what technologies are out there. That is handled, as I say, through the other department.

Senator GEORGE CAMPBELL—But the access rate to that is relatively small in terms of SMEs?

Dr Wellings—I think that is most probably true. I do not have the data to know what proportion of SMEs have electronic access.

Senator GEORGE CAMPBELL—The question I am really asking is: are you looking at any alternative means of getting advice and information to SMEs about the nature of the technologies that are available that can assist their businesses?

Dr Wellings—I think elsewhere in the department there are electronic mechanisms. The business online activities through AusIndustry allow businesses to look at the regulatory frameworks, the constraints to taking technologies to market and all those sorts of things. That is delivered through AusIndustry. This program is much more about trying to broker the relationships between researchers and the needs of particular companies who are articulating their own needs in order then to get access to particular technology sets. It is not a general awareness program about technology diffusion. It is a highly targeted program about building and brokering those relationships.

Senator GEORGE CAMPBELL—It is almost matchmaking. Is that a fair description of it?

Dr Wellings—Other than the fact that the department is not the matchmaker, the matches are being made in the high street and then those groups are coming to the department to say this a line of pursuit that we would now wish to develop.

Senator GEORGE CAMPBELL—I am afraid I am still not getting a handle on just specifically what this technology diffusion agenda is and how it functions under this program.

Dr Wellings—As I say, there are two components. There is the alliances part which is the international component and there is a transfer component which is about diffusing—

Senator GEORGE CAMPBELL—I understand that but I am trying to understand how it actually works in practice.

Mr Spasojevic—Senator, I wonder whether we could provide you with a comprehensive briefing on the program at some convenient point in time.

Senator GEORGE CAMPBELL—I would be pleased to have that. I am really trying to get a handle on how it works in practice; how you actually get the people who have the technology awareness into the companies to assist them to actually build up their technology base.

Senator Minchin—Would you be happy with that detailed briefing?

Senator GEORGE CAMPBELL—Yes, I would be very happy with that.

Mr Spasojevic—We will organise that with your office.

ACTING CHAIR—Any further questions?

Senator CONROY—I can start afresh on 1.7.

ACTING CHAIR—Do you want to break for lunch?

Senator CONROY—Yes.

ACTING CHAIR—We will resume at 1.30 p.m.

Proceedings suspended from 12.25 p.m. to 1.37 p.m.

Program 3—Australian Tourist Commission

Senator GEORGE CAMPBELL—Mr Morse, can you confirm that the ATC was at a recent trade fair in Asia?

Mr Morse—Yes. We attend many trade fairs in Asia.

Senator GEORGE CAMPBELL—Can you confirm that an ATC officer suffered a heart attack at that trade fair?

Mr Morse—Not to my knowledge.

Mr Hopwood—If there were such a case it would normally be referred to me, in view of our insurance coverage and medical evacuation requirements, but I am not aware of any such issue.

Senator GEORGE CAMPBELL—How many representations did the ATC receive following the launch of the \$150 million advertising campaign?

Mr Morse—It is difficult to quantify off the top of my head. I would say we had around 20 phone calls to the office about the campaign. We also had a number of letters, no more than 10, from members of the public and members of the industry, some of which were supportive and some of which were not supportive.

Senator GEORGE CAMPBELL—Did you have any communications from the minister's office about the advertising campaign?

Mr Morse—The minister's office was fully briefed. In fact, the minister was at the launch of the campaign. We briefed the minister before the launch of the campaign and she attended the launch and did a presentation there. The minister's office was fully aware of the campaign, yes.

Senator GEORGE CAMPBELL—What was the effect of the recent changes in the exchange rate for the Australian dollar on the budgeting of the ATC?

Mr Morse—Could I refer that question to John Hopwood? He is in charge of our financial area.

Mr Hopwood—Senator, when you say ‘recent’, is this in a yearly sense or over the last couple of months?

Senator GEORGE CAMPBELL—Over the last few months.

Mr Hopwood—We have an investment strategy for foreign currency which we work out in advance with our bankers. In this case it happens to be Westpac. For that investment strategy we take into consideration potential movements, but more importantly we want to minimise our risk, and in doing that we take advantage of what we call hedging programs. It just so happens that the majority of our funds were hedged before a lot of the recent movements—that is why I asked you about the time frame—and so we have been protected from a lot of those movements.

We always keep a small amount available to take advantage of positive movements. For instance, in the last couple of days the US dollar has improved and we have put a few hundred thousand dollars into that. But, as an example for the US dollar, in those periods when the market was experiencing rates in the 50s we were able to average a rate of 62 or 63 because of our hedging programs, et cetera. So, in a funding sense, we are protected in a risk manner for foreign currency movements of that nature.

Senator GEORGE CAMPBELL—So it would not have had any impact on your budgeting?

Mr Hopwood—Not for fund management purposes, no.

Senator GEORGE CAMPBELL—I refer to your operating statement in the 1997-98 annual report. Can you explain why there was an additional \$3.2 million spent on employees?

Mr Hopwood—Yes. That was the first year we changed our accounting requirements under the category of employees. The remuneration levels that we reported that year incorporated the complete aspects of salary packaging. For example, in prior years, if a car was in the salary package, that was held under normal operating costs. In that particular year that was moved to an employee cost.

The extent of that change happened to total \$2.5 million. The reason it is so significant is that it incorporates our Australian based staff overseas, who receive benefits such as housing and living away from home allowances in line with the general government regulations. When you add those all together we have a significant movement from an operating expense into an employee expense. So that was the majority of the move.

There were other moves related to the fact that the exchange rates, as compared with the year before, made our overseas staff slightly more expensive, but that was only by \$300,000. There was also a small increase in head count, of just under six people worldwide. That accounted for just on a million dollars more.

Senator GEORGE CAMPBELL—The salary packaging is part of the process of enterprise bargaining, is it?

Mr Hopwood—Yes, that is right. Also, it is a recognition of a change of accounting rules, by which we moved it from one category to another.

Senator GEORGE CAMPBELL—Is salary packaging extensive through your commission?

Mr Hopwood—Salary packaging is in place for Australian based employees at a level of middle management and above.

Senator GEORGE CAMPBELL—How many employees, or what percentage of employees, would be covered by salary packaging?

Mr Hopwood—Of the 80 or so staff we have in Australia, 20-something would be salary packaged. Of the 100 or so staff we have overseas—about 112—the salary packaging would only relate to about 10. So it is 30, of a total of 190.

Senator GEORGE CAMPBELL—Why is it so appealing to those in Australia and not for those outside the country?

Mr Hopwood—It is not so much an appealing thing; we are rolling out the salary packaging slowly. Firstly, we are using Australia as a test base to see if we have got it right; secondly, there are different cultural expectations about packaging in each of our overseas offices. In areas where packaging is not appropriate culturally, or it is not in the marketplace, we are having to look at other ways. Effectively, it is really only rolled out in Australia and for Australian based staff—that is in terms and conditions—overseas, not the locally engaged staff.

Senator GEORGE CAMPBELL—Your last comment would relate to Australians employed overseas—

Mr Hopwood—That is correct, yes.

Senator GEORGE CAMPBELL—as opposed to the locals.

Mr Hopwood—Yes. The locally engaged people are not salary packaged.

Senator GEORGE CAMPBELL—Is that because the local laws do not provide for it; there is no tax advantage?

Mr Hopwood—It is because we have not rolled out that facility to our overseas staff. We will be, over the next year or so, investigating options.

Senator GEORGE CAMPBELL—Can you tell us what the effect is of the net foreign exchange movement of around \$5 million?

Mr Hopwood—Do you mean the impact on our operations?

Senator GEORGE CAMPBELL—Yes.

Mr Hopwood—And that is for the last financial year?

Senator GEORGE CAMPBELL—For the period covered by the report.

Mr Hopwood—I would say, basically, if there was a deterioration it would be felt throughout the year in the various areas of operations. If there was a shortfall in the local currency funding in any particular region we would adjust our marketing programs to ensure that we are still getting a maximum impact from our marketing but changing the cost dynamics of the marketing so that we will still be able to not feel the full impact of a change.

For example, over the past years, because marketing has become more expensive in some markets, we have been moving more to public relations, which is a more cost-effective mechanism. Perhaps I will not go too much into marketing, and let our managing director talk about that. That is an example of how, if there was a deterioration in the market—and the movements are up and down so it depends on which time frame we are looking at—we can look at the marketing mix and adjust that according to the circumstances of the time.

Mr Morse—We also made a decision, I think it was about this time last year, because of the Asian crisis, to shift some of our funds out of Asia and move them into the North American and European markets, which were showing, potentially, signs of significant growth—and that has happened. By moving funds from Asia to Europe and America, we were

able to do two things: we were able to offset any shortfall because of foreign exchange rates in those countries, but also we were able to take advantage of a market situation which indicated real growth. At the end of the year we will have seen a growth out of Europe of around 12 per cent and out of North America of around 15 per cent.

Senator GEORGE CAMPBELL—What has been the decline in the Asian market over that corresponding period?

Mr Morse—As of the end of October, the overall decline out of the Asian market is 22 per cent—which is significant; I acknowledge that. However, it needs to be recognised also that despite the 22 per cent drop, Asia—not including Japan—is still our single largest region for international visitors. When the final figures come through for 1998, Asia will still represent in excess of one million visitors to this country. That is one of the reasons that we have maintained a solid commitment towards promoting Australia throughout the Asian region, albeit with some adjustments in the budget area.

Senator GEORGE CAMPBELL—Has there been any difference in terms of the impact on the tourists coming into Australia vis-a-vis the business type tourist?

Mr Morse—Yes, the business traffic from Asia certainly dropped off significantly during 1998. Correspondingly, there has been an increase in business traffic out of North America, for example, which has mainly been fuelled and driven by the business interest in the Olympic Games.

Senator GEORGE CAMPBELL—So the impact has been similar in both areas?

Mr Morse—Yes. I will give you an example. The business traffic out of Asia for the January to October period last year is down eight per cent. From Japan it is down 17 per cent. From America it is slightly up at two per cent, and from New Zealand is up nearly six per cent. We do not have a lot of influence over that business travel sector.

Senator GEORGE CAMPBELL—I was interested in whether there had been an impact on it because you would think it would be a bit more insulated than just the normal tourist traffic.

Mr Morse—Yes.

Senator GEORGE CAMPBELL—There are different imperatives that drive people coming on business. Why was there such a dramatic decrease in the interest from operating revenues from independent sources? It dropped from over \$1 million to about \$700,000.

Mr Hopwood—Can I have the two sets of figures again, Senator?

Senator GEORGE CAMPBELL—The 1996-97 figure was \$1.37 million and the 1997-98 figure was \$708,000. It has dropped about a third. It is on page 50.

Mr Hopwood—That interest is purely on our surplus funds, which are based on two aspects. It is based on the fact that we get funding from government, and if that funding is not used on the day that we anticipate due to cash flow movement, or due to changes of marketing campaigns, or it is not used because we have generated revenue in an area earlier than we thought we would, then we put those funds aside in Australia to generate interest.

Senator GEORGE CAMPBELL—On the overnight money market?

Mr Hopwood—It is overnight if that is a more appropriate rate; otherwise it is just normal cash holdings. In 1997-98 the cash flow was a lot closer. We are only talking about a small amount of cash. The cash was a lot closer to cash flow expectations. Therefore, the cash holdings were smaller and the interest was lower. It is not something I really aim to maximise,

that particular area, because the lower it is, the better our planning is and the less impact there is on different market forces according to budgets.

Senator GEORGE CAMPBELL—I have no further questions.

CHAIR—If there are no further questions on the Australian Tourist Commission, I thank the officers for their attendance today.

It appears there are no questions for the National Standards Commission or the Australian Institute of Marine Science. We will have a short break while we are waiting for people to be contacted.

Proceedings suspended from 1.58 p.m. to 2.12 p.m.

Program 6—Australian Nuclear Science and Technology Organisation

Senator LUNDY—Before I begin, I would like to put on the record my concern over the delays I have experienced in receiving answers to questions that were taken on notice in the last round of estimates hearings. These hearings were conducted in June last year and the majority of answers to questions were not received until just a few weeks ago. That is despite the requirement agreed to by the committee that the answers to questions taken on notice be provided by the end of August. I see this as a flagrant disregard of the Senate estimates process, and it borders on contempt of parliament by the responsible minister.

I will be pursuing this matter with the President and, Mr Chairman, I respectfully request that you take the matter up as well to ensure this situation does not occur again.

Agencies that I asked questions of and that forwarded answers late were the Australian Tourist Commission in subprogram 1.3, CSIRO, ANSTO, ASC, ASDA, and subprogram 1.4 of the department of sport and recreation.

I will now go to my questions for ANSTO on behalf of Senator Schacht, who is tied up in another Senate estimates hearing at this time.

With respect to Lucas Heights, several of these questions relate to topics which have been ignored or sidestepped in both the draft and final supplement to the current EIS. First of all, immobilisation of solidified wastes in synroc from the production of molybdenum 99 is described in the environmental impact study on the replacement research reactor. Estimated operational costs are \$1.4 million. Is this a hypothetical situation or is the synroc process actually planned?

Prof. Garnett—The immobilisation of molybdenum waste: just to explain, there is a liquid waste which is being solidified by a process by ANSTO at the moment. A research project has been undertaken to develop a synroc formulation that will then take that particular waste form. There at this stage is not a plan to proceed with it. It is, in the case of the \$1.4 million, an estimated cost of what it would take to put all the molybdenum waste into a synroc waste form.

Senator SCHACHT—Up to \$35 million to \$40 million and we are still going no further with synroc. The story has not changed, has it?

CHAIR—Senator Schacht, Senator Lundy has the call. We did wait a considerable time for you to appear.

Senator SCHACHT—I know. I was stuck in another committee.

CHAIR—Senator Lundy still has the call. If she wishes to defer to you, I am quite happy. But while she has the call, please do not interfere.

Senator LUNDY—Given your response, will the cost to date be covered by the annual amount of \$65 million provided by the Commonwealth government to ANSTO?

Prof. Garnett—First of all, the answer to that is: if there is a decision to proceed with putting it into synroc, it will be covered in our normal operational costs. There will no proceeding to that until the national waste repository is established and the terms and conditions for receiving waste for that repository are established.

Senator SCHACHT—I apologise, Mr Chairman, for being late, but when you have four estimates committee meetings at the same time you cannot always be in two places at the same time, obviously. I am coming in late on some of the answers, Professor Garnett. My interjection is that, as you know, I have asked questions consistently about the amount of money that has been provided to ANSTO for research into synroc. What are we up to—\$40 million over 15 years?

Prof. Garnett—About that over close to a 20-year period.

Senator SCHACHT—You may have already told Senator Lundy this: how much are we spending in 1998-99 on synroc?

Prof. Garnett—I have not got those figures with me. I am not sure if you are aware that the United States has determined that synroc is the appropriate waste form in which to immobilise the plutonium that comes out of weapons disposition. We are working with the United States on that.

Senator SCHACHT—Does this mean that we are going to get a very big cheque from the Americans for our intellectual property and skill in developing synroc or have all the patents fallen over and they will be able to use it without any payment to us?

Prof. Garnett—No, the patents have not fallen over, but the issue is with the US. First of all, the waste form has to be registered and licensed. That is a \$100 million process, which we would have to go through if we were to try and license the waste form for use in the United States, and the US will be covering that bill. Utilisation does depend on progression of various negotiations, but I am not sure if you are aware that currently the US position is that, if work is undertaken in the US to actually prove something that is useful in the US—and we do not have a bilateral agreement with USA at the moment—the US can push to utilise the technology in the United States without paying a licence fee. That is an issue that needs to be resolved.

Senator SCHACHT—What you are suggesting is that, after the taxpayers of Australia have provided up to \$40 million in development of synroc, our good friends the Americans could walk off and use the technology and no repayment back to the Australian taxpayers would occur?

Prof. Garnett—I am indicating to you that they will be covering the costs of the licensing, which is \$100 million, and that it would be very difficult for what you have said to happen because there will be a need to involve knowledge and know-how. But until the United States determines the way that it will progress with this—whether it will be a government project or a commercial project—I cannot give you the answer. If it is a government project, given the current situation of bilateral arrangements with the United States, there is the chance that they could use the technology without paying a licence fee. If it is a commercial project in the US, that is a totally different situation.

Senator SCHACHT—What are the agreements that we have with the Americans that if they make it a government project they could use our technology without paying a licence fee?

Prof. Garnett—Sorry, you are going out of my territory. All I know is the position as it applies to us.

Senator SCHACHT—Mr Spasojevic, you are the senior figure in the department.

Mr Spasojevic—We do not the answer to that; we will have to take that on notice.

Senator SCHACHT—Is there some knowledge in the bowels of DISR about how to handle this, or is it going to be handled by the Attorney-General's? Is there somewhere else I should go?

Mr Spasojevic—I do not think we have any particular expertise in the knowledge of this.

Senator SCHACHT—Is there somebody from DISR who is in charge of the division, the branch or the section and who deals with ANSTO on a daily, weekly or monthly basis?

Mr Spasojevic—There is.

Senator SCHACHT—Are they present?

Mr Spasojevic—They are. We will ask them to come to the table.

Senator SCHACHT—Thank you. Dr Wellings, can you enlighten us as to the facts? Professor Garnett and Mr Spasojevic do not know what agreements we have signed with the Americans at any level that mean that, if they choose a governmental route on developing and the use of synroc, they might not have to pay us any licence fees for the intellectual property.

Dr Wellings—I think Professor Garnett is right: there is no bilateral agreement between Australia and the United States that covers this issue. It is not clear to me whether it would be handled by the Department of Industry, Science and Resources or whether it would be an issue for DFAT.

Senator SCHACHT—It will be lost without trace if it goes to DFAT, I suppose.

CHAIR—Senator Schacht, there was an indication that Mr Spasojevic would take the question on notice.

Senator SCHACHT—Before it is taken on notice—I appreciate this is necessary for the technical detail—I am somewhat astonished that the senior officer of the department, the chief executive of ANSTO and now the officer cannot give us an indication of an agreement, or a treaty. Would you say that there is no treaty?

Dr Wellings—We are talking about an agreement, Senator.

Senator SCHACHT—An agreement—whatever you want to call it. How come if there is no agreement they can pinch our intellectual property?

Prof. Garnett—My understanding is that there was a bilateral agreement—in fact there was, because we were working in the framework of that—but it has lapsed at this stage.

Senator SCHACHT—So, now that it has lapsed, if they do not sign a new agreement, if they choose to go the governmental route, they can take the synroc technology and refuse to pay us?

Prof. Garnett—I would not put it that way, no. They can utilise the synroc technology for their purpose in the United States in a formulation that has been developed jointly with them for the plutonium issue if they go a government route.

Senator LUNDY—In other words, what you said.

Senator SCHACHT—In other words, what I said. Take it on notice, because obviously I am not going to get an answer here. Are we going to try to renegotiate a new agreement?

Prof. Garnett—It is not for us to negotiate a new agreement, but we are bringing it to the attention of the appropriate people that in fact it needs to be progressed.

Senator SCHACHT—And who are the appropriate people?

Prof. Garnett—My understanding is that it involves both the departments that have been mentioned.

Senator SCHACHT—And that is Dr Wellings. You have to bring it to his attention and then to Mr Spasojevic's attention—whoever. I am just trying to chase which burrow we are going to end up in—the lost rabbit, which is synroc.

Dr Wellings—I think Mr Spasojevic has given you the answer: we will take this on notice and give you the information.

Senator LUNDY—Has ANSTO approached the department formally on this matter?

Prof. Garnett—One of my staff members, in fact, has another appointment with a person on Friday.

Senator LUNDY—Can you provide any correspondence between ANSTO and the department on this matter?

Prof. Garnett—It is not correspondence; it is verbal discussion at this stage.

Senator LUNDY—Can you provide any memos of meetings in relation to this matter to the committee, please?

Prof. Garnett—Yes.

Senator Minchin—No, we are not agreeing to that. We will take that request on notice but—

Senator SCHACHT—Mr Spasojevic, I presume you are in charge of policy in the department?

Mr Spasojevic—In some areas.

Senator SCHACHT—In this area?

Mr Spasojevic—Yes.

Senator SCHACHT—In view of our investment, in view of the sensitivity of issues relating to nuclear waste, et cetera, and in view of the fact that we have got a major political problem in Australia even dealing with our own and finding a place to put it, I am a bit surprised that the department is not a bit more up to date or proactive in being ready to handle these issues. And, above all, all you economic rationalists over in the department are saying, 'Whoopee, here's a way to get part of our \$40 million back.' I would have thought you would have been into this like a rat up a sewer pipe. What has been going on about this?

Mr Spasojevic—I think I have said we will take that on notice. Sorry, I do not have the information. I cannot give it to you.

Senator SCHACHT—Can Dr Wellings?

CHAIR—Senator Schacht, can I intervene? You know the rules as well as anybody else because you have been a minister. In fact, if an officer chooses to take a question on notice

that is his choice. He has said he wishes to take the question on notice, so I cannot see any point in pursuing the same question with any other officer.

Senator SCHACHT—They are taking it on notice, but not to provide us with ‘We don’t know how many dollars for a particular item.’ This is taking on notice a whole policy issue about how to handle an agreement with the United States. I am astonished that nobody is available in the team behind you who can comment.

CHAIR—Senator Schacht, you are allowed to be astonished, but if they choose to take it on notice you know that they are entitled to do so.

Senator SCHACHT—Minister, have you got any idea? I will try you as a last resort.

Senator Minchin—Thanks. We understand the nature of your request—it is specific in relation to the status of agreements between the United States and Australia in relation to this specific matter—and we will get you the information you need as quickly as we can.

Senator SCHACHT—It is a bit Kafka like, isn’t it?

Senator LUNDY—Perhaps, as a starting point, you can also take on notice providing the details and form of the bilateral agreement that Professor Garnett indicated had lapsed as part of the information to supply to the committee.

Senator Minchin—Sure.

Senator SCHACHT—When did that agreement start that has now lapsed? Professor Garnett?

Prof. Garnett—I am afraid I would not know when it started or lapsed.

Senator SCHACHT—Dr Wellings, do you know when that agreement started?

Dr Wellings—I do not have that information with me. I would have to take that on notice.

Senator SCHACHT—I presume if it is held somewhere in the department or in ANSTO somewhere there would be a copy of it?

Mr Spasojevic—I presume that is correct.

Senator Minchin—Senator Schacht, if you wanted to ask a whole lot of questions about this agreement you might have given us some notice and we would have had an expert here to answer your questions.

Senator SCHACHT—Hang on! I did not know until I got some information, thankfully, from Professor Garnett that there was an agreement that had lapsed. I just asked an innocent question which I have been asking on and off now both when I was a minister and since: when are we going to get a return on the \$40 million that we have invested since 1978 in developing synroc? It is a simple question on behalf of taxpayers. I asked it as a minister. I asked it as a backbencher. I still ask it because I think it is a reasonable question. If we are going to put that sort of money into research, you would hope in the end you would get a return on it. For \$40 million—to give you an example, Minister—you could run two Australian space programs.

CHAIR—Senator Schacht, this is not a time for statements—

Senator SCHACHT—It is.

CHAIR—It is a time for asking questions. Ask your question.

Senator SCHACHT—The minister said, ‘Why don’t you come along and give us notice?’ I have been giving notice at every goddamn hearing.

Senator Minchin—No, you are asking specifically about a specific agreement.

Senator SCHACHT—Yes, about the agreement which now I am told is lapsed.

Senator Minchin—Okay, we will get you the information you need.

CHAIR—If you were minister at the time, Senator Schacht, perhaps you should have known about the agreement.

Senator SCHACHT—At the time, I have to admit, I had a somewhat controversial regime as Minister for Science with ANSTO—

CHAIR—Oh?

Senator SCHACHT—Which you all know about. I have to say some of my views have not changed. One of the reasons they have not changed much is that I am still trying to find out what happened to \$40 million.

Senator Minchin—We will try and find out about the agreement for you.

CHAIR—Senator Schacht, the question has been taken on notice. Would you please proceed?

Senator SCHACHT—Professor Garnett said, when I asked the simple question ‘How much money is being spent this year?’, that that had to be taken on notice. I do not think you can give me the exact amount of money. But tell me this: within ANSTO at the moment, how many dedicated staff are working on synroc still? Do not tell me to the last farthing.

Prof. Garnett—The figure would be about the same as we provided to you in previous years because there was a program which was agreed and endorsed which went on for a number of years.

I might comment that, at the moment, a large proportion of the synroc program is being covered. The work that is being done with the US is under contract. The work that we are doing with other overseas organisations is being paid for. So a significant proportion of the work that we are doing on synroc is being covered.

Senator SCHACHT—How much are they paying you?

Prof. Garnett—It is probably of the order of a couple of million dollars at the moment.

Senator SCHACHT—Over how many years?

Prof. Garnett—The current year is what you have asked for and that is what I have given you. I can give you the figures for work we are doing related to that kind of waste management.

Senator SCHACHT—We will give you the benefit of the doubt if it is associated with synroc. So \$2 million in revenue is coming in this year?

Prof. Garnett—Approximately.

Senator SCHACHT—Is that more than you are actually allocated out of your one—

Prof. Garnett—No. It would probably be round about 50 per cent.

Senator SCHACHT—So we are spending about \$4 million on synroc in money and resources.

Prof. Garnett—I could take the exact figures on notice, but it is approximately of that order.

Senator SCHACHT—In the outlays, have you told Finance for the years 1999-2000, 2000-01, that a similar amount of expenditure will be put into the synroc program, \$4 million a year approximately?

Prof. Garnett—Certainly. Next year it is of a similar order of magnitude.

Senator SCHACHT—And the following year? Or hasn't that been decided yet?

Prof. Garnett—At this stage, no.

Senator SCHACHT—You have had \$2 million of income this year. Do you expect about the same next year?

Prof. Garnett—We certainly expect income. We hope that it will increase and we believe that it will. We have answered questions in the past and there is a great deal of information on the public record about the potential uptake of the technology. Work has to be done in developing it and we are working with the potential people who will use it so that it can be taken up in the longer term future.

Senator SCHACHT—I have been given that answer every year for a long time. There is great potential, I agree. In the end, I ask that some of the potential drifts across and there is a return for it. On this particular aspect, Mr Chairman, I await the answer with interest. We will be back at estimates in June, I suppose, going another time around the track. Minister, be warned, you have a fair idea of what I will be on about on this aspect.

Senator Minchin—Thank you for enlightening me, Senator Schacht.

CHAIR—Reread the previous estimates.

Senator SCHACHT—I do not want to come here every year and repeat it, but it is the only way you will get any information, Minister.

Senator Minchin—I am refreshed by this sudden interest in the welfare of the taxpayers. If only you had thought of that while you were in government for 13 years.

Senator SCHACHT—We did, actually.

CHAIR—Order! I think that we are transgressing from the estimates. Do you have any further questions to ANSTO, Senator Schacht?

Senator SCHACHT—There is a whole series of questions, but I have to go to another committee and back to another hearing, so I will put those on notice to show you how genuinely cooperative I am, Minister.

Senator Minchin—Thank you, Senator Schacht.

CHAIR—Can you give me an indication of the number of questions? We have had complaints about the questions on notice not being answered in time and if the departments get too many that makes it very difficult for them to do.

Senator LUNDY—I am very happy to sit here and go through the questions. Why don't we just do that?

Senator SCHACHT—If we read them out one by one, they will say, 'Take them on notice.'

Senator Minchin—We will accept your original offer.

Senator SCHACHT—I am sure you will. When is the deadline for answers, Mr Chairman?

CHAIR—The committee has selected 5 March. Are there any further questions for ANSTO? If not, I thank the officers very much for their presence here today.

[2.34 p.m.]

Program 1—Department of Industry, Science and Resources
Subprogram 1.4—Sport and recreation
Program 9—Australian Sports Commission
Program 10—Australian Sports Drug Agency

CHAIR—I call for questions on subprogram 1.4, program 9 and program 10.

Senator LUNDY—Before I begin I would like to acknowledge the briefing provided by the department, the Sports Commission and the Australian Sports Drug Agency. It was very helpful and it will go a long way to reducing the amount of time the estimates committee questioning should take today. I appreciate that.

The reason we have asked for you to come to the table together is that quite a number of the issues traverse from one to the other. So just bear with me—I will probably go in all directions.

I would like to start by asking: on what date did each agency—the Sports Commission and ASDA—provide the answers that were taken on notice in the last round of estimates?

CHAIR—Are you taking that on notice?

Senator LUNDY—Don't say you are going to take that on notice!

Mr Ferguson—I am not sure that we can give you the precise date that the answers were completed. But I was surprised to hear you mention the Sports Commission in the list of those that provided answers late to you because we had certainly been working on them in the commission immediately after the previous Senate estimates hearing. I was under the impression that we had completed them all at least within a week, but I do not know what happened to them after that.

Senator LUNDY—And what is the process once you have completed the questions? Who do you submit them to?

Mr Ferguson—I think that they are put together by the department. You may have to ask the department that.

Senator LUNDY—So you submit them to the department?

Mr Ferguson—I cannot give you the date though, I am afraid, off the top of my head.

Senator LUNDY—If you could take that on notice.

CHAIR—In fact, Senator Lundy, the normal procedure is that questions taken on notice are forwarded to the department and approved by the minister before they are returned to the committee, so I do not think it needs to go on notice. That is a simple procedure which has been in place for a number of years with all governments: that they go to the department to be approved by the minister before they come back to the secretariat.

Senator LUNDY—What I am really looking for is the process following that: once the Sports Commission fulfilled their obligations in responding to those questions, the process and time line following that. When did the department receive those questions from the Sports Commission?

Mr Spasojevic—I am sorry, I do not know the answer to that question, but there may be an officer who can speak to that. My suspicion is that if you want to know the exact date we

will have to take that on notice as well. We will endeavour to find that out while the hearing is still under way, but we cannot be sure that we can get that to you today.

Senator LUNDY—Okay. I also would like to know when they were forwarded by the department to the minister's office for that final approval that the chairman just mentioned. Could you, during the course of these hearings, find an explanation for the delay of six months that actually occurred between when the Sports Commission provided the answers to the actual substance of the questions and when they were supplied to this committee? Could you try and address that over the next couple of hours.

Mr Spasojevic—We will attempt to do that.

Senator LUNDY—That would be useful and I will revisit it at the end, Mr Chairman.

CHAIR—It may have something to do with an intervening election, I would have thought.

Mr Spasojevic—I would have thought so but—

Senator LUNDY—If that is the case, it does not explain the time frame, given that the required reporting date was significantly before any public announcement of any general election. Are you saying that the election was in fact a factor in that?

Senator Minchin—I think they are saying it could well have been, but we will get you a more definitive answer.

Senator LUNDY—Just pursuing that point, Minister, if it was a factor it still does not explain that the delay had extended beyond the reporting date, even prior to the election being called.

Senator Minchin—What was the reporting date for the last one?

Senator LUNDY—It was August.

Senator Minchin—The election was called at the end of August, and nothing happened then until the end of October, so you lost two months. So if it just missed the end of August it was inevitably going to be delayed several months.

Senator LUNDY—Minister, that does not provide an explanation for the initial delay anyway, given that it was outside the time frame. It certainly does not explain the two months.

CHAIR—In my six years of experience attending the estimates committees I have never known, from any government, all answers to be given by the date. It is a date that is put in place by the committee which departments cannot always comply with. I know when I was in opposition that additional estimates had to be called off because answers had not been supplied by that time. So it is not a recent event; it is something that has happened over a period of time.

Maybe if there is concern about the length of time that is taken to get answers to questions on notice, instead of this committee setting a date of three weeks it might have to set a date of six weeks or seven weeks or eight weeks. The reason we put three weeks on it is to try to get as many answers to questions as possible to committee members as soon as possible.

Senator LUNDY—I do not think any of our requests, to date or previously, have been unreasonable and they have always been within the context of the decision of the committee, as opposed to the view of the opposition, Mr Chairman.

CHAIR—We may have to meet again as a committee and extend the reporting date if there is going to be so much concern expressed about non-answering of questions by a certain date. It has never been an issue to this extent with any committee that I have been involved with.

But if it is going to be an issue I will call the committee together at the conclusion of this estimates hearing and perhaps we might revise the date.

Senator LUNDY—That might be your view, Mr Chairman.

CHAIR—I am talking about this committee.

Senator LUNDY—I would like to revisit the matter of the function conducted by former Minister Thomson between coalition MPs and elite athletes. Has the matter of the unpaid bill for Minister Thomson's little soiree for coalition MPs to have their photos taken with AIS athletes been cleared up as yet?

Mr Ferguson—Yes, Senator.

Senator LUNDY—Can you provide an explanation to the committee of how that bill was settled and who by?

Mr Ferguson—It was settled by the commission.

Senator LUNDY—Last time we heard that the commission forwarded the bill back to the minister's office. What has been the course of events since then?

Mr Ferguson—I am not sure that I can recall precisely, off the top of my head, but the bill ended up back with the commission and the commission paid it.

Senator LUNDY—Was there an explanation provided to the commission as to why they were liable for the costs of that function, given that it was a coalition function as opposed to a parliamentary function?

Mr Ferguson—I cannot recall any specific explanation.

Senator LUNDY—Can you tell the committee what occurred when you referred the bill back to the minister's office? Did it come straight back with a rude note saying, 'No, you pay,' or was there a formal request from the minister to settle the account?

Mr Ferguson—I think it stayed in the minister's office for some time.

Senator LUNDY—How long?

Mr Ferguson—I cannot recall off the top of my head. I can probably check that. I am not absolutely sure. But it might have been a matter of weeks and then it was referred back to the commission with the request that we pay it.

Senator LUNDY—Can you provide the committee with a copy of that request?

Mr Ferguson—I will have to check; I am not sure. If it is a written request, I can. But I am not absolutely sure whether or not it is a written request.

Senator LUNDY—If it is not a written request, how would you be accountable in terms of the Sports Commission's expenditure on functions of that nature?

Mr Ferguson—I think that Mr Thomson took the view that this was a normal departmental or commission activity and that it was therefore appropriate that it be paid by the commission.

Senator LUNDY—So in the minister's view the cost of parties for coalition members are justifiably covered by departmental expenditure?

Mr Ferguson—That is the view he took in relation to that particular function. As I explained at the last estimates hearing, we were not involved in the invitation list.

Senator LUNDY—Yet you were liable for all the costs?

Mr Ferguson—It has transpired that we have paid the bill.

Senator LUNDY—Can you refresh my memory as to how much it was, Mr Ferguson?

Mr Ferguson—No, I cannot. I will get that figure for you.

Senator LUNDY—Perhaps I could ask the minister whether this is a common approach by government ministers to use departmental budgets for coalition parties?

Senator Minchin—I am not sure of the circumstances of that particular function, so I am not going to give a running commentary on it. I think it is important to bear in mind that they were members of the government. It was a government function. Functions for and on behalf of the government are conducted obviously in the business of government quite regularly and quite properly.

Senator LUNDY—So no backbenchers attended that function; is that what you are saying?

Senator Minchin—I do not have any details of the nature of that function.

Senator LUNDY—What is your definition of ‘government’ as opposed to ‘party’, Minister?

Senator Minchin—Let us not get into an esoteric discussion about that.

Senator LUNDY—I do not think it is esoteric. I think it is an important point about accountability for the Sports Commission, which has been requested by the minister to pay for a function that was quite patently for coalition members as opposed to government members.

Senator Minchin—I do not have the invitation list, the nature of the function or any details of it in front of me. So I am not going to comment on that, in particular. But from time to time it is appropriate for the government to have functions involving members of the governing party—the government—in their capacity as members of the government.

Senator LUNDY—Can you just clarify that—the ‘governing party’ or the executive government?

Senator Minchin—Members of the government.

Senator LUNDY—As opposed to members of the party. It is an interesting distinction, Minister, and I will look forward to taking the answers on notice.

CHAIR—Do not debate the issue, Senator Lundy. Just ask the questions. There is no need to debate it.

Senator LUNDY—On notice, could you forward any correspondence or memos of conversations and meetings with respect to the payment of this account by the Australian Sports Commission and provide an explanation, if you could, as to the justification as to why the minister deemed the Sports Commission responsible for the settlement of that account?

Senator Minchin—I will take on notice the request, certainly.

Senator LUNDY—Thank you. I cannot recall whether we managed to elicit an invitation list or an attendance list for that particular function, but could you also provide that, along with all the details of the actual expenditure, the amounts and to whom it was paid?

Senator Minchin—The request is noted.

Senator LUNDY—Thank you. Are there any more functions like that planned in the near future?

Mr Ferguson—Not that I am aware of.

CHAIR—Not unless it is the Australian Olympic Committee.

Mr Ferguson—We will not be paying that one.

Senator LUNDY—There was a photographer present at that function taking photographs of coalition MPs and athletes. Were any of those photographs subsequently used without the permission of athletes?

Mr Ferguson—Again, I am not aware—

CHAIR—Can I say, Senator Lundy, I am not sure that is a question relating to estimates for the department. You are asking the department something they may or may not know. I will let the question stand but it is pretty hard to expect the department to know things like that.

Mr Ferguson—To the best of our ability I am happy to check on that. I am not sure that we will know the answer.

Senator LUNDY—Have you received any complaints?

Senator Minchin—I was going to say you can only ask whether the commission received any complaints from the athletes about pictures used without their authority.

Mr Ferguson—The answer to that is no. We did not receive any complaints.

Senator LUNDY—Minister, are you aware of any of those photographs being used by coalition members at all?

Senator Minchin—No, I am not. Are you?

Senator LUNDY—Could you take it on notice to investigate whether or not any of those photographs were used by coalition MPs particularly in relation to election material?

Senator Minchin—No. I am not going to do that. I am happy to confirm whether or not any complaints were received from any athletes about photos being used without their permission. We already have a prima facie answer that the commission did not get any complaints. They can check on that but I think that is the appropriate level of inquiry. I do not see any need to go beyond that.

Senator LUNDY—You think it is okay, provided no complaints have been received, for these photographs to be used?

Senator Minchin—It is not appropriate for the government to waste a whole lot of time ringing up every sportsperson who might have been at that thing to see whether a photo was taken.

Senator LUNDY—What about ringing the MPs?

Senator Minchin—We have noted the request to see if there were any complaints lodged.

Senator LUNDY—I would like to move on to general funding issues and following up on the post-2000 sports funding issue that we traversed at the last hearing. In an answer provided on notice it was indicated that a final version of a discussion paper being prepared by the strategic planning committee of the Australian Sports Commission will be dealt with by the full board by mid-January. Has that report been completed and has the full board considered the report?

Mr Ferguson—The full board has considered the report on at least two occasions and would like to consider it again at their next meeting which is scheduled for 26 February.

Senator LUNDY—Following that meeting on 26 February, is it your intention to release it publicly or, indeed, have you released it publicly already?

Mr Ferguson—I think the intention of the board is that it would then be conveyed to the minister as representing the board's views on a range of issue concerning sport beyond 2000.

Senator LUNDY—Are you aware if there is any intention to release that report publicly?

Mr Ferguson—I am not aware. As you may know the minister is proposing to institute a white paper or an inquiry into the future of sport beyond 2000 and it may well be that this paper prepared by the board would be encompassed in that process.

Senator LUNDY—Can you describe for the committee's benefit the time frame for that inquiry?

Mr Ferguson—I cannot specifically. I think the minister has still under consideration the precise manner in which he wishes to conduct that.

Senator LUNDY—Have terms of reference been prepared?

Mr Ferguson—I do not believe so.

Senator LUNDY—Is it envisaged that that inquiry will take place within this financial year or before the year 2000? What is the general time frame?

Mr Ferguson—I cannot answer specifically for the minister, obviously. I believe it is expected that it will take place over the rest of this calendar year. I do not believe there have been any decisions as to timing.

Senator LUNDY—In trying to ascertain the process involved in that inquiry, when is it the Sports Commission's intention to notify individual sporting bodies of that process or have you put any memos or advice to sporting bodies at this stage about that process?

Mr Ferguson—No, the commission has not put out anything specific. There was a reference to the white paper in the government's strategy document. As I say, it is currently being considered by the minister.

Senator LUNDY—At this stage, sporting organisations have not been advised that there is an inquiry pending?

Mr Ferguson—I think sporting organisations are aware that there will be some sort of review done but they have not been informed specifically as to what form it may take because as I understand it the minister has not yet made a final decision on that.

Senator LUNDY—Just to clarify, do you expect the minister to make a final decision following your board meeting on 26 February and the submission of your report?

Mr Ferguson—I do not think I could answer that. I do not know.

Senator LUNDY—We will look forward to finding out more information in that regard. I would like to turn now to the issue of appointments to the Australian Sports Commission board. Could you outline for the committee what the process generally followed is for the appointment or reappointment of board members?

Senator SCHACHT—It is to check whether they are members of the Liberal Party, is it not, Minister?

Mr Ferguson—I think that is a matter for my colleagues from the department, Senator.

Mr Crick—The normal practice is that the relevant minister would identify prospective appointees. They would be consulted as to their availability and then there would be a formal consideration by the government and a decision as to who should be appointed.

Senator LUNDY—Does the Sports Commission or department provide recommendations to the minister about appointments or reappointments?

Mr Crick—They are decisions of the minister and the government.

Senator LUNDY—Do you provide any recommendations with respect to respective board members?

Mr Crick—We would often provide prospective names from which they might choose suitable people but the decisions are made solely by the minister and the government.

Senator LUNDY—I appreciate where the decision is made. I am just trying to ascertain what level of input you have as a department in the preliminary stages.

Mr Crick—Usually confined to providing a selection of possible names if asked.

Senator LUNDY—Do you provide that as a matter of course when terms are due to expire or do you provide that information only on request from the minister?

Mr Crick—It would depend on the particular body. Sometimes it would be one and sometimes it would be the other. Sometimes a request might be for a particular expertise and we might provide some names. It would vary from time to time Senator. There is no definitive practice in that regard.

Senator LUNDY—What about the Sports Commission board? What has the general practice been in terms of you providing suggestions to the minister's office?

Mr Crick—I cannot say what the general practice has been; I have only been in that position for a year.

Senator LUNDY—Did you provide any suggestions to the minister with respect to the recent round of appointments?

Mr Crick—I do not believe so.

Senator LUNDY—You do not believe so or you cannot remember?

Mr Crick—I would not swear on a Bible, but I do not think we did.

Senator LUNDY—I would think in the circumstances, given some of the public discussion that has taken place with respect to recent appointments, that you probably should have. If you did suggest anyone, is there anyone present who could perhaps enlighten you on whether or not you did actually provide suggestions?

Mr Crick—No, we made no suggestions.

Senator SCHACHT—Did you tell the minister the vacancies were coming up and that he would have to give thought to the idea that consideration—

Mr Crick—We would normally forewarn the minister's office when vacancies were coming up.

Senator SCHACHT—Did you do that in the last round of vacancies?

Mr Crick—I believe we did, yes. They are on sheets of paper that we keep regularly.

Senator LUNDY—Given your statement earlier that quite often you could provide advice on the sort of expertise that might be suitable for appointments, are there any attributes or qualifications that are generally looked for in prospective board members?

Mr Crick—I think they are set out in the act.

Senator SCHACHT—Membership of the Liberal Party is in the act, Mr Crick, is it?

Mr Crick—I think that question, Senator, is probably a little bit—

Senator Minchin—You should ignore it. Let us not get into how many Labor appointees there were.

Senator SCHACHT—I just want to be honest about it; that is all.

CHAIR—Let us get back to the questions.

Senator Minchin—If political party membership prejudices anyone serving in public life in this country, God help us.

CHAIR—Order!

Senator SCHACHT—He is interjecting on me.

CHAIR—He is not interjecting on you. We know which party you belong to, Senator Schacht

Senator SCHACHT—I do not mind political appointments, just let's be honest about it.

CHAIR—Can we please return to the question.

Senator LUNDY—Did the Sports Commission or department provide advice to the minister, or was advice requested by the minister last year, specifically with respect to the appointments of Mr Alan Jones and Ms Margot Foster that were made in November last year?

Mr Crick—No.

Senator LUNDY—I am asking not what advice was provided, but whether or not there was any communication between the department or the Sports Commission and the minister's office in relation to those two individuals?

Mr Crick—No, not prior to their identification.

Senator LUNDY—Were you aware they were being considered?

Mr Crick—Not until their names appeared.

Senator LUNDY—Appeared where?

Mr Crick—Not until we were advised that they were the prospective appointees.

Senator LUNDY—You advised the minister's office that the terms of board members were expiring. Was that the last time you spoke to the minister's office about that issue?

Mr Crick—We would have provided advice at some stage about pending vacancies. We were then told in due course who the prospective appointees would be.

Senator LUNDY—What time frame elapsed between when you advised the minister's office that the terms were coming up and when you were advised by the minister's office as to who the appointees were?

Mr Crick—That would probably be impossible to say because it is part of ongoing communication that we forewarn people when vacancies are coming up. I do not think there is anything magic in that.

Senator LUNDY—No, there may not be; I am just trying to get an idea of the actual timing in terms of what sort of period of time elapsed between you telling them they were coming up and you being advised who the new appointees were going to be.

CHAIR—Senator Lundy, I am giving you a lot of leeway here. I am trying to work out how on earth this is relevant to additional estimates and expenditure that has been requested by the government. I am trying to be as broad as possible, but I cannot see how it relates to expenditure.

Senator LUNDY—It is a question of public accountability with respect to board appointments and process, Mr Chairman.

Senator Minchin—Mr Chairman, with respect, these are government appointments. It is for the government quite clearly to make these appointments.

Senator LUNDY—I am interested in the process.

Senator Minchin—That is all very well, but—

CHAIR—I think it is a debate for the Senate chamber, not for the departmental officers.

Senator LUNDY—I am sure the government will be very happy to debate this in detail in the Senate chamber.

Senator SCHACHT—You do not want an amendment in the Senate on additional estimates. If you want to go that way, there would be mayhem in the Senate.

CHAIR—Senator Schacht, order! All I can say is that we are talking about government appointments and you are asking departmental officials to comment on government appointments.

Senator LUNDY—No, I am not asking for any subjective view by departmental officers on the appointments. What I am asking are specific questions on process.

I will go onto my next question. On what date was the final decision made on new appointments to the board?

Mr Crick—I do not know that. I will have to take that on notice.

Senator LUNDY—It is relevant with respect to my last question. On what date were you formally advised by the minister's office with respect to the new appointees?

Mr Crick—I would have to take that on notice.

Senator LUNDY—When you were advised of the new appointees, were you advised that Mr Jones would be appointed not just as a board member but as deputy chairman of the board?

Mr Crick—That is my recollection, yes. He was appointed as deputy chair of the board.

Senator LUNDY—Were you advised previously that he would be an ordinary board member and not the deputy chairman?

Mr Crick—No, Senator.

Senator LUNDY—The reason I asked that is that it was reported in the *Daily Telegraph* on 9 December that Mr Jones's appointment to the board was actually an administrative error and that in fact there had already been a verbal commitment to another member of the board for the deputy chair position. Is there any basis for that allegation?

Mr Crick—My understanding was that the government's decision was to appoint Mr Alan Jones as deputy chair.

Senator LUNDY—Were you aware that anyone else had been advised that they were going to be elevated to the position of deputy chair?

Mr Crick—I am not advised of discussions between the minister and other people.

Senator Minchin—It is not a matter for the department, it is a cabinet appointment. The only cabinet appointment was of Mr Jones as deputy chair.

Senator LUNDY—The only cabinet appointment? What about—

Senator Minchin—The appointments are made by cabinet only. Cabinet made only one appointment of a deputy chair, and that was Mr Jones.

Senator LUNDY—I am just pursuing—

Senator Minchin—There is no point in asking the department to comment on idle speculation in the press. It really is not a matter for the department.

Senator LUNDY—Again, Minister, with due respect, I am investigating matters of process within the department in relation to appointments. Regardless of the fact that they are government appointments, there is obviously a relationship with process within the department on how these are managed.

Senator Minchin—They have already described to you their involvement, but at the end of the day it is a matter for the relevant minister to make a recommendation to the cabinet and for the cabinet to make a decision.

Senator LUNDY—I appreciate that. The newspaper article goes on to say that it was an issue of the wrong papers being sent to Mr Jones offering him the deputy chair position. If that was the case, then that comes back to a question of process and administrative error. Can you say if the delivery of those papers was handled by the department or was it handled out of the minister's office?

Mr Crick—There is no offer of any position. When the cabinet makes a decision, the person is informed.

Senator LUNDY—Right, so if the newspaper reports are accurate, then that would have been an administrative error within the minister's office as opposed to the department?

Mr Crick—I am not sure I am following.

Senator LUNDY—The newspaper article alleges that the wrong papers were sent to Mr Jones inviting him to be deputy chair as opposed to being an ordinary member. What I am trying to ascertain is whether it is the department who sends out that invitation or if it is from the minister's office.

Mr Crick—There is no invitation sent out. I mentioned there is an inquiry as to availability, but there is no invitation as such sent out. Any invitations, if you could call it that, would be at government level.

Senator LUNDY—Do you send out the invitations, the seek availability advice? Do you do that?

Mr Crick—We send out a piece of paper that has them indicate their availability, but that is totally without prejudice to what the government might decide by way of appointment.

Senator LUNDY—So you sent out that letter to both Ms Foster and Mr Jones.

Mr Crick—As part of the process, yes.

Senator LUNDY—Did that letter indicate the status of board membership, that is, deputy chair or just general board membership?

Mr Crick—It did, yes.

Senator LUNDY—What did the letter from Mr Jones say?

Mr Crick—It indicated that he would be available for deputy chair.

Senator LUNDY—With respect to that letter that you sent out asking Mr Jones whether he wanted to be deputy chair or available for deputy chair, I am just seeking clarification.

Mr Crick—I missed the question.

Senator LUNDY—You sent out letters to both Ms Foster and Mr Jones with respect to seeking an indication of their availability. I am trying to get clarification whether the letter you sent to Mr Jones specifically asked for his availability with respect to the deputy chair position, or just a board member position.

Mr Crick—The piece of paper does not precisely seek an indication of availability; it seeks an assurance that there are no personal interests that would be in conflict with the prospective appointment as deputy chair.

Senator LUNDY—Okay. And that letter specified the position of deputy chair?

Mr Crick—It mentioned deputy chair.

Senator LUNDY—Do you engage in any other form of correspondence with prospective board members?

Mr Crick—No.

Senator LUNDY—What is the process of response to the letter that you send out to prospective members? How do they formally respond?

Mr Crick—They sign it and send it back. Then we bundle it up as part of a package of documents that cabinet considers.

Senator LUNDY—Is it possible for you to provide to the committee a copy of the correspondence sent out to Mr Jones and Ms Foster?

Senator Minchin—We will take it on notice, Senator. It relates to a cabinet process and it is private correspondence but we will see.

Senator LUNDY—No, it is just to clarify this part of this process. How much remuneration will Ms Foster and Mr Jones be receiving as members of the Sports Commission Board?

Mr Crick—They are figures that are set by the remuneration tribunal. I do not know offhand.

Senator Minchin—I cannot tell you exactly, Senator. I can find out, but in respect of the deputy chair I believe it is in the vicinity of \$17,000 and for an ordinary member in the vicinity of \$12,000.

Senator LUNDY—On top of that level of remuneration, do board members receive assistance with travel to meetings for financial and other types of assistance as part of their duties on the board?

Mr Ferguson—They receive a travel allowance.

Senator LUNDY—And is that in accordance with remuneration tribunal decisions? Are board members expected to register any gifts that they might receive free or travel given to them or accommodation supplied as part of their duties? Do you have a declaration register for interests?

Mr Ferguson—They have to register any interests that they have. If they are involved in a company or a director of a company or a sporting organisation or whatever, they would also have to register any gifts that they receive related to their work as a commissioner.

Senator LUNDY—And do you have any guidelines or policies within the Sports Commission board?

Mr Ferguson—Yes, there are guidelines on conflict of interest for board members.

Senator LUNDY—And what about on declaration of gifts—like if one is valued over \$250 and they have to declare it and so forth?

Mr Ferguson—That is not included specifically in the rules regarding conflict of interest, but it is covered by the rules of conduct for the commission.

Senator LUNDY—And are you, or anyone, in a position to give just a brief description of those rules of conduct in relation to free travel accommodation or gifts?

Mr Ferguson—No-one is.

Mr Hobson—Senator, I think you will find that any declaration of related party interests is contained within our annual report. In terms of other forms of interest, they would be required to declare that either at the beginning of their appointment or as board meetings go on. I am not aware of any such declaration other than perhaps a declaration of past members. I cannot think of any who would be currently standing.

Mr Ferguson—Certainly all members provide a declaration on appointment and they are required to update that as appropriate.

Senator LUNDY—Just going back to Mr Crick's comment before about this seeking availability letter, to what depth of detail are prospective board members required to fulfil the details as described by Mr Ferguson on the interests or potential conflict of interest matters?

Mr Crick—At what stage?

Senator LUNDY—Are they required to provide that when they sign the letter that you send asking them about their availability or does that come later?

Mr Crick—No. It is a fairly general statement at that stage. But, as Mr Ferguson pointed out, on appointment they undertake to adhere to a fuller set of guidelines on behaviour.

Senator LUNDY—Perhaps, Minister, this is something for you because it happens between this world of the departments and the actual outcomes in the minister's office. You would be in a position to peruse that portfolio of interests that a prospective member might have. Would that form part of your decision with respect to appointments?

Senator Minchin—For all government appointments there is a standard procedure—which I am sure pre-dated our government and applied in your government—that before considering the appointment the cabinet must be satisfied that the prospective appointee does not have any known conflict of interest. They are asked to attest to that fact by signing a declaration to that effect and that must be done before the cabinet can consider appointing that person. I do not think it has ever asked them to detail all their interests. It simply asks them to attest to the fact, in the signed declaration, that they would have no conflict of interest if they were to be appointed to that position.

Senator LUNDY—So cabinet uses the response to the letter that Mr Crick sends out to validate that. Is that all the evidence cabinet requires in terms of making that assessment in the first instance?

Senator Minchin—It is a requirement of cabinet appointments that there is that declaration. I think that is a longstanding procedure that pre-dates us.

Senator LUNDY—I am just trying to ascertain the details. So there is no subsequent information sought beyond this approach by the department in the first instance on availability? The signing off by the prospective appointee saying, 'I have no conflict of interest,' is passed on to you and then you go away and have a think about it.

Senator Minchin—That is right.

Senator LUNDY—So when cabinet decides to make the appointment and subsequently advises Mr Crick over in the department and Mr Ferguson over at the board of that, it is only at that point that the requirements described by Mr Ferguson on a more comprehensive statement of interests are furnished.

Mr Ferguson—This is an internal matter for the commission board. It is a decision of the commission board that those declarations should be furnished so that the conduct of meetings can be regulated appropriately. For example, if a member of the board happened to be president of the Australian Volleyball Association, they would be required to declare that and they would not be able to take part in any decisions concerning the allocation of money to the Australian Volleyball Association.

Senator LUNDY—Any checks and balances subsequently to this initial declaration are an internal board matter, and it is already beyond the point of appointment, so it is not another layer of approval?

Mr Ferguson—No. It is not part of the appointment. It is part of the operation of the commission. The onus is on commissioners to ensure that they have no conflicts of interest or do not operate in such a way which puts them into a conflict of interest.

Senator SCHACHT—Is Mr Jones a member of the New South Wales Sports Institute Board?

Mr Ferguson—I believe so.

Senator SCHACHT—Is that in any way a conflict of interest in allocation of funds from the Australian Sports Commission through the AIS to programs in New South Wales?

Mr Ferguson—It could be.

Senator SCHACHT—So that is declared, is it?

Mr Ferguson—Yes.

Senator SCHACHT—So, on those discussions of funding to the New South Wales Sports Institute and the New South Wales Sports Commission, or equivalent thereof, he declares his interest and removes himself from the discussion.

Mr Ferguson—If there were such a discussion, yes.

Senator SCHACHT—From time to time, I presume that directly or indirectly through the Australian Institute of Sport some funding is made available to the New South Wales Sports Institute.

Mr Ferguson—That is correct.

Senator SCHACHT—Has that occurred since he has been a member of the board?

Mr Ferguson—No.

Senator SCHACHT—But when it does he will do the right thing and declare his interest and withdraw from the discussion.

Mr Ferguson—If the funding were direct from the commission to the New South Wales institute, then he would be required to declare his interest and not participate. Most funds that go to state institutes are directed through national sporting organisations. We fund the sporting organisation and they, in turn, have an arrangement with the state institutes.

Senator SCHACHT—While we are on this question, I will declare my interest. As you know, Mr Ferguson, I am President of the Australian Volleyball Federation. We do get funding from the Sports Commission.

CHAIR—I hope that was not a political appointment, Senator Schacht.

Senator SCHACHT—No. I had to go through a ballot, actually, amongst the volleyball constituency. If you think it is a tough ballot getting elected to the Senate, try a sports body. I declare that interest.

Mr Jones is a well-known journalist and commentator. In having access to what would in many cases be quite useful and interesting information on the agenda papers of the Sports Commission, he understands that they are totally confidential and cannot be used in his profession as a journalist and commentator?

Mr Ferguson—I believe that he understands that. That would certainly be the case.

Senator Minchin—This is all a bit difficult, asking the Sports Commission director to go into the mind and behaviour of Mr Jones. That is not a matter for Mr Ferguson to comment on.

Senator SCHACHT—You misunderstood my question, Minister. I just said the issue is of conflict of interest. I think the processes that are there, and have been there for a long time, are fine. Mr Jones is a well-known commentator and journalist and he is a member of the New South Wales Sports Institute. The first one we have dealt with. As a commentator and a journalist, at times he might get information at the board that, as a journalist, would be intriguing for him to be able to use in that other role. I am not suggesting that he has been improper. But that is a fact of life: that you are dealing with sensitive issues on funding and on other matters at the Sports Commission and the AIS, and it is only natural that he would understand that you cannot have an inside running to a sporting scoop to use as a journalist. I just make that—

Senator Minchin—You could make that observation, but it is not fair on Mr Ferguson to give a running commentary on the morality and ethics of every member—

Senator SCHACHT—I did not ask Mr Ferguson to comment.

Senator Minchin—He will obviously attest to the integrity of every member of the commission.

Senator SCHACHT—Anyway, I have made the point. Mr Ferguson has adequately answered it as far as I am concerned, so that is fine.

Senator LUNDY—Are there any changes expected in the board over the next 12 months?

Mr Ferguson—There are a number of appointments which terminate in October this year. A decision would have to be made as to what happens with those appointments. I cannot recall off the top of my head precisely how many there are. I can get that information for you.

Senator LUNDY—Yes, please.

Senator Minchin—Mr Bartels's appointment expires in October. I think he is the only one, isn't he?

Mr Ferguson—Mr Bartels's certainly does. He may be the only one.

Senator Minchin—He is the only one on my list.

Senator LUNDY—It would be useful information for the committee, Mr Ferguson, to tabulate the duration of current terms of the existing members. That would be useful.

Mr Ferguson—Yes, indeed.

Senator LUNDY—Have Mr Jones and Ms Foster received a briefing from the Australian Sports Commission as new board members and are they currently participating in board meetings?

Mr Ferguson—Since Mr Jones's appointment we have only had one informal board meeting, which was in fact to consider the strategic directions paper that you referred to earlier.

It is normal for a new board member to receive an orientation briefing. That has not occurred yet with Mr Jones. We are trying to work out a date at the moment.

Senator LUNDY—And with respect to Ms Foster?

Mr Ferguson—Yes, it occurred with her.

Senator LUNDY—Is there any reason why it has not occurred yet with Mr Jones?

Mr Ferguson—Just the difficulty of fitting it into his schedule, I think. We did have a time established, but he had to cancel it for some reason and we are in the process of re-establishing another date.

Senator LUNDY—Has there only been one example of him having to cancel due to other commitments or—

Mr Ferguson—Yes. We have a date set now, but I cannot remember when it is. It is early in March, I think.

Senator LUNDY—I just want to clarify that there has been one informal board meeting since Ms Foster and Mr Jones were appointed.

Mr Ferguson—That is correct.

Senator LUNDY—No other meetings of the board?

Mr Ferguson—No.

Senator LUNDY—I would like to touch on the issue of travel with respect to executives of the Australian Sports Commission and the Australian Sports Drug Agency. Could you tell the committee the total cost of travel by executives of the commission and the agency for the last financial year?

Mr Ferguson—I will have to take that on notice. I am happy to provide it but I do not know it off the top of my head.

Senator LUNDY—Does the Australian Sports Commission receive any funding or grants from other departments, agencies or organisations on which they travel, or do ASC executives travel at the expense of any other organisations?

Mr Ferguson—We receive funds from a number of government instrumentalities to conduct programs on their behalf. It is quite possible that some of those programs may require some travel.

Senator LUNDY—I am interested in these questions because of an article and a letter I read in the newspaper that was along the lines that ‘fat cats get all the cream in sport’ or something like that. It was about how Australia’s athletes all travel on a shoestring. I suppose everyone in this room would be familiar with the struggles they have in raising money for travel and accommodation. I know the article was not specifically in relation to the Australian Sports Commission, but I thought it would be worth while if you could provide the committee with the details of travel by ASDA and ASC sports officials, how that was paid for with respect to other government instrumentalities, and in association with what program et cetera. I understand you would need to take that on notice.

Mr Ferguson—Yes.

Senator LUNDY—Thank you. How does the Sports Commission actually look to minimise the travel expenditure of the executives?

Mr Ferguson—Initially through me cajoling them constantly that they should not travel too much. Beyond that, we have imposed a number of internal efficiency dividends on our travel

expenditure. We have arbitrarily reduced the amount of money available for travel in order to effect savings. We also have a very extensive deal with Ansett, through which we handle all our travel, which provides us with significant deductions. And we require all officers to use any of their frequent flyer points: they can only use those for professional business, they cannot use them for personal travel. We have also introduced in the last year a new policy on travel which is a reimbursement of expenses policy, rather than a travel allowance policy, and we believe that will result in significant savings.

Senator LUNDY—Have you been able to estimate the level or the percentage of savings in relation to that matter?

Mr Hobson—On reimbursement of costs we thought about \$70,000 would be the total saving within this financial year, but obviously the financial year is not complete so we do not know how that will eventuate.

Senator LUNDY—Out of a total estimated expenditure?

Mr Hobson—Out of the total estimated expenditure on staff travel we thought we would save in the order of about \$70,000.

Senator LUNDY—I am sorry, I am just trying to ascertain what the whole figure would be and so what proportion that \$70,000 would be. Is it 10 per cent, five per cent?

Mr Hobson—I would have to get you an actual figure on staff travel—I do not have that on the top of my head.

Senator LUNDY—Have you got a ballpark figure?

Mr Hobson—I really do not know. I cannot tell you off the top of my head. I know total travel expenditure is in the order of \$2 million, but that includes team travel and everything else.

Senator LUNDY—That is team travel too?

Mr Hobson—Yes.

Senator LUNDY—Okay. Well could you provide us with a complete breakdown of that travel budget with respect to teams, officials, executives, and perhaps an extrapolation of how you seek to achieve that \$70,000 saving?

Mr Hobson—Yes.

Senator LUNDY—That would be useful information. Just to clarify the question I put on notice about the executive travel, Mr Ferguson, could you include the where, when and why details of the travel, plus the costs and how those costs were met—for example, paid for out of Sports Commission's funds or at the expense of another organisation?

Mr Ferguson—Yes, I can provide that. It may take a little while to get that information.

Senator LUNDY—I know you will get it as quickly as possible.

Mr Ferguson—Please excuse us if we do not meet the deadline.

Senator LUNDY—I cannot give you any such excuses, but I am sure that you will endeavour to meet the requirements of the committee, Mr Ferguson.

Mr Ferguson—We will do it as quickly as we can for you.

Senator LUNDY—I would now like to turn to the issue of water safety. On this issue I have heard Minister Kelly getting around the place saying that we are spending more money on water safety than ever before. She said that we spend \$76 million on water safety annually. Could you give the committee a run-down of that \$76 million and how it is actually expended?

Mr Ferguson—I think Mr Crick should answer this.

Mr Crick—I have got a piece of paper here which could give some indication of that. The \$76 million is roughly broken up by \$1.7 million coming from the federal government—that would be money to water safety bodies.

Senator SCHACHT—You have still got \$75 million to go.

Mr Crick—Sorry?

Senator SCHACHT—We are spending \$76 million; \$1 million comes from the feds and there is still \$75 million to be found.

Senator LUNDY—Mr Crick, can you advise the committee where the rest of the \$76 million comes from?

Mr Crick—We are just clarifying. Sorry, I was not going to leave you hanging.

Senator LUNDY—Thank you.

Mr Rowe—The source of that figure of \$76 million is an amount that has been identified in a document called ‘The national water safety plan’, a document developed by the Australian Water Safety Council. In that document they have identified amounts of money that would be required by various levels of government and other sources to implement their plan.

Senator LUNDY—Sorry, can I just clarify that? That \$76 million is not even being spent currently—it is only part of a plan?

Mr Rowe—This is what the Australian Water Safety Council has identified in its National Water Safety Plan as being required to implement its plan.

Senator LUNDY—So it is not currently expended at these levels?

Senator Minchin—You were the one that made some assertion about it.

Senator LUNDY—No, I am quoting Minister Kelly.

Mr Rowe—There is another part of the document. There are two figures of \$76 million. I am sorry for the confusion. What I would like to point out is that the source is a non-government document; it is a Water Safety Council plan. What it says is that the federal government provides \$1.5 million; state government provides \$23.43 million; local government provides \$23.775 million; water safety organisations provide \$2.48 million; and user pays, undefined, provides \$25 million, giving a total of \$76.185 million.

Senator LUNDY—So when Minister Kelly says, ‘We spend \$76 million on water safety annually,’ she is talking about the collective ‘we’, not the fact that the federal government spends \$76 million?

Senator Minchin—The nation spends that much on water safety.

Senator LUNDY—That is certainly not the context in which the statement was made: \$1.5 million seems to be the only expenditure by the federal government.

Senator Minchin—That is right.

Senator LUNDY—It was certainly an important clarification of the situation of water safety funding in this country that is worthy of analysis.

Mr Crick—I think the figure first emerged from the minister in the context of responding to the spate of drownings in summer.

Senator SCHACHT—She was confused, obviously.

Senator Minchin—No, not obviously at all. She was saying that the nation currently spends that amount of money on water safety, of which—

Senator SCHACHT—She was trying to get kudos for herself in claiming \$76 million from the federal.

Senator Minchin—That is ridiculous.

Senator LUNDY—I read an article this year that Minister Kelly had taken water safety national and had organised a special phone hook-up of state and territory ministers to take urgent action on water safety following an increase in drownings this summer. But isn't it a fact that it was last year that water safety was taken national by former minister Thomson's initiative to establish the Australian Water Safety Council? Can I get confirmation from the department that that is the case?

Mr Rowe—The former minister did not establish the council. The council was established by its member organisations. The former minister encouraged the establishment by seeking support of his state and territory colleagues for the establishment of the council.

Senator LUNDY—That is an interesting clarification because I certainly understood from the public statements by former minister Thomson that in fact it was his initiative to establish the Australian Water Safety Council.

Mr Rowe—The former minister encouraged the establishment all the way along and was publicly supportive, but the Water Safety Council is an industry established organisation, by the members.

Senator LUNDY—That council, given that it was established, came up with a national water safety plan with 21 recommendations for improving water safety. The 21 recommendations were apparently delivered to the minister at that time. Can you provide specific dates as to when that national water safety plan was provided to the minister?

Mr Rowe—I would have to take that on notice. I do not have the exact date.

Senator LUNDY—If you could, and also provide the committee with any correspondence from the National Water Safety Council with respect to the plan and its delivery to the minister's office. What was the amount of funding provided to the council?

Mr Rowe—No funding has been provided directly to the council for its operations. The department sponsored a conference that the council convened for the purpose of developing the national water safety plan. That amount was \$4,000.

Senator LUNDY—When did that conference take place?

Mr Rowe—It was in May 1998, I think on the 5th, but I am not sure of the exact date.

Senator LUNDY—Out of that conference, were there any recommendations, apart from developing the 21 recommendations themselves, advising the minister on the course of action in dealing with the recommendations?

Mr Rowe—There was not, as I recall, any direct communication from the conference to the minister. The conference was established for the purpose of the organisations themselves—the water safety organisations—and those with an interest to input into the development of the plan. I cannot recall there was any direct communication following the conference making recommendations to the minister at that stage.

Senator LUNDY—Would it be a fair comment to say that the expectation of participating organisations was that their recommendations would be acted upon by the minister?

Mr Rowe—I really cannot comment on what the expectations of the participants were.

Senator LUNDY—I think the response to date is probably a reasonable indication of their expectations. Where is the council or the department up to with respect to the implementation of those recommendations? Indeed, have any of them at all been implemented at this stage?

Mr Rowe—I cannot give you the details, Senator. What I do know is that those recommendations are being progressively pursued by the council, but the best source of advice on their status would be the council itself.

Mr Crick—The council is a non-government body, of course, Senator.

Senator LUNDY—Yes. Has there been any funding provided to the council for the implementation of these recommendations—for example, an audit of aquatic locations or the establishment of a central collection agency for coroners' reports into aquatic deaths, or other initiatives contained within those recommendations?

Mr Rowe—The council itself has received no direct funding from the Commonwealth government that I am aware of.

Senator LUNDY—Can you explain to the committee how these recommendations can be implemented, given that no funding has been provided, yet there are obviously measures that attract some cost within those recommendations?

Mr Rowe—It is an issue for the council. Members of the council do receive funding from the Commonwealth government. From within this portfolio, the Surf Life Saving Association, the Royal Life Saving Association and AustSwim receive direct funding. In the course of the business of those organisations, some of those funds may well be applied to the implementation of the recommendations in the plan, as members of the council—but whether they are or not, I could not give you that detail.

Senator LUNDY—I will just make sure I have got this very clear in my mind. With respect to those recommendations, there is no additional funding for their implementation; and, from what you are saying, if any of those recommendations are to be implemented it must come from current funding within the associate members of the Water Safety Council?

Mr Rowe—What I can say is that there has been no additional funding provided to the Water Safety Council or to the member organisations by the Commonwealth since the launch of the national water safety plan.

Senator LUNDY—I am trying to get a little insight here. Is there an expectation on behalf of those member bodies of the Water Safety Council that in fact there will be further funding allocations so their initiatives can be acted upon?

Mr Rowe—I am sorry, I am really not in a position to comment on the expectations of the water safety organisation.

Senator LUNDY—That is fair enough, I will move on. One of the recommendations of the report was to provide \$25 million in funding for water safety research. Has a decision been made on that funding or an application been received by the department for that particular project?

Mr Rowe—We have received no applications for funding or proposals for funding for initiatives encompassed in the water safety plan.

Senator LUNDY—Given that the minister has spoken about taking initiatives, phone hook-ups, maybe even another conference or two, to try to move on water safety, what has been offered from the minister's office at this stage to the Water Safety Council to progress this agenda, to progress the recommendations?

Mr Rowe—I do not know what may or may not have been offered from the minister's office.

Senator LUNDY—So you are not aware of the correspondence between the Water Safety Council and the minister's office?

Mr Rowe—We are only aware of the correspondence that is received in the department. I do not recall any correspondence dealing with that issue being received in the department.

Senator LUNDY—So, with respect to the operation of the National Water Safety Council, what actually is your involvement from the department's point of view?

Mr Rowe—The operation of the Water Safety Council?

Senator LUNDY—Yes.

Mr Rowe—Our function in relation to that council is to facilitate the work of the council in whatever way we can. An example of that was the convening of a meeting yesterday between members of that council and representatives of state and territory governments to discuss ways in which resources could be shared and data provision improved. Our role is one of facilitation in relation to the council. We do not provide funding directly to it. We do not sit on their board. We are invited to observe their meetings.

Senator LUNDY—So what we end up with is really just a lot of hype by Minister Kelly to cover up for what is seen as a lack of Commonwealth funding for water safety.

Senator Minchin—That is just political rhetoric, Senator Lundy, not an appropriate proposition to put to—

Senator LUNDY—I think it is a fair call in the circumstances.

Senator Minchin—You can say that in the Senate, in the public arena, but let us get on with additional estimates.

Senator LUNDY—Well perhaps, Minister, I can explore with you the level of commitment that the coalition government has with respect to water safety, and if it is your intention to fund specifically the 21 recommendations that have emerged from the National Water Safety Council.

Senator Minchin—I think Minister Kelly has done a tremendous job following on from Minister Thomson's efforts in coordinating national activity across the voluntary organisations and the state and territory governments, which have traditionally had the governmental role in this. Water safety has never been seen as a directly federal responsibility in Australia. It has always been the responsibility of those governments at state and territory level and, of course, to a considerable extent, local government.

Our primary obligation is to ensure maximum coordination of activity to minimise the number of drownings. I think Minister Kelly has done very well in seeking to achieve greater consensus and coordination. To the extent that any proposition is put to the government for additional expenditure, that is a matter for Minister Kelly to consider in the context of the budget and budget deliberations.

Senator LUNDY—What level of sympathy does the government have for the recommendations put forward to you, particularly with respect to the call for national leadership on water safety? Given your comments now about it not generally being the responsibility of a federal government, I am just trying to ascertain your attitude.

Senator Minchin—I am not going to speak for Minister Kelly on that. You can ask Minister Kelly that. That is something that I am not going to comment on here at estimates.

Senator LUNDY—You already have in the sense that you have indicated it is not generally seen as a federal issue, and yet, contained within the National Water Safety Council's report, is exactly that point: that indeed it should be seen as a national issue and there is actually a desperate need for national leadership.

Senator Minchin—We are getting into a rhetorical policy debate that does not really go anywhere. What I have talked to you about is, I think, the understood and agreed role of the federal government over 99 years in relation to this issue. I am not sure the statistics actually reveal a per capita increase in drownings; I think in the history of Australia there has been quite a dramatic reduction in per capita drownings for every person on a beach, but obviously the nation is interested in reducing the number of drownings or keeping them to a minimum. We see our role as coordinating effort to achieve to the greatest degree possible the minimisation of drownings, and I think Minister Kelly is doing a tremendous job in that coordination. Call it leadership or whatever you like, but I think the coordination we have applied is very good.

Senator LUNDY—In the meantime, with no additional funding it seems that the participant organisations in that council are left to carry the costs of any positive moves in improving water safety.

Senator Minchin—Unlike socialists, we do not automatically jump to the conclusion that simply throwing more money at a problem is going to solve it. You have got to analyse the causes of the problem: how much money is being spent; could it be spent better, more effectively, to get better bang for your buck; and could coordination be improved. Then you make a sensible, reasoned decision as to whether more money will make a difference and, if so, where it should come from and where it should go. It is a matter for ongoing discussion.

Senator LUNDY—With all due respect, Minister, I think that highlights the point that the actual recommendations go way beyond talking about aspects that just cost money. It is about the issue of coordination and how the federal government can play a role.

Senator Minchin—Which Minister Kelly is applying enormous energy to.

Senator LUNDY—I want to go back to the department: can you tell me why organisations like the Australian Professional Ocean Lifeguard Association are not members or have been excluded from the Australian Water Safety Council?

Mr Rowe—That is really a matter for the Australian Water Safety Council. It is not our call. The membership of that council is not a matter for government or for the department.

Senator LUNDY—So Minister Kelly has no say in who can be a member of that council or who cannot?

Mr Rowe—That is correct.

Senator LUNDY—Has she expressed a view as to who she thinks should be a member of that council to date?

Mr Rowe—Not that I am aware.

Senator LUNDY—What steps have been taken to implement the drowning prevention plan as outlined by the previous sports minister, Mr Thomson, in July last year?

Mr Rowe—I am sorry, I would have to check on what you mean by the 'drowning prevention plan'. It is not a term that I am familiar with.

Senator LUNDY—Okay. If you could take that on notice.

ACTING CHAIR (Senator Watson)—Can you just explain it a little more so Mr Rowe can follow it through?

Senator LUNDY—No, I cannot. If I could just leave that with you. If you could investigate that and see what you can find.

ACTING CHAIR—I do not think he quite understands what you want, Senator.

Senator Minchin—Do you mean the national water safety plan? You think there is something separate, do you?

Senator LUNDY—No, this is quite specific: the drowning prevention plan. I do not have additional details in front of me now. I have a reference to a drowning prevention plan. I am hoping you can tell me more because I cannot tell you more.

ACTING CHAIR—Can you get the details and then forward them to the minister?

Senator LUNDY—I will undertake to do that.

ACTING CHAIR—I think that might be better.

Senator LUNDY—And you could check it out yourself from your end.

Mr Rowe—We can check our records and see if that plan exists in some form.

Senator LUNDY—Please do. I usually come to these committees with the general assumption that you know more about this stuff than I do, so we will see how we go. Thank you.

I would now like to direct a number of questions to the Australian Institute for Sport. I would like to follow up the matter of funding for urgent repairs needed on the athletics track, the swimming pool filtration system and other areas requiring attention at the AIS. Perhaps in the first instance I could ask Mr Boulton to provide an update on those matters.

Mr Boulton—It might be better if Mr Ferguson were to do that.

Senator LUNDY—Whoever.

Mr Ferguson—I can provide that. There are two issues of concern to us: the filtration system in the 25-metre pool and the re-laying or the resurfacing of the athletics track. Both are becoming increasingly more important, and there are discussions going on at the moment as to how we will carry out that work.

Senator LUNDY—When you talk about ‘discussions on how you will carry out that work’, have you made any further request for funding to the department or to DOFA?

Mr Ferguson—We are discussing it with the Department of Finance and Administration. The issue relates to some extent to the way in which depreciation may be included in the new accrual budgeting arrangements, and that will have an effect as to the route we take.

Senator LUNDY—I am sorry, can you explain why that would have impact?

Mr Ferguson—If there is provision for depreciation under the accrual budgeting system, as we believe there will be, then we will be able to undertake the work through the provision of our own depreciation allowances.

Senator LUNDY—Is there any reason to believe that there would not be factors allowing for depreciation?

Mr Ferguson—No, it has not been finally determined yet.

Mr Hobson—I think the point is that the commission has not in the past been funded for depreciation under the new format. Our understanding is that that may change.

Senator LUNDY—When will you know?

Mr Hobson—I guess as a result of the budget outcome.

Senator LUNDY—This forthcoming budget?

Mr Ferguson—Yes.

Senator LUNDY—So it will be quite a few months yet before there is any work taking place?

Senator Minchin—Three months to the budget.

Senator LUNDY—Have you costed out specifically how much the rectification work will cost?

Mr Ferguson—The pool would be about half a million dollars and the track about a million.

Senator LUNDY—Have you had to conduct any repairs or remedial work in the meantime?

Mr Ferguson—We have been doing a lot of remedial work on the track. As you are aware, it bubbles—particularly in the hot weather. Quite a lot of remedial work has been done to remove the bubbles as they appear and roll them out.

Senator LUNDY—Have you got a figure that you can attribute to the expense related to that remedial work?

Mr Hobson—Approximately \$40,000 a year.

Senator LUNDY—Forty thousand?

Mr Hobson—Yes.

Senator LUNDY—Is that just for the track or is that for remedial work?

Mr Hobson—Just for the track.

Senator LUNDY—And how long has that sort of money been spent?

Mr Hobson—We have always been doing repair work to the track, but for that particular problem it has been over the last 12 months. It is in the order of about \$40,000, which includes daily rolling, and so on.

Senator LUNDY—Right. You might have to help me out here. I vaguely remember hearing a news report recently—perhaps it was a competition—about utilising the track when there was very obvious bubbling in the track. Is it getting to the stage where people are refusing to compete because of its state? Has it come to that?

Mr Ferguson—No, not at this stage. I think the story you are referring to was a visit by a television team to the track. There were athletes training but there was not a competition. We ran an athletics grand prix meet at the track on Saturday and it was a satisfactory meet.

Senator LUNDY—But there was some comment about the track in the media.

Mr Ferguson—There has been some comment in the media.

Senator LUNDY—I was just trying to remember, because I heard something recently and did not know—

Mr Ferguson—Yes. There was a television program—one of the current affairs programs—that did a segment on it a couple of months ago.

ACTING CHAIR—Wasn't there a problem with spectators spilling over onto the track, causing certain athletes difficulties in terms of their pre-run warm-ups?

Mr Ferguson—Not that I am aware of; not on our track.

Mr Hobson—In fact, spectators are held behind a fence.

Mr Ferguson—I do not recall any such occasion.

Mr Hobson—It must have been Hobart.

ACTING CHAIR—No, it was Canberra.

Senator LUNDY—Is that \$40,000 your estimate for the current financial year or the previous one?

Mr Ferguson—For this current financial year.

Senator LUNDY—With respect to the filtration of the pool, what sort of expenditure have you had to allocate to any remedial work for that?

Mr Ferguson—There would be normal maintenance work being carried out. It is more to the point to say that the current filtration system is not adequately filtering the pool. This may mean that we may be spending additional money on chemicals or something of that nature. It is probably more to do with the clarity of the pool and the water quality than additional maintenance. It is simply a matter of the filtration system being unable to handle the load that is being placed on it.

Senator LUNDY—Just on that point—and I wanted to come to this later—there has certainly been some reporting on the necessity to close the pool leading up to the Olympics as the training burden increases in that facility. In terms of the pressures on the filtration system, does that bear any relationship to the need to close the pool? Or is it just the need to make it available for teams?

Mr Hobson—That is a different argument, Senator.

Senator LUNDY—It is a different issue? They are not related?

Mr Hobson—You could argue that they are related in the sense that, if you reduce the amount of people going into the pool, you reduce the load on the filtration system. But that is not the issue in the case of consideration of reducing availability within the pool itself; it is more to do with team training.

Mr Ferguson—There are really two issues involved, Senator: the quality of the water, obviously, and the increased demands being put on the pool for training in the lead-up to the Olympics.

Senator LUNDY—I suspected as much. I wanted to ascertain if there was a link at all or if they were two separate issues, so thank you for clarifying that. Are there any other facilities at the AIS requiring urgent repair that are also being considered in the context of this factor of depreciation?

Mr Hobson—Our estimate is that there is a maintenance backlog of about \$5.5 million, inclusive of the track and the pool. So it is general maintenance and issues related to the ageing of the buildings.

Senator LUNDY—Are the requests for funding currently being considered with regard to the rest of those matters?

Mr Hobson—In our discussions with the department of finance, we have been talking to them on the basis of a full whole-of-life maintenance program. We would be hopeful that, if we were able to be funded for depreciation costs, that should take account of those factors and we should be able to address those problems.

Senator LUNDY—So your current negotiations should holistically address the issue of ongoing maintenance if it is resolved in your favour?

Mr Hobson—We are going into more detail. We have had a life cycle asset replacement program for quite some time. The issue is that the total funding level has been inadequate for the overall need, mainly because the buildings are ageing.

Senator LUNDY—Going back to the issue of closing the pool because of training requirements, is there a specific time frame publicly available for that closure?

Mr Ferguson—Not at this stage. We have not made a final decision on that matter, but what we are looking at is the possibility that we may have to curtail public access to the pool during the day. It is only the 50-metre pool, Mr Boulton reminds me, not the 25-metre pool. We will not be closing the pool, we will be curtailing. We may have to curtail but not close.

Senator LUNDY—You will just restrict access to the 50-metre pool.

Mr Ferguson—That is correct.

Senator LUNDY—Thank you for that. I am just waiting on the minister, Chair. I have a couple of specific questions in relation to the AIS.

ACTING CHAIR—The departmental officers cannot answer any of these questions?

Senator LUNDY—No, they are questions going to the level of commitment that the current government has to maintaining the AIS as the world-class facility it is.

ACTING CHAIR—We will take a five-minute break.

Proceedings suspended from 4.01 p.m. to 4.07 p.m.

ACTING CHAIR—I call Senator Lundy.

Senator LUNDY—Minister, in your absence I was querying the Sports Commission with respect to the state of the AIS and the need for several urgent repairs, which is nothing new. We actually traversed this issue at the last round of estimates, and they are still pursuing funding for rectification work. I wanted to explore once again the level of commitment the federal government has to the maintenance of the AIS as a quality sporting facility, particularly in the context of the lead-up to the Olympic Games.

Senator Minchin—I think it is fair to say it was a Fraser coalition government initiative, and one of which all Liberals are duly proud. I recall that, I think, in our policy statement for the recent election, we gave certain undertakings and indications of our commitment to the AIS, and indicated where we wanted to go with it and a commitment to it. Mr Ferguson might have the details of that, I have not got them off the top of my head, but I think we gave pretty strong undertakings about our commitment to the AIS in the election policy.

ACTING CHAIR—Mr Ferguson, do you want to add anything to that?

Mr Ferguson—There was provision in the election policy for a funding commitment beyond 2000 and if that transpires we should be able to do everything that we need to do.

Senator LUNDY—Will you be able to do everything you are doing at the moment?

Mr Ferguson—That would assume that we might not make any other changes, but the broad answer would be yes.

Senator LUNDY—You might have to refresh my memory, but I do recall that, in the overall budget, there was a significant shortfall with respect to the out years in last year's budget. Can you explain your comment in that context—whether or not the AIS was isolated from that shortfall in the out years?

Mr Ferguson—That referred to a fall in the forward estimate for the year 2000-01 from the previous year to a base of around \$25 million. In the government's electoral paper, they have anticipated that that difference would be made up—in terms of the funding mentioned in that paper.

Senator LUNDY—So that is what has changed, basically, since last we had estimates.

Mr Ferguson—The government has made a commitment of continuing funding for the commission and the AIS beyond 2000.

Senator LUNDY—And that is what has changed since last time we had estimates when there was no such commitment. There has now been an election commitment to funding that shortfall.

Mr Ferguson—That is correct.

Senator LUNDY—How contingent on maintaining those levels of funding is the inquiry that we traversed earlier?

Mr Ferguson—I think the review is aimed more at the direction of sports policy and the mix that might go into the delivery of programs rather than with the overall commitment by the government. So we would envisage that the review will be looking at operational aspects, principally.

Senator LUNDY—But what you are describing there, in terms of the review, would actually go straight to the heart of the AIS, given they are part of those operational programs and the way you actually deliver your services?

Mr Ferguson—Yes, that is correct. I think the review is in the context of a broad commitment continuing from government. No-one has questioned that.

Senator LUNDY—From what you have just said, Minister, the AIS features prominently in the way that it does now as part of that program.

Senator Minchin—That is certainly my understanding about policy commitment.

Senator LUNDY—Thank you. I would like to continue with respect to matters relating to the AIS. Quite an amount of publicity has been attributed to some serious allegations from what seems to be both former athletes and other parties with respect to the tennis program at the AIS. I have some information here, including the AIS response to those claims—the public statement distributed by Mr Boulton and Mr Yates. What I am interested in pursuing here is the process by which the AIS deals with complaints and your capacity to respond and deal with, I suppose, issues relating to the personal health and welfare of AIS athletes. Perhaps you could outline, in the first instance, what support programs you have for residents of the AIS.

Mr Boulton—Certainly, there are a number of support programs for both the residential and the non-residential athletes which consist of residential services in Canberra and elsewhere where athletes are in residence. There are house parents who look after their day to day welfare and athlete supervisors who also assist in looking after their welfare in the residence and their study requirements. There is a program known as the Athlete Career and Education Program, which assists athletes in planning their vocation and their education, aside from their athletic career, and in obtaining work for some athletes and making sure that educational arrangements for other athletes are correct.

Beyond that, there is medical care, physio-therapeutical care and also the ability to seek the counselling of the psychologists associated with the institute, if that should be necessary. They

are the formal structures that are in place to assist athletes in any personal issues they may have.

Senator LUNDY—The minister has indicated that she intends to conduct some investigation into the allegations with respect to the tennis program. Can the Sports Commission advise me of the state of play of that process?

Mr Boulton—The minister has not indicated she is going to conduct an investigation beyond requiring a report from the AIS about the allegations. It was intended to have that report with the minister by the end of January, but three of the athletes from 1981 and 1982—17 years ago—who have been quoted in the newspapers requested more time to give us their views about the matters. So we have indicated to the minister that we expect to have the report to her by the middle of this month.

Senator LUNDY—Can you describe for the committee in more detail how you are conducting that report, who are the officers responsible for it and matters relating to how you actually are preparing it?

Mr Boulton—Yes. The allegations were made by two journalists in a newspaper in Brisbane over the Christmas-New Year period. They were picked up by other journalists, to a degree, and also some of the reports were syndicated.

Immediately after New Year we wrote to every athlete who had been through the women's tennis program and for whom we could find an address, seeking their views, comments—positive or negative—complaints and issues they might have had with the institute program during their time there. Likewise, we wrote to coaches who have been through the institute. I am preparing the report and have personally telephoned those athletes who were mentioned in the newspaper as having had difficulties during their time at the institute to get their stories and to encourage them to write in. That process is continuing with the last few athletes who have been quoted in the reports. That will form the basis of the report to the minister.

Senator LUNDY—At any point in time did you consider—perhaps this is a question for the Sports Commission—that given the sensitive and controversial nature of some of the allegations you would be best placing this investigation process in the hands of someone independently engaged for that purpose?

Mr Boulton—That was considered, but bearing in mind that the majority of the allegations relate to incidents in 1981 and 1982 and that the range of issues is very narrow it was determined that it would be probably unproductive to extend beyond a report from ourselves, certainly at this stage.

Senator LUNDY—The first question I should ask is: for the bulk of the allegations, Mr Boulton, were you actually at the institute?

Mr Boulton—No.

Senator LUNDY—Several of the allegations infer that the complaints process was not actually completed with due diligence. Given that that complaint specifically involved you, do you think that there is a good reason—perhaps I am best directing this to Mr Ferguson—for the Sports Commission to involve an independent party or give someone else the carriage of the conduct of this investigation?

Mr Ferguson—I think it is important to note that these allegations were made by the press. There is only one complaint that I am aware of which was made directly to the institute. That allegation was in more recent years and has been investigated carefully, including by me, and I am satisfied that it was dealt with appropriately.

The other allegations refer to things which may or may not have happened up to 15 or 17 years ago. I think it is appropriate at this stage that we contact the athletes, as we have done, to try to ascertain whether in fact they have any complaints. When we get that information, we can make a decision as to how we should proceed.

Senator LUNDY—I am at a loss. I received a letter addressed to the minister, Ms Kelly, on behalf of a constituent involved in this matter calling for an open inquiry into the tennis and squash units at the AIS, identifying officers of the AIS and alleging that they have not pursued adequate complaint mechanisms. Have you been advised by the minister's office about this type of correspondence that she has received?

Mr Ferguson—I think I know what correspondence that is. It has been referred to the commission. If it is from the person that I believe it is from, we have a very extensive pile of correspondence from that particular person.

Senator LUNDY—I am not really asking for any subjective comment about what you have received. I am trying to find out if you are acting on that in any way or if the minister's office has advised you to specifically respond and whether it forms part of the current investigation?

Mr Ferguson—There are two issues: the tennis program and some allegations concerning the squash program, and at least one correspondent has put those two matters together. Certainly, the squash allegations have been examined extensively, most recently by me last week, and we have had communication with the gentleman that raised the issues.

In respect of the tennis program, as Mr Boulton explained, we have sought what information we can gather, and when we have received that information we will make a decision as to how it should best be handled.

Senator LUNDY—So at this stage the minister's office is referring all that correspondence to you to be handled in your current investigation?

Mr Ferguson—Yes, I think it is fair to say that the minister is keeping in close touch with the issues and has been briefed on them.

Senator LUNDY—Is the process within the AIS for processing complaints articulated in any specific way within AIS policy documents?

Mr Boulton—Yes, it was articulated recently in our service charter.

Senator LUNDY—With respect to the complaints being levelled at this investigation, was there such a process or service charter in place at the time that the complaints refer to?

Mr Boulton—I need to reiterate what Mr Ferguson said, that we have not actually received any complaints from any athletes.

Senator LUNDY—I am sorry, can I just clarify this. You have just stated that you had correspondence referred from the minister's office which clearly articulated a series of complaints about AIS programs. Are you making a fine point of the distinction of athletes as opposed to complainants, or don't you count a referral from the minister's office as a direct complaint from an athlete?

Mr Boulton—My point was that the report I am preparing relates to articles in the newspapers rather than to complaints that were made directly to us. The letters to the minister have been subsequent to that, and they touch on the same issues.

Senator LUNDY—Have the letters that have been referred to you by the minister's office been considered as part of your current investigation and report back to the minister on these matters?

Mr Boulton—Yes.

Senator LUNDY—So they do form part of that?

Mr Boulton—Yes.

Senator LUNDY—Would you deem those letters as fitting the description of being a complaint from former athletes or athletes?

Mr Boulton—I expect so, yes.

Senator LUNDY—I thought as much. So you cannot really say that you have not received any complaints from athletes, because you have through correspondence passed on to you from the minister's office. Is that a fair comment?

Mr Boulton—In that the letters refer to issues that some of the athletes had at the time they were on scholarship—issues which were negative experiences for them that were related or not related to the AIS's activities. They could be construed as complaints, yes.

Senator LUNDY—Thank you for clarifying that; it is a shame it took so long. Mr Boulton, as part of that correspondence referred to you by the minister's office—

CHAIR—Senator Lundy, I would ask you not to comment on answers by officers of the department. You can ask questions and get answers, but to actually give an editorial comment on the answer is not part of the estimates process. It is a debate that should take place in the chamber.

Senator LUNDY—Thank you, Mr Chairman. With respect to that correspondence, there were a series of questions that formed, as I understand it, part of the body of the correspondence that I have also been supplied with. Have you been asked to respond specifically to questions put to you by complainants?

Mr Boulton—Which correspondence are you referring to?

Senator LUNDY—For the purposes of my question, perhaps I can frame it another way. Have you been asked by the minister's office to respond to any series of questions relating to a specific complainant?

Mr Boulton—It is very difficult to know unless you tell me who the complainant was.

Senator LUNDY—It is not clear from my papers at this point who supplied the series of questions, albeit they traverse a number of people. I do not want to provide inaccurate information as to the source of those questions. I will leave it generally at this stage. Thank you for that clarification. It was correspondence from Joe Shaw.

Mr Boulton—Is there an outstanding question that needs answering?

Senator LUNDY—Have you been asked by the minister's office to respond to questions put to you from Mr Joe Shaw that were contained in correspondence to the minister?

Mr Boulton—Over a period of time, various items of correspondence from Mr Shaw to the minister and other people have been referred to us, and we have responded to the minister in each case.

Mr Ferguson—We have not been asked to respond to those questions by the minister and we do not intend to. If we have complaints from athletes, they will be dealt with. But unsubstantiated complaints from any correspondence will be treated in a somewhat different manner.

Senator LUNDY—Is the correspondence you have had referred to you from the minister's office from Mr Joe Shaw forming part of your overall investigation into this matter?

Mr Boulton—No.

Senator LUNDY—So you are specifically excluding it.

Mr Boulton—Mr Joe Shaw has nothing to do with the tennis program. The report that I am preparing relates to information received from people who have something to do with, and some knowledge of, the tennis program.

Senator LUNDY—Are you saying the content of Mr Shaw's correspondence does not relate to tennis or to the tennis program?

Mr Boulton—Mr Shaw had some connections with the squash program. Having read articles in the newspapers in December, Mr Shaw related his experiences with the squash program to the tennis program without having had any experience or involvement with the tennis program. So I have not treated them as being issues raised by anybody who has any knowledge of the tennis program.

Senator LUNDY—In your assessment.

Mr Boulton—Yes.

Senator LUNDY—Mr Ferguson, I do not want to make any assumptions about the validity of any of these allegations or otherwise but, given the circumstances and the sensitive nature of some of these allegations, I go back to my earlier point about the merit or otherwise of perhaps having independent involvement in pursuing this matter.

Mr Ferguson—If we believed that there were serious allegations that required independent investigation, they would be investigated independently. At this stage that is not the case. I would refer you to the disgusting allegations made about the gymnastics program some years ago, which were investigated by an independent investigator. It cost us \$250,000 and no substance was found in them whatsoever.

Senator LUNDY—Following your report back to the minister in mid-February, what is your understanding of what happens from that point?

Mr Boulton—I am simply preparing the report for the minister, and I have not discussed with the minister what happens with the report afterwards.

Senator LUNDY—Thank you. I also have some questions with respect to the Coaching Council. Mr Ferguson, do they come to you?

Mr Ferguson—If I do not know them Mr Arnaudon will answer them.

Senator LUNDY—With respect to the Coaching Council, has its status as an incorporated body changed?

Mr Arnaudon—The council is established under the ACT clubs ordinance, which on legal advice is probably not the most appropriate structure for the council because that ordinance is really for—dare I say—tennis clubs, squash clubs and so on within the ACT. We are taking action to change that status. In fact, the council is really part of the Sports Commission and has been for some time. Therefore, it operates under the Sports Commission's legislation.

Senator LUNDY—I suppose that is a description of why it has occurred. What are the ramifications of that change in terms of the operation of the council?

Mr Arnaudon—There are no particular ramifications. The board of the Coaching Council, when some two or three years back they discovered that the way in which they were functioning was not legally appropriate, decided to review themselves and restructure the board. The board has been reduced from 12 people to six people. That is now more an advisory group to the Sports Commission board.

Senator LUNDY—That pre-empts my next question, which was: how has that impacted upon the number of board members, the method of appointment and so forth? Obviously, it has contracted.

Mr Arnaudon—It has contracted to six. Three are nominees of national sporting organisations; one is a representative of the state coaching centres, which are positions within each of the state departments that coordinate coaching within each state; I am a member; and the director of the council, Mr Schembri, is a member.

Senator LUNDY—With respect to new appointments to the board, what is the process now for turnover of board membership?

Mr Arnaudon—It is not actually a board; it is an advisory council which provides advice to the Sports Commission board with regard to coach education matters. With the three sports appointees, the process is that we write out to national sporting organisations for nominees. On the last occasion we received 10 to 15 nominees. They are provided to the Sports Commission board, who pick three people to represent sports on the council.

Senator LUNDY—Has the change of status from board to advisory council been perceived within the coaching community as a diminution of the status of the role of that council advisory committee?

Mr Arnaudon—I do not believe so. The council has a range of technical advisory committees. It meets regularly with national sporting organisations and others, including professional coaches, to obtain the views of the coaching industry. I have not heard any complaints about a diminution of input from the coaching fraternity to the council.

Senator LUNDY—From the council's point of view, how has it changed your relationship with the former council, now advisory committee?

Mr Ferguson—I do not think it has changed the relationship at all. The council was always fully funded by the commission. The original members of the board of the council were approved by the commission board and, since its incorporation into the commission family of programs, if you like, it has had a very significant increase in funding.

Senator LUNDY—It is always a positive thing, isn't it?

Mr Ferguson—I do not like to talk about the commission family, but that is in a sense the way we look at it.

Senator LUNDY—What is the future of the advisory committee in terms of this new incorporated status? Obviously there is a continuing relationship. Are there any other shifts that can indicate new directions for the council advisory committee?

Mr Arnaudon—I think the new directions in a policy and program sense may well arise out of the white paper process that Mr Ferguson referred to earlier in terms of what the role of coach education within the sports industry post 2000 is to be. My view would be that that does not require any change in administration or advisory role of that council at the moment.

Mr Ferguson—Council plays a very positive role in terms of coach education.

Senator LUNDY—I appreciate that, Mr Ferguson. Have there been any changes to staff numbers or support for the former coaching council now advisory committee?

Mr Arnaudon—The staffing is, I think, 15 and has been 15 for the last two or three years.

Senator LUNDY—That is not anticipated to change?

Mr Arnaudon—No.

Senator LUNDY—Just going back to the AIS with respect to the earlier matter: I am interested in pursuing the point about the scope that the AIS has as an institution to actually fund the range of supporting health and welfare programs for both residential and non-residential athletes. Mr Boulton, could I ask you if you could identify any diminution or change in the AIS's ability to fund that kind of support network for athletes and indeed coaches and I suppose the AIS family, if you like, with respect to the quality of their experience at the institute?

Mr Boulton—I am not really sure what the question is.

Senator LUNDY—Okay. Perhaps you could take on notice to provide the committee with the detail of the sorts of support programs you have with respect to health and welfare of both residential and non-residential athletes, coaches and staff at the institute. Also, if it is possible—and I do not see why it would not be—could you provide information on any changes to funding levels for those support programs. I do not want to traverse the last decade and a half but perhaps you could go back over the last five years. I ask that in the context of the reduction in allocations to the sports budget generally. Could you perhaps provide comment now on whether or not your efforts to juggle funding—we know some sports programs have not been funded, for example, in the last couple of budgets—have placed pressure on your ability to maintain the level of services in this area?

Mr Boulton—I will certainly take that on notice but, in general terms, the support services that I mentioned and the programs that I have mentioned are programs that we treat as a very high priority and have protected from any reductions in recent years.

Senator LUNDY—Thank you for that. I think it is an important aspect of considering these issues and some of the funding pressures. I have a couple of questions with respect to Active Australia. Is the review that we traversed earlier intending to also address the Active Australia program?

Mr Ferguson—It will certainly address the commission's programs in the area of participation, and that obviously would include the Active Australia program.

Senator LUNDY—With respect to those participation programs, is there anything special happening with Active Australia, or is it just part of that broader process?

Mr Ferguson—Active Australia is a new approach to the way those programs are promoted and delivered. In conjunction with the department of health in particular, Active Australia aims to provide advice on the benefits of physical activity for the community and to provide programs through which the community can participate, so it covers the demand side and the supply side, if you like. Through Active Australia, all the commission's participation programs have been integrated.

Senator LUNDY—Thank you. With the exception of the Active Australia campaign, could the Sports Commission and ASDA and the department provide the committee with any details of any consultants that are currently being used or have been used in the last financial year or in this financial year, or planned to be used in this financial year, and costs of those consultancies and what they are doing. I am happy for that to be taken on notice.

Mr Ferguson—I think we provided an answer to that in the last hearings.

Senator LUNDY—You provided us the detail with respect to Active Australia, which is why I said 'except them', because we already have that information.

Mr Ferguson—So what is it that you want?

Senator LUNDY—Details of any consultants with respect to everything else.

Mr Ferguson—Everything else, okay, fine.

Senator LUNDY—With respect to the Australian Sports Foundation, how much money has it cost to establish the new look sports foundation?

Mr Crick—It is not perhaps as precise a question as it might be. I am not quite sure just what would be encompassed by ‘how much did it cost to establish a new look sports foundation’?

Senator LUNDY—Okay. Perhaps I can help you. With respect to answers to questions on notice, we know that the foundation increased its levy from two to five per cent in order to meet its costs and that the foundation sought seed funding of \$1 million, that an amount of \$450,000 is to be provided, with a further \$130,000 for each of the subsequent years in the 1999-2000 budget and 2000-2001. So really if you could just add all that together and provide the committee with an answer, that should cover my question adequately. In fact, I could do the sum myself, except that I do not know what an increase of two to five per cent in order of levy equates to.

Mr Crick—You cannot assess that until you know what donations have come in, of course.

Senator LUNDY—Perhaps you could take that on notice and seek the information directly from the foundation. Are you in a position to answer specific questions relating to the administration of the foundation?

Mr Crick—It depends upon what they are, Senator.

Senator LUNDY—That is a great answer! How many staff are working there?

Mr Crick—I do not know that offhand; I would have to take that on notice.

Senator LUNDY—Thank you. Could you also take on notice the remuneration levels of the staff—or their classification and packages—and the remuneration details of the chair and members of the foundation board?

Mr Crick—The chair and members of the foundation are not being paid remuneration.

Senator LUNDY—They are not remunerated at all?

Mr Crick—Not at this stage, no.

Senator LUNDY—Does that mean they are going to be?

Mr Crick—I do not know. That was not meant to be a trick answer. They are not being paid now.

Senator LUNDY—Do they receive travel allowance and reimbursement for expenses—that kind of thing?

Mr Crick—They should do, yes.

Senator LUNDY—Would that be in accordance with the policy espoused earlier by Mr Ferguson in relation to managing travel costs—that is, on a receipt basis?

Mr Crick—I do not know the answer to that, Senator. We will take that on notice.

Senator LUNDY—Mr Ferguson, can you help us out here? The question was in relation to travel allowance and remuneration of expenses for members of the Sports Foundation board.

Mr Ferguson—I do not know what the current situation is; I have nothing to do with the Sports Foundation.

Senator LUNDY—Do they come under your umbrella of managing travel expenses?

Mr Ferguson—They used to come under the umbrella of the commission but they do not any longer, except that they have a requirement to submit their financial statements together with the financial statements of the commission.

Senator LUNDY—So we need to refer that question directly to the foundation. Could you take that on notice, please, Mr Crick.

Mr Crick—Yes.

Senator LUNDY—Where is the office of the foundation located?

Mr Crick—The office is currently located in Sydney.

Senator LUNDY—Do you have an address?

Mr Crick—Yes, we do. It is co-located with the office of the industry, science and resources portfolio. I do not know the address, but it is in our office.

Senator LUNDY—Where is your office?

Mr Crick—As I say, I do not know the address.

Senator LUNDY—Is it in town? Is it in Parramatta?

Mr Crick—It is in the city.

Senator LUNDY—So it is in a nice big building in Sydney?

Mr Crick—It is in Kent Street, so it probably is not a nice big building.

Senator LUNDY—That is very sad reflection on Kent Street, Mr Crick! Could you take on notice to provide the committee with the costs of leasing those offices and, indeed, the exact location and floor space?

Mr Crick—The cost to whom?

Senator LUNDY—To the foundation, or what the arrangements are for the provision of space to the foundation if it is through the department.

Mr Crick—Yes.

Senator LUNDY—On that point, do you know if it is through the department?

Mr Crick—Yes, it is.

Senator LUNDY—So they do not actually pay any rent?

Mr Crick—No.

Senator LUNDY—Is that standard for what is essentially an autonomous foundation structure?

Mr Crick—It was part of their setting up arrangements.

Senator LUNDY—How is that relationship perpetuated—that is, for the purposes of giving the foundation some security?

Mr Crick—I think we undertook to do it for two years.

Senator LUNDY—And following that, what guarantee does the foundation have in terms of subsidisation or offsetting of their costs?

Mr Crick—None.

Senator LUNDY—So when they put up their levy from two to five per cent, if they get turfed out in two years time it might go from five to seven per cent or from five to 10 per cent?

Mr Crick—That is a speculation that I do not think it is appropriate to comment on.

Senator LUNDY—Okay, that is fair enough. I think I have probably put all the questions on notice, but could you provide the committee with details of the various costs that the foundation has, I suppose, expended since their establishment? Do you know how much money the foundation has raised to date?

Mr Crick—I have not got the latest figures to date, Senator.

Senator LUNDY—Can anyone here provide any information about that?

Mr Crick—They could be changing day by day, so we will take that on notice and settle on an appropriate date to bring the figures up to date.

Senator LUNDY—Okay. Well, let us say to today. That would be the most useful and probably the most efficient way of managing it, given that they are there to essentially raise money. It would be interesting to find out how successful they have been. Could you give the committee an update on the sale of Bruce Stadium?

Mr Ferguson—Yes, Senator. There have been some discussions between the commission and the ACT government concerning the future of the stadium, and there has been some agreement in principle. The details of that are currently with the minister for finance.

Senator LUNDY—And does the nature of those discussions relate to the ACT government lease of the stadium?

Mr Ferguson—It relates to the overall future of the stadium, so it took account of the possibility of the continuation of the lease arrangements or the possibility of permanent transfer of the stadium.

Senator LUNDY—In terms of this time frame for resolving these issues, do you have any idea how it will take to actually sort this out?

Mr Hobson—Senator, our understanding is that the matter is with the department of finance at the moment. They are carrying out a valuation on the stadium, which I understand they hope to have completed at the end of next week. As to how or what happens after that, I do not know that we can tell you that. That is really with the department of finance.

Senator LUNDY—Yes. I will probably attempt to pursue it. Who are you actually dealing with in the department of finance? Which section?

Mr Hobson—I could tell the officer's name but I am not too sure exactly what section. The gentleman we are dealing with is Mr Trevor Vivian.

Senator LUNDY—Okay. Are they required to report back to you by a certain period of time, given that it is a commercial arrangement?

Mr Hobson—I think it is more an issue of them reporting to their minister, Senator, than reporting to us.

Senator LUNDY—Right. So you will hear from the minister?

Mr Hobson—I would assume that in due course we will find out what their decision would be in respect of the proposal we have put forward, as Mr Ferguson said.

Senator LUNDY—So if it has got to go to the minister, then does—

Mr Hobson—That is part of normal government process, Senator.

Senator LUNDY—I am just trying to track the process. You have advised the department of finance of the situation you are in and the implications obviously for your leasing arrangement. They advise the minister for finance; then the minister for finance then advises

the Australian Sports Commission. Is that the process? Or does he advise the minister for sport, who then tells you what is going on? How does it work?

Mr Hobson—I think that would be the process. That is correct.

Senator LUNDY—So the minister for finance would tell the minister for sport, who would then tell you what your options are in terms of the future commercial arrangements for a Sports Commission asset?

Mr Ferguson—The final decision on the transfer or sale of a Commonwealth asset rests with the minister for finance.

Senator LUNDY—Okay. Apart from that process, have there been any other causes of delay?

Mr Ferguson—No, not specifically. Discussions with the ACT government went over a considerable period. Mr Hobson has reminded me that the election intervened, so that put things on hold for a while obviously.

Senator LUNDY—Was that delay with respect to the fact that around that period it ended up being in the minister's office?

Mr Ferguson—No. I think that at that point there did not seem to be any point in continuing the negotiations until the new government was installed.

Senator LUNDY—Page 99 of the annual report refers to the National Office of Sport and Recreation working towards an action agenda. Can you describe that process, its relationship to the review, and its anticipated time line for it?

Mr Crick—The action agenda is not necessarily linked. When you say 'relationship to the review', this was the post-2000 sports. I think you would need to look at them as more or less two separate issues. The action agenda is part of a series of industry action agendas which were discussed at some length in this morning's session. It is continuing, and we expect that that might be finished by about the end of the calendar year.

Senator LUNDY—In the additional estimates statement on page 23 there is a saving of approximately \$1.7 million. Can you give us a description of that saving and a breakdown of it?

Mr Crick—The saving relates to money that has been appropriated for the organising committee for the Paralympic Games. It represents a rescheduling of the organising committee's needs of Commonwealth funding. So while they initially thought they would require \$7.3 million this year they have rescheduled that so that it requires something less than that.

Senator LUNDY—So that \$1.7 million will be transferred into next year's budget or something like that?

Mr Crick—Yes. The \$1.7 million is a combination of two figures. It is the amount that will be transferred into the future for the organising committee, but it has an additional \$0.4 million in there that has been appropriated for the Commonwealth Games in Kuala Lumpur. It is set out on page 23.

Senator LUNDY—I have some questions for the Australian Sports Drug Agency. If the Australian Sports Drug Agency Amendment Bill passes parliament, how long following that would it be before the Australian Sports Drug Medical Advisory Committee would be established and operating?

Ms Howson—The medical advisory committee will be up and running from proclamation date.

Senator LUNDY—ASDA is expected to absorb the establishment costs of ASDMAC if it is established in this financial year: could you outline how you would do that without compromising activities in other areas?

Ms Howson—We have already factored in an amount of our budget for the establishment of this medical advisory committee. Clearly, adjustments will be made, depending on when the proclamation date is set.

Senator LUNDY—You factored it in but I am still trying to ascertain if there is an impact. Have you, for example, adjusted the expenditure on testing or in another area to accommodate that period of time?

Ms Howson—We were given an increase in our budget in this financial year, and some of the moneys associated with that increase were for enhancements to our testing program. We see that this committee is certainly an enhancement to our testing programs, so the funding for it has come from that additional money.

Senator LUNDY—What do you expect the establishment costs of ASDMAC to be as opposed to the ongoing costs of \$113,000 each year that are outlined in the bill's explanatory memorandum? I am looking for comment on the distinction between establishment costs as opposed to ongoing costs.

Ms Howson—We have allocated around \$69,000 for its establishment.

Senator LUNDY—What was the increase in your budget in the last financial year that you have just described?

Ms Howson—It was \$784,000.

Senator LUNDY—Could you provide the committee with a breakdown of what you anticipate to be the ongoing costs of ASDMAC?

Ms Howson—Yes, if I could take that on notice.

Senator LUNDY—Certainly. Have there been any substantial changes to the drug testing program or focus of your testing programs over the last year or so?

Ms Howson—There has certainly been an increase in the number of tests that we have been doing—tests funded by government and tests funded from our user pay clients. So there has been a significant increase in activity on that front. In terms of the entire deterrence campaign, there has also been an increase in our information and education initiatives to complement the testing program.

Senator LUNDY—Have you been keeping abreast of developments in the human growth hormone drug testing area?

Ms Howson—Yes, we have, as far as we can with the information that is available.

Senator LUNDY—Are you planning on introducing into your drug testing program testing for the human growth hormone?

Ms Howson—Through the amendments to our act, we are making provision for the agency to be able to collect blood and we are certainly working on contingencies. The problem at the moment is that there is very little technical detail available as to how the on-field or infield application of this particular method will work. But we are certainly very conscious of its imminent introduction.

Senator LUNDY—Certainly I am aware of recent announcements that came to the notice of the public in the recent IOC conference in Lausanne. Perhaps you can clarify for me whether those announcements actually identified a testing process for HGH?

Ms Howson—Unfortunately the reports from the GH2000 project, which I think is the one you are referring to, are confidential. We have not had access to the full findings of that particular research group. They have been lodged with the IOC medical commission. From what I can understand from the Australian researchers who are part of that project, there have been two validation studies completed and they are very confident as a team that they have a method which just requires further validation through population studies.

Senator LUNDY—What are the cost implications at this stage if you introduce that type of testing?

Ms Howson—I am afraid I cannot answer that question specifically.

Senator LUNDY—Until you know the actual requirements of the testing process?

Ms Howson—That is right, the in-field application. We are also a little unclear as to whether or not it will be a method that will apply to all samples collected—that being event testing as well as out of competition testing. So it is a little difficult to say.

Senator LUNDY—So that will be something that ASDA will consider as more information comes to light?

Ms Howson—Yes.

Senator LUNDY—The ASDA amendment bill was based heavily on the independent review of ASDA undertaken in 1997. Can you provide the committee with information as to who conducted that review, whether or not that review is publicly available and the total cost of that review?

Mr Crick—I certainly do not know the cost answers. I will take that on notice.

Senator LUNDY—Who did it?

Ms Howson—The independent review was conducted by Justin Stanwix.

Senator LUNDY—Is it publicly available?

Ms Howson—I have just been informed that the cost of that review was \$25,000.

Senator LUNDY—Thank you. Is it publicly available?

Ms Howson—The actual documentation of the review has not been released publicly, but certainly the content of the review has. In fact, I personally participated in a series of workshops, in conjunction with the Confederation of Australian Sport last year, where I presented on the findings of that review to the sports community.

Senator LUNDY—Perhaps I could put that request through the minister—that the committee be provided with a copy of that review. Minister, we have just been advised by Ms Howson that the review conducted into ASDA is not publicly available, and I have just put on notice a formal request that it be provided to the committee.

Senator Minchin—Right.

Senator LUNDY—The GST, or tax reform work done by the department, is mentioned in the annual report on page 95. Can you tell us what that work included—the costs and the number of staff involved?

Mr Crick—That is a reference to policy advice we had provided to government.

Senator LUNDY—Yes, I know. What did it include?

Mr Crick—I am not in a position to comment on the content of policy advice to the government.

Senator LUNDY—Are you planning any programs to assist sporting organisations to cope with the new tax system—that is, if it passes the Senate?

Mr Crick—We have no programs in the pipeline, at this stage.

Senator LUNDY—Given the overseas experience and the impact on sporting organisations, does the Sports Commission have a strategy in mind for helping national sporting organisations cope with any potential changes?

Mr Ferguson—We do not have a specific program established. We have addressed the issue at a number of seminars to ensure that sporting organisations will understand some of the implications, but we have not gone beyond that. Indeed, the legislation is not yet through; it might be premature to do so.

Senator LUNDY—I want to clarify the timing of this committee's program; I understand Senator Conroy wants to revisit another program.

Senator CONROY—It was agreed earlier; then we could come back to Senator Lundy's questions.

ACTING CHAIR—Yes, whenever it is convenient between the two of you to do that.
[5.11 p.m.]

Subprogram 1.1—AusIndustry

Senator CONROY—We are returning to an issues we were discussing this morning to do with the selection criteria and the process that was followed by the board in selecting the short list of five. I asked you earlier if you were able to give us a list of the 31 companies that were involved and the 12 or 15 or so that did not make it. Have you been able to get that information in the interim?

Ms Berman—We do have some information to give you. Firstly, I would like to correct a statement I made this morning. I advised that TRM, Total Risk Management, was involved in the first round of assessment.

Senator CONROY—The desk assessment?

Ms Berman—That is right. That advice was not correct: they became involved after that had been completed.

Senator CONROY—What was the process prior to culling from the 35 to the 20 or 21?

Ms Berman—I will pass that question to Mr Besgrove.

Mr Besgrove—As general manager of policy and program development in the office of AusIndustry, I was directly involved in the administration of the development and the administration of the AAF fund. The initial assessment of the 35 companies was done by AusIndustry staff, and we produced a report which was then provided to the funds management committee, with some recommendations as to whether we felt that each application from an initial desk assessment looked to be strong, medium or weak. The funds management committee then considered those and formed its own view as to which ones should go forward.

Senator CONROY—This funds management committee is a subgroup of the board?

Mr Besgrove—It is the funds management committee of the IR&D board, and it was established by the minister for the purpose of overseeing the selection process for the funds managers and then the ongoing administration.

Senator CONROY—It was appointed by the minister, did you say?

Mr Besgrove—Yes, it was appointed by the minister.

Senator CONROY—Who was on it?

Mr Besgrove—I do not have the full list with me. What I do have is a press release which was issued by the IR&D Board on 4 December 1977. I propose tabling that. It has a four-page attachment which goes through the selection process quite exhaustively, much better than my own memory can provide.

Senator CONROY—Did you say 1977 or 1997?

Mr Besgrove—I meant to say 1997—my apologies. That goes through an 11-stage process indicating the steps where the department was involved, where the committee was involved and where various groups were culled out, if you like—the process. I think that should answer all of your questions. Should you have further questions on details, we can follow that up on notice.

Senator CONROY—Is that press release handy?

Mr Besgrove—Yes.

Senator CONROY—That is great.

Mr Besgrove—I also have a copy of the report of the probity auditor, Mr Stephen Marks. The IR&D board and the department agreed to employ Mr Marks, I think at the beginning of November, with the intention of ensuring that the process was seen to be above board. The report, I think, certainly indicates that Mr Marks had no criticisms of the process.

Senator CONROY—Just coming back to the appointment of this board: was it an appointment of a subset of the IR&D board?

Mr Besgrove—The minister can appoint committees of the board—I think at any time—for specific purposes.

Senator CONROY—Does it have to compromise other board members? That is basically what I am asking.

Mr Besgrove—No, it would normally have at least one board member on each committee, and it is normal practice for a board member to chair a committee. For example, there is a tax concession committee which includes some board members and some non-board members. There is an R&D start committee and so on, and there is a funds management committee which looks after the Innovation Investment Fund. The board will delegate powers to each committee. You will see from the press release that there are points where the funds management committee is undertaking assessments and there are points where the board steps in and makes final decisions. The decision on who was actually offered the licences is the IR&D board's, not the committee's, but the committee obviously made recommendations.

Senator CONROY—Sure. Thank you for that. Apologies, I have not got a copy yet and I am not sure I will get a chance to read through it. So I will just go through my questions and hopefully I can have a quick flick through as we are talking. How many members of the IR&D board ended up on this 'subcommittee'—if I can just use that phrase for simplicity.

Mr Besgrove—I think two.

Senator CONROY—Out of? Four, five, six?

Mr Besgrove—I am not entirely certain, but I think up to 14 members of the IR&D board.

Senator CONROY—No, I meant how many ended up on the subcommittee?

Mr Besgrove—Sorry. On the FMC I think there were two board members at any given time.

Senator CONROY—And how many others?

Mr Besgrove—I think two or three.

Senator CONROY—So a committee of about five?

Mr Besgrove—It was a little bit fluid. Some additional people were added during the course of developing the program, so it is a bit hard to be specific at any point in time.

Senator CONROY—So your unit did the desk assessments?

Mr Besgrove—We did the initial desk assessment. Applications were called for, I think, at the beginning of August with a closing date during September. As they came in, staff in my then branch did an initial assessment of each application against the criteria in the guidelines. The guidelines are issued by the board and they are, if you like, the detailed guidelines that relate to ministerial directions—when the program was created it was done so under ministerial direction.

Senator CONROY—Okay. Of the 35—is 35 correct?

Mr Besgrove—Yes, that is correct.

Senator CONROY—Of the 35, how many fell into each category—‘strong’, ‘medium’, ‘weak’?

Mr Besgrove—I do not remember—I apologise. I think originally there were perhaps 10 or 12. My recollection is that the committee may have decided to include some in the medium category that we might have originally asserted were weak.

Senator CONROY—So they upgraded them from weak to medium?

Mr Besgrove—In essence, we did an assessment but each of the committee members had also read all of the applications. They then considered the applications and our initial assessment at a meeting on 7 October. It was at that meeting that they made decisions as to which would fall into the respective categories. I should also mention that all of the decisions in the process were decisions of either the funds management committee or the board. The decision making process is entirely delegated to the board itself. We do not have any decision making role in any of this.

Senator CONROY—I understand. Just returning to the assessments done by the department, you think there were about 10 to 12 in ‘strong’?

Mr Besgrove—In the strong category, I do not recall—I am sorry. I simply recall that there were 10 to 12 in the weak category. In essence, what we were endeavouring to do was to try and advise the committee as to which ones we thought would not benefit from going through a full due diligence process.

Senator CONROY—Referring back to earlier evidence: the funds management committee then made an assessment of the assessments that you provided?

Mr Besgrove—They discussed them, yes.

Senator CONROY—A couple of the applications that had fallen into the weak column were upgraded from weak to medium. If I could go back one step: you got the tick to go to the next stage if you were in the strong column?

Mr Besgrove—If you were in the strong or medium column you went to the next stage of due diligence. If the funds management committee decided that an applicant appeared weak, then they agreed that we write to them advising them of this. That was the process.

Senator CONROY—So if you were strong you definitely got the tick to the next stage?

Mr Besgrove—Yes.

Senator CONROY—If you were medium you definitely got it?

Mr Besgrove—Yes.

Senator CONROY—I think the earlier evidence was that there were 20 or 21 that made it past the first cut?

Mr Besgrove—Do you have a copy of the paper?

Senator CONROY—I do, yes.

Ms Berman—Could I just comment that I was working on general numbers; I was not—

Senator CONROY—Yes, I am just trying to find out what the exact number was. I am happy if it was 19 and we stick at 19. I was testing your memory when you were not actually there. No problem at all about that.

Mr Besgrove—I think it is fair to say that there were a number of stages that were gone through and a number of iterations by the department, by the committee and by Total Risk Management which eventually led us to a group of about 21, which is mentioned in the attachment.

Senator CONROY—Now I am confused.

Mr Besgrove—My apologies.

Senator CONROY—No, it is just that it is a little different from the process that was described this morning so I will need to go over that with you. It was initially described this morning, which we have now clarified, that the first stage of assessment of the 35 down to about 21—was that what you said?

Ms Berman—I did say 21 this morning.

Senator CONROY—And it is 19 or 20?

Mr Besgrove—Eventually, but there were some steps in between.

Senator CONROY—Okay. Can I get what that number was and then I will go through the steps with you so that I have got an understanding of what those extra steps were that I was not aware of or were not discussed this morning.

Mr Besgrove—The 21 refers to a group which were assessed by the IR&D board in making a decision about who would be the short list to be interviewed by the board.

Senator CONROY—Okay. We seem to have a couple of extra steps that we did not have this morning.

Mr Besgrove—Would you like me to go through them?

Senator CONROY—Yes, if we can.

Senator Minchin—Senator Conroy, I appreciate your interest in this—and I have no objection to that. This is estimates, and I am wondering if a briefing tomorrow or the next day or whatever on this process would assist you.

Senator CONROY—No, this about who got the five and how the five got to be picked, which is money in the annual report, and how we got to the five. Okay?

Senator Minchin—Okay. So it is not a matter of you just wanting to know how the process works in a general sense?

Senator CONROY—No. Please, no. I have not got a single name of a single company yet. I will actually get to the specifics once I start getting some names. But, no, I am interested in how the five got picked and who they are.

Mr Besgrove—If you walk through the attachment you will see under point 3—

Senator CONROY—Which page is that?

Mr Besgrove—This is page 8 of the attachment. There is a reference which says the funds management committee had a meeting on 7 October. It made a decision that 10 of the applicants were weak and should be written to and told that, in the opinion of the committee, they were unlikely to be successful.

Senator CONROY—Okay. I need to go back a step there because you indicated that ‘a couple’ had been upgraded by the funds management committee—

Mr Besgrove—Yes.

Senator CONROY—out of the ‘weak’, so therefore they would not have received this letter.

Mr Besgrove—No, they would not. But if I could emphasise that the committee discussed our assessments. They were not bound to agree with our assessments.

Senator CONROY—I have not said for a moment they were. I am sure Senator Minchin understands about assessments and those sorts of things and that committees can vote any way they like at the end of the day. Can you name the two companies that were upgraded from the category of weak to the medium category?

Senator Minchin—That is not really appropriate. We will take that on notice.

Senator CONROY—Sorry?

Senator Minchin—These are internal decisions. What is published is the five successful funds. But movement within categories, what is the public benefit in that?

Senator CONROY—Because I want to know why they got moved. I am going to come to the question of why they got moved in a minute. I am actually trying to identify them. If I can be more specific then, was either of those two companies a final recipient in the five?

Mr Besgrove—No.

Senator CONROY—Having the name would allow me to have done that myself without having to ask you the question, which is the only reason I was after the names.

Senator Minchin—Are you satisfied that you can get the information you need without those names, given that they were not in the five?

Senator CONROY—I am happy to leave that for the moment. I may come back and ask more questions later, but I am happy to pass up on that. It was indicated this morning that a number of companies that were considered to be not meeting the criteria—I will avoid the use of the word ‘weak’—decided they wanted to stay in the race.

Mr Besgrove—They were offered the opportunity to remain and go through at least some further stages of due diligence.

Senator CONROY—But they would forfeit their fee?

Mr Besgrove—That was the committee decision, yes.

Senator CONROY—And a number of companies—

Mr Besgrove—Three.

Senator CONROY—Three companies decided to stay in the race?

Mr Besgrove—Yes.

Senator CONROY—How many companies then from the original 35—

Mr Besgrove—You now have 28 left because seven have now exited the process willingly.

Senator CONROY—Twenty eight, of which three were initially assessed and received a letter with the offer to stay in but forfeit the fee, and two were initially considered by an assessment from your unit to be not necessarily meeting all the criteria. But the funds committee then upgraded—

Mr Besgrove—It is fair to say there may have been some ambivalence in our assessment, that it may well be that they—

Senator CONROY—Do you do a lot of ambivalent assessing?

Mr Besgrove—Well, there are some subjective judgments in these things, as I am sure you would appreciate.

Senator CONROY—There are always subjective judgments, it is just whether the subjective judgment is shared by the people at the end who vote.

Mr Besgrove—Sure.

Senator CONROY—I appreciate that from the department's perspective. I am trying to follow the process. Okay, we have 28 still left in of which five would have initially been considered, on the assessments done by your office, as maybe not quite ready to go ahead. I ask this because you have indicated TRM has got into this process somewhere earlier or later than I was advised before. When did TRM actually come into the assessment stage?

Mr Besgrove—As soon as the committee had made a decision about who were the strong and the medium candidates, and that means the 28—

Senator CONROY—Okay, so they now come in. They have not had anything to do with it so far, it has just been the funds management committee. Is it possible to get the names of the members who were at the meeting on 7 October? I appreciate your saying that it was a moveable feast, so if I could just pin it down to an individual date, who attended the meeting on 7 October?

Mr Besgrove—It would have been Professor Peter Dodd, the then chair, Mr Phil Scanlan, Dr Terry Cutler, and Mr Michael Dillon, the head of AusIndustry and an ex officio member of both the IR&D board and the committee.

Senator CONROY—Apologies for my complete ignorance but Professor Dodd is from which organisation?

Mr Besgrove—The Australian Graduate School of Management, as the Dean.

Senator CONROY—Mr Scanlan?

Mr Besgrove—I would have to take that on notice. I cannot remember exactly what his professional role was.

Senator CONROY—Dr Cutler?

Mr Besgrove—Dr Cutler was the acting chair of the IR&D board. He is also the principal of a consultancy in Melbourne called Cutler & Company.

Senator CONROY—Was it just those four on 7 October?

Mr Besgrove—I believe so, we can check that if you like.

Senator CONROY—Come back to me if there are any changes.

Mr Besgrove—My memory is that it was those four.

Senator CONROY—And TRM are now hired?

Mr Besgrove—TRM had already been hired.

Senator CONROY—They had been hired to start at that stage. So they had not got the documents, it was wait until after you had picked out of the 35 and then they were to go ahead, or were they overseeing in any way the process? When did they commence scrutiny?

Mr Besgrove—They commenced scrutiny as soon as the committee had made a judgment as to who the respective strong and weak—

Senator CONROY—So they are now handed the 28 applications?

Mr Besgrove—No. Actually, I must correct myself. We start with 35. The committee determines 10 a week and we write to them. At the same time, there are 25 left out of 35. They are referred to TRM straightaway. Over the course of the next week or two, three of the 10 write back asking to remain in the process. They are then referred to TRM as well, but they are a little bit behind in the process as a result. That is where the 28 comes from.

Senator CONROY—Okay. TRM's role is?

Mr Besgrove—TRM are a professional funds advisory group, one of about seven or eight in Australia, that perform due diligence of the sort that we were after. They advise superannuation funds—for example, Total Risk Management advises the Commonwealth superannuation fund—as to what funds managers are reputable and reliable enough to invest money with. In essence, what we were asking them to do was a commercial due diligence process. We deliberately went out to tender because it is not a set of expertise which resides in the department.

Senator CONROY—Fair enough. Their role is to make recommendations to the funds management committee?

Mr Besgrove—Their role is to go through the full due diligence process, which they progressively did. It is done in a number of stages. First they would do their own desk assessment and, from that desk assessment, they would make recommendations about which ones then proceed to full interview, background checks and so on. This is a very exhaustive process.

Senator CONROY—Sure. And this is when the 12 bob out?

Mr Besgrove—No, out of this bobs a recommended group—as you will see from the attachment—of 21, which is, I believe, what Ms Berman was referring this morning. TRM eventually, after about a month of this very exhaustive process, provide recommendations to the IR&D board that there is a group of 21 from which you might select your short list. We

also did some global assessments of the whole process and provided advice to the committee and to the board as to what the short list might look like.

Senator CONROY—So you were also advising on the work that TRM were doing?

Mr Besgrove—Yes. I should also say that we also used a company called Wiltshire, who are American experts, to provide due diligence on those members of applicant company groups from overseas. Many of the applicants were proposing members of their teams from the United States and a few from Asia, but mainly from the United States.

Senator CONROY—And they were reporting to TRM or to you?

Mr Besgrove—They reported directly to us.

Senator CONROY—So what happened when TRM were going through and found an overseas person? They then referred it to you?

Mr Besgrove—They would just refer it Wiltshire.

Senator CONROY—Okay. So, of the 21, did any of the three that had stayed in make it into the 21?

Mr Besgrove—No.

Senator CONROY—So they are gone. And the two that had been on the cusp? Did they make it into the 21?

Mr Besgrove—I am sorry, I do not remember. I will have to take that on notice.

Senator CONROY—So TRM have done one stage of the process. We have got to 21. What happens next?

Mr Besgrove—TRM had, in fact, done a very exhaustive due diligence by then and had produced a list of 21; I think in approximate order.

Senator CONROY—So they ranked them?

Mr Besgrove—Not exhaustively, but they did give some indication of the ones they regarded as stronger and weaker. That then went to a meeting of the IR&D board, and the board then made a judgment as to which ones would be interviewed.

Senator CONROY—Take me through the ‘stronger’ and ‘weaker’ categorisation.

Mr Besgrove—It was done largely by TRM on the basis of commercial assessments as to which ones would look to be the strongest funds managers.

Senator CONROY—And they wrote ‘stronger’ or ‘weaker’? What were the qualitative assessments?

Mr Besgrove—They did a report on each one. I cannot remember the details, I am sorry.

Senator CONROY—Did they get a mark out of 10? Did they get an A+?

Mr Besgrove—I am sorry, I do not recall.

Senator CONROY—Earlier we were told that the number became 12.

Mr Besgrove—To proceed to interview.

Senator CONROY—Was it the board’s decision to proceed to the interview stage for the 12?

Mr Besgrove—Yes.

Senator CONROY—Was that a decision of the board or the funds management committee?

Mr Besgrove—It was the board’s decision.

Senator CONROY—And that did not need to go back to the funds management committee, it just went to the board?

Mr Besgrove—The committee had already made recommendations to the board. Some of this was done out of session. As we were going through the various stages there were a series of funds management committee meetings, but because of the number of steps involved, some of it was done out of session.

Senator CONROY—So without the information from TRM, the funds management committee made separate recommendations?

Mr Besgrove—Sorry, Senator, let me go a little bit more slowly.

Senator CONROY—Please.

Mr Besgrove—As TRM produced its reports, they were collated by us—

Senator CONROY—Individual reports?

Mr Besgrove—and they came together both as individual reports and as an overall assessment. The attachment refers to a final report from TRM on about 14 November.

Senator CONROY—By this stage the individual reports had been coming back to you and you had then been feeding them to the funds management committee. Is that correct?

Mr Besgrove—We gave them to the funds management committee collectively, along with the Wiltshire and TRM assessments, together with some recommendations about which ones we thought appeared to be emerging as the strongest.

Senator CONROY—How much did you pay TRM?

Mr Besgrove—I will have to take that on notice, I do not remember.

Senator CONROY—What about a ballpark figure? Are we talking \$10,000, \$20,000, or \$100,000? Come back to me with the full figure, but just off the top of your head, was it anything like that?

Mr Besgrove—It was several hundred thousand dollars. This was a full commercial due diligence process, but I do not recall the precise number.

Senator CONROY—I want to go through that process again. You are paying them several hundred thousand dollars to produce some recommendations for you—

Mr Besgrove—Yes.

Senator CONROY—and some rankings and some assessments.

Mr Besgrove—Yes.

Senator CONROY—At the same time they are supplying you with information. Your own department is also making assessments along the way and passing that to the funds management committee that is also making assessments. So there are three organisations, or three groups, making assessments.

Mr Besgrove—We were providing information to the funds management committee which has the, if you like, decision making responsibility to advise the board.

Senator CONROY—Okay.

Mr Besgrove—It is the board that then makes the final decision, and there were a number of iterations to the process.

Senator CONROY—Unfortunately, we are going to go through each of the iterations, so bear with me. The final report on 14 November from TRM makes some recommendations ranking the 21. Did your unit rank all 21, separate from the TRM ranking?

Mr Besgrove—No, I do not believe so. I think that we—

Senator CONROY—Did you pick the best five, or the best 10, or the best 15?

Mr Besgrove—No.

Senator CONROY—I am just trying to get an understanding of this. You made a comment that you had also made recommendations.

Mr Besgrove—They were broadly consistent with TRM's recommendations. I think I should take some of this on notice, I would not want to mislead the committee. Generally speaking, our assessments and TRM's assessments were broadly consistent with each another.

Senator CONROY—It is those inconsistencies that I am interested in, I am afraid.

Mr Besgrove—I will have to take that on notice because I do not recall the detail, Senator.

Senator CONROY—Okay. And the funds management committee, what form of assessment did they draw up?

Mr Besgrove—They discussed the recommendations coming out of TRM, Wiltshire and ourselves, and then formed a judgment. I am hesitant to use the word 'ranking' because I do not think they actually ranked them, but they certainly formed a view as to what the final group of 21 should look like.

Senator CONROY—It was the order of the final group, because everyone already knew what the 21 was. You were actually looking at the 21.

Mr Besgrove—Yes.

Senator CONROY—I am sorry if I am getting a bit lost. Were they looking at the information supplied by TRM individually as it was coming in?

Mr Besgrove—No, it was provided to them on a collective basis. We did not drip feed it into them individually.

Senator CONROY—Thank you. So they got the report on 14 November and at the same time, or a day or two later, or whenever, they met to do this. Is that correct?

Mr Besgrove—They were considering things out of session. The board actually met on 21 November, and it was that meeting of 21 November where the 21 applications were considered. Obviously, members of the fund—

Senator CONROY—They had seen it between the 14th and 21st.

Mr Besgrove—Yes. There are members of the board who are also members of the funds management committee and they talked to the items during the course of deciding which ones they were going to be.

Senator CONROY—Did the funds management committee have a meeting between the 14th and 21st?

Mr Besgrove—I do not believe so. I think they were considered out of session.

Senator CONROY—Had the membership of the funds management committee changed at all? In this week, were there different members from the meeting on 7 October?

Mr Besgrove—Yes, there had been some changes.

Senator CONROY—Who was on the funds management committee between 14 November and 21 November?

Mr Besgrove—I think I should take that on notice. I do not think I have a perfect recall of that. Certainly, Dr Cutler and Mr Dillon were present at all meetings.

Senator CONROY—This is out of session though so there was not a meeting.

Mr Besgrove—There were some meetings. I believe there were meetings after 7 October.

Senator CONROY—I guess I am talking between 14 and 21 November.

Mr Besgrove—No, there was not a meeting.

Senator CONROY—There was not a meeting but the funds management committee had changed its composition a bit so it was a bit fluid.

Mr Besgrove—Yes.

Senator CONROY—By 14 November—if I could just get a list of who were the funds management committee for this next stage of the selection.

Mr Besgrove—Okay.

Senator CONROY—On 14 November the funds management committee are supplied with your assessments and TRM's assessments which are broadly consistent.

Mr Besgrove—Yes.

Senator CONROY—Given you have paid \$200,000 or \$300,000 for the advice and you have come up with roughly the same answer yourself, it says a lot for the quality of the departmental advice.

Mr Besgrove—It is flattering, Senator, but no, we had obviously been influenced by TRM's process which we had been, to some extent involved in. We had sat in on some of the interviews, for example.

Senator CONROY—You are both working off the same criteria.

Mr Besgrove—Yes, but they are working from a professional market driven criteria; we are working from policy driven criteria.

Senator CONROY—What would be the difference? Can you explain the difference?

Mr Besgrove—I think that it is fair to say that because the innovation investment fund is deliberately trying to address a market failure in the capital market, which the government is trying to address by deliberately channelling additional resources than would otherwise be the case under normal market circumstances, the imperative to look for skills in managing early stage companies is something which TRM understood from us but we had to keep reminding them of. The vast bulk of venture capital in Australia is concentrated in later stage, management buy-out and so on. One of the iterations on our part was to ensure that they were picking up the early stage skills issue.

Senator CONROY—This will be a bit harder because you cannot quite remember how the ranking was done by TRM. What ranking process did you do at this point?

Mr Besgrove—I would have to take that on notice, Senator. I cannot recall that.

Senator CONROY—I am not necessarily looking to publicly go through the rankings individually. I appreciate the point you made earlier but I am looking to try to make a comparison between the rankings that were completed by the department and those by the TRM. I am not sure I can do that unless I have a list of the rankings and who is in what

rankings. I am happy to perhaps maybe work on a numbered A, B, C—company A to whatever.

Mr Besgrove—Without knowing the names of the companies?

Senator CONROY—Without naming the names.

Mr Besgrove—That is my concern.

Senator CONROY—I am very conscious of that. Is it possible to get an A to Z ranking that was done by TRM and an A to Z ranking that was done by yourselves?

Senator Minchin—We will take that on notice.

Senator CONROY—Are you saying you are happy to do that or do you want to take it on notice?

Senator Minchin—We will take the request on notice because we are not even sure how they were ranked. I cannot be sure. They might have been grouped, split into three categories or something like that.

Senator CONROY—Without revealing confidentialities in terms of names, I would like to get the respective groupings. Again, it could be just a case of A, B, D, Z all being in the top grouping in TRM and A, B, S and M in the departmental grouping—

Senator Minchin—We understand you are keen to find out as much as you can about the extent to which there was a difference between TRM and the department and we will endeavour to get that information to you.

Senator CONROY—Okay, thanks. Appreciating that there is some commonality, do the funds management committee make recommendations to the board? Even though they had not met formally as a subcommittee, you indicated that some advice that flowed from them to the board. How do I quantify that? How do I identify that?

Mr Besgrove—Again, I think I will have to take that on notice. My memory is that much of it was verbal advice at the board meeting that considered the 21.

Senator CONROY—So you said, ‘We have looked at the 21. This is what we think.’

Mr Besgrove—I believe so.

Senator CONROY—The membership of the full board is fixed; it is not fluid.

Mr Besgrove—No, although I should add that the board in its meetings on this issue, on the advice of the probity auditor, excluded any members who might have even the faintest suggestion of a conflict of interest, so it was a smaller board than normal.

Senator CONROY—Thank you. Were the non-board members who were funds management committee members invited to attend? Were they part of a discussion at the time?

Mr Besgrove—I will have to take that on notice. I do not recall. I do not think they were.

Senator CONROY—Were you there?

Mr Besgrove—Yes, I was present at all of this but I am afraid I cannot recall if they were in that discussion.

Senator CONROY—Just let me know if the non-board members were actually invited for the discussion. They may not have been kept in the room for the vote but just for that discussion. So at this stage we have got some verbal advice coming to the board members from at least the board members who were on the subcommittee?

Mr Besgrove—Yes.

Senator CONROY—You have got your own advice which you would presumably be providing in written form to the board?

Mr Besgrove—Yes.

Senator CONROY—And you have got the TRM advice, or had you merged it by then?

Mr Besgrove—We had provided, I think, a consolidated set of advice based on Wiltshire's reports, TRM's reports and TRM's overall assessment. We had consolidated all of that information.

Senator CONROY—How did you reconcile the inconsistencies between your recommendations and TRM's recommendations?

Mr Besgrove—I think simply by pointing out where there were any inconsistencies. I do not recall them as being particularly significant.

Senator CONROY—Hopefully, they are not. You have now said you have put one list up to the board. In what format did you put that to the board? Was it a 1-21? Was it strong, medium, weak? Was it A, B, C, D? What was the format of your—

Mr Besgrove—In essence you are asking a similar question to what you asked before about how we ranked them. I simply cannot recall how that ranking advice was given, if it was ranking. The minister may be correct: it may be grouping. We will have to come back to you on that.

Senator CONROY—You will come back to me on that?

Mr Besgrove—Yes.

Senator CONROY—Thanks. So the board then made a decision to reduce it to 12 for interviews?

Mr Besgrove—Yes, that is correct.

Senator CONROY—And those interviews were to be conducted by—

Mr Besgrove—They were conducted by the committee, I believe.

Senator CONROY—Back to the funds management committee?

Mr Besgrove—The attachment to this press release is not explicit on that, Senator. I think I will have to check the files and advise you. My recollection is that it was the funds management committee on 21 November followed by a board meeting on 4 December. The board meeting on 4 December would have ratified recommendations from the FMC. The attachment does not say that so we will check that.

Senator CONROY—If I can just clarify with you, the board meeting that reduced the number from 20 to 12 was on 21 November.

Mr Besgrove—I beg your pardon. You are right.

Senator CONROY—So the funds management committee then, we think—

Mr Besgrove—Under item 10, the funds management committee interviewed the selected applicants on 25 and 26 November.

Senator CONROY—On 25 and 26 November. The funds management committee were in charge?

Mr Besgrove—Yes.

Senator CONROY—Are you aware if the funds management committee has changed membership? You were going to get it for me on the 14th for that process. Do you know off

the top of your head whether the funds management committee changed again? I would appreciate if you would take it on notice. Now is each of these changes that the minister makes or does someone just say, 'I cannot make it along anymore'? How would that process work?

Mr Besgrove—The changes are made by the minister.

Senator CONROY—So the minister makes the changes.

Mr Besgrove—He appoints people or he agrees to appoint board members. In some instances, it may have been board members being appointed.

Senator CONROY—In terms of the non-board members, are they are also ministerial appointments, as you said earlier?

Mr Besgrove—Yes.

Senator CONROY—Did any of them change? I appreciate if you can come back to me on whether the board membership has changed. Can I call them the advisers rather than the board. I am just looking for some quick simple phrase.

Mr Besgrove—Again, I think I should confirm this. But it is my recollection that the meeting on the 25th and 26th would have included Mr Trevor Boucher, who was a longstanding board member, and Professor Terry Walter, who is a professor of accountancy from Sydney University. He joined the committee at about this time and has remained on the funds management committee ever since.

Senator CONROY—And he is an accountant?

Mr Besgrove—He is professor of Accountancy at Sydney University.

Senator CONROY—Who would have they replaced? You can take that on notice.

Mr Besgrove—They would have replaced Professor Dodd and Mr Scanlan.

Senator CONROY—So was Scanlan a board member or not?

Mr Besgrove—Scanlan was not a board member.

Senator CONROY—And what about Dodd?

Mr Besgrove—Was a board member.

Senator CONROY—And you are just not sure if any others changed, from your recollection?

Mr Besgrove—I am sorry, Senator, but we had not anticipated these questions today and some of the files have been archived.

Senator CONROY—Do you remember who the other two or three were at that meeting?

Mr Besgrove—I would have to take advice on that.

Senator CONROY—Those that were doing the interviews.

Mr Besgrove—My recollection is that it would have been Dr Cutler and Mr Dillon.

Senator CONROY—Are they both consistent right the way through?

Mr Besgrove—Yes, they are the common thread for the committee right throughout the whole process. Then there are Mr Boucher, Professor Walter. That may well be it.

Senator CONROY—At this stage, do you think there were four?

Mr Besgrove—Yes.

Senator CONROY—You were indicating you were not sure whether it was four or five. It is just that the number is always stated at four.

Mr Besgrove—Yes. If it is not four, we will advise you.

Senator CONROY—Did you say they conducted the interviews through the next week or so?

Mr Besgrove—On the 25th and the 26th.

Senator CONROY—Were TRM involved in them at all?

Mr Besgrove—I do not recall. I do not think they were involved in the interviews. They had provided advice.

Senator CONROY—So their role in the selection processes ended with their compilation?

Mr Besgrove—Yes.

Senator CONROY—So we paid \$300,000, or a couple of hundred thousand, for a compilation that goes in and, by good management, you have the same rough list in terms of your assessments of them. You had been drawing from them as you went along, you said.

Mr Besgrove—We had been influenced by the TRM process, so there was some coincidence emerging.

Senator CONROY—That seems a little weaker than you were indicating before. Before you were talking about minor differences; now you are saying there was some coincidence.

Mr Besgrove—Sorry, I am not using language as precisely as I would like. There were not significant points of divergence between the two.

Senator Minchin—We are going back over this. We have already taken your request on notice to examine the extent to which there were differences.

Senator CONROY—I only went back to this because there seemed to be a slightly different terminology being used. The funds management committee then picked the five—or made recommendations of the five? What was their process of recommendation to the board? What happened next?

Mr Besgrove—They made recommendations to the board on the five that they felt should be offered licences. They also recommended a reserve list of another four in the event that any of the groups that were offered licences were unable to meet the conditions of a licence. They found three of the groups that they interviewed were not suitable to be offered a licence. They provided a report to the board which in essence summarised the outcomes of the interviews along those lines.

Senator CONROY—Five were offered licences?

Mr Besgrove—The board considered that on 4 December. Coming from that, five were offered licences.

Senator CONROY—The committee recommended to the board that five be offered licences, four be on the reserve list and three not at all.

Mr Besgrove—Were not suitable, yes.

Senator CONROY—On 4 December?

Mr Besgrove—Yes.

Senator CONROY—The board met?

Mr Besgrove—Yes.

Senator CONROY—The board adopted the recommendations of the committee?

Mr Besgrove—Yes.

Senator CONROY—All five accepted the offer?

Mr Besgrove—Yes.

Senator CONROY—All five are still going now?

Mr Besgrove—It is probably appropriate for Ms Berman to comment.

Ms Berman—As I indicated this morning, all five are now licensed. One was licensed in May, another in June, one in August and the last two in November.

Senator CONROY—One in June?

Ms Berman—One in June, one in May, one in August and the last two in November.

Senator CONROY—Did you say one in May?

Ms Berman—May, yes.

Senator CONROY—May was the first one?

Ms Berman—Then June, one in August and two in November.

Senator CONROY—Was there a reason that they were staggered like that?

Ms Berman—The contracts, the governing documents which were to be signed by the two parties—the Commonwealth and the fund managers—provided a time in which the fund managers could get their house in order, so to speak, identify and complete their private sector investment arrangements and agree to the contract terms. Some were more speedy in achieving that than others.

Senator CONROY—There is about six months there for some of them to get their act together.

Ms Berman—That is correct.

Senator CONROY—All five of them are still active now? They have all reached their contract conditions?

Ms Berman—There has been no breach; they are all operational at the moment.

Senator CONROY—Were the five recipients all ranked in the top category, or in the top five of TRM?

Mr Besgrove—I believe so. We would have to check on that; I do not have total recall of that.

Senator CONROY—Did the top five emerge fairly early and stay as the top five, as reported in the TRM report on 21 November handed to you?

Mr Besgrove—No, I think it is fair to say that there was some movement. The TRM itself goes through a process of first desk assessment, then interview, then background checks. TRM's own ranking is changed in the course of that. They provided us with progressive advice about their assessments at the time, and it was only at the completion of that process that they had what they regarded as a firm ranking. The reports that were considered by the FMC and then by the board I do not believe had as rigid a ranking.

Senator CONROY—So that is the one you compiled?

Mr Besgrove—Yes. So I think it is erroneous to suggest that there was a one to five ranking on 21 November which did not change. There would have been iterations based on the discussions by the FMC and the board.

Senator CONROY—You said that TRM's final report, a compiled report which was handed to you on 14 November, had a firm ranking?

Mr Besgrove—I believe so.

Senator CONROY—It may not have been a one to five, it may have been five in the top group, because presumably you are looking for five so you have asked them to—

Mr Besgrove—We were not looking for any specific number. The money which the government had agreed to could have funded anything from three to six licensees, depending upon the amount of money which was made available. Under the IIF program the minimum fund size is \$30 million—\$20 million of government and \$10 million of private—and there was \$130 million of government money available. So theoretically up to six licences could have been offered.

Senator CONROY—Or as few as three?

Mr Besgrove—Yes, in practice the board made a judgment that it would offer five.

Senator CONROY—The board made the judgment to offer five?

Mr Besgrove—Yes.

Senator CONROY—I want to return to TRM's firm rankings, which I think are the words you used. You say that those changed a bit as they went along. They might have looked good at the early stages; they interviewed them and they still looked good; and then they did the background, and they moved up and down depending on that process?

Mr Besgrove—Yes.

Senator CONROY—So they did not know how many were finally going to be released?

Mr Besgrove—No.

Senator CONROY—Three, five?

Mr Besgrove—We had been saying to people up to six, because that was the maximum that we would have been able to offer, but we were not sure what the final number would look like.

Senator CONROY—You said that on notice you will try to ascertain the rankings that TRM produced. Were there five names? Did they draw a line under five? Did they draw a line under six? Did they draw a line under ten? Those most favoured?

Mr Besgrove—Again, I will have take that on notice. I suspect that they may have drawn a line somewhere, but I do not recall where. It was certainly more than five if they did. The other point I should make is that a number of these applicants are involved in other funds, some of which both TRM and other fund advisers have advised people to invest in. So we had a collection of finalists, if you like, which were probably quite a credible group, from anyone's perspective. It was a very high quality field.

Senator CONROY—So it was a good beauty contest, which I understand is a genuine technical term?

Mr Besgrove—Yes.

Senator CONROY—You think the beauty contest consisted of more than the five in TRM's mind?

Mr Besgrove—Unquestionably, and I think it is also the case that both the department and the board felt that there were a number on the reserve list who could have easily performed well. They were just ranked by the board ultimately in a manner such that they were not offered a licence.

Senator CONROY—You are not sure whether they had a definitive one to five; you are just saying that maybe they put seven in their top category TRM, or something like that?

Mr Besgrove—Yes.

Senator CONROY—Did any of the final recipients not finish in the TRM top category, from your vague recollection?

Mr Besgrove—I do not think so.

Senator CONROY—So if you had five about which you said, ‘Yes, tick those; we will offer them’ and four that were really hot behind, possibly TRM might have said that there were nine worthy candidates?

Mr Besgrove—It may have been of that order.

Senator CONROY—The board then ranked the five out of nine? Or did the funds management committee recommend five, or three, or six? What did the funds management committee recommend?

Mr Besgrove—I believe that I have answered this already.

Senator Minchin—You have already been advised that the FMC recommended to the board the preferred five and a reserve of four and three were not there.

Senator CONROY—Thank you, minister, for assisting me. So the FMC recommended five and the board adopted the five?

Mr Besgrove—After extensive discussion, yes.

CHAIR—Senators have indicated that they have no questions for subprogram 1.8—petroleum; sub-program 1.10—analytical mapping; sub-program 1.11—corporate services. There are no questions for program 2—IP Australia and no questions for program 8—Australian Geological Survey Organisation. We will return to subprogram 1.4—sport and recreation.

[6.07 p.m.]

Subprogram 1.4—Sport and recreation

Senator LUNDY—I would like briefly to revisit the Australian Sports Foundation and to follow through some issues of accountability. Given that the Australian Sports Foundation has ceased to be a controlled entity of the Australian Sports Commission, can you provide detail to the committee about exactly who the Sports Foundation is accountable to in terms of expenditure and operation?

Mr Crick—It has a certain amount of autonomy in that regard, but of course it is subject to Corporations Law. As Mr Ferguson mentioned, it is responsible for reporting its accounts through the Sports Commission, and therefore they will be available for public scrutiny, and I presume therefore for consideration in the normal way that ASC accounts would be looked at.

Senator LUNDY—I note in the annual report that the extent of reporting of the Australian Sports Foundation is a director’s report, a very brief independent audit opinion and a paragraph in the main body of that report. Given that I have already put questions to you with respect to the foundation and no-one has been able to respond with any degree of specificity, how do we actually call to account through the estimates process the expenditure of public moneys associated with the Australian Sports Foundation?

Mr Crick—The amount of public money that will go into the Sports Foundation ultimately will be nil. There has been a small amount of money that has gone in to establish it as a more independent body, but then it will be entirely self-funding.

Senator LUNDY—Just two points with respect to that: they are not entirely self-funding yet so there is, I think, a powerful argument that they be available to account for expenditure over this last financial year and at this point in time that is not possible. Secondly, given that they derive a proportion of their income from levies from organisations that in fact do receive public money, there is an argument that they are funded indirectly through public money.

Mr Crick—They would receive donations that are going to organisations, like sporting bodies, but the donations in the first place I think are coming from corporate or individual donors. Is that right, Jim?

Mr Ferguson—The donations to the foundation are of a charitable nature and they come from individuals. If they are made through the foundation, that provides a tax incentive.

Senator LUNDY—I appreciate that.

Senator Minchin—Senator Lundy, it is really now in the category of thousands upon thousands of organisations around Australia that receive some money from the Commonwealth, as you would know. There are thousands of organisations that receive a grant of one kind or another from the Commonwealth and they cannot all be paraded before estimates to account for whatever funds they may receive by way of grants from the Commonwealth.

Senator LUNDY—With respect to the levy applied by the foundation, how does that formulation work and from whom is that received?

Mr Crick—The levy is on the donations that are made to the Sports Foundation.

Senator LUNDY—Keep going.

Mr Crick—In what sense?

Senator LUNDY—The point is that they are certainly not autonomous at this point in time, there is still public money being expended and we cannot call them to account for expenditure of that money because no-one is present to answer questions. I take the minister's—

Senator Minchin—The Australian Conservation Foundation receives hundreds of thousands of dollars. We did not drag them before estimates.

Senator LUNDY—Minister, you need to appreciate the circumstances have changed only recently and the board is obviously a new entity. I am just seeking to work out who they are accountable to. Perhaps you can advise me what relationship the board has, or even the chairman of the board has, to the minister's office. Do they respond to directives or programs that the minister might have as a part of their agenda, for example?

Senator Minchin—They cannot; they are not a government body.

Senator LUNDY—That is my question. If the answer is no, then say it.

Mr Ferguson—I think the board is appointed by the minister but the organisation operates according to its memorandum and articles of association.

Senator LUNDY—So there is no line of formal accountability to the minister in terms of their activities?

Mr Ferguson—As I recall the memorandum and articles of association, that is correct.

Senator LUNDY—Thank you, that is the clarification I was looking for. To go back to my earlier point, whilst there is still public money being expended, there seems to be an overlap where there is a case for that level of accountability in the intervening period.

CHAIR—Are you making a statement or asking a question?

Senator LUNDY—I am restating the evidence I believe I have just heard and making a point about that.

CHAIR—This is the time for questions. The chamber is the place if you want to make points and debate issues.

Senator LUNDY—I am giving ministers the opportunity to refute my assumptions arising from the evidence.

CHAIR—No, they are not here to refute assumptions. They are here to answer questions.

Senator LUNDY—Thank you, Mr Chairman. At the last estimates, we traversed the Australian Sports Commission's legal action against the Confederation of Australian Sport. Where is that up to?

Mr Ferguson—It has been withdrawn.

Senator LUNDY—On what basis?

Mr Ferguson—On the basis that the confederation has asserted to us that they have no proprietary rights or interests in the Sportnet program.

Senator LUNDY—Who were the lawyers engaged by the Australian Sports Commission?

Mr Ferguson—Mallesons Stephen Jaques.

Senator LUNDY—What was the total cost to the Australian Sports Commission?

Mr Ferguson—I could not tell you that off the top of my head. It would not have been very much. It was a matter of drafting a few letters.

Mr Hobson—Senator, I think it would be less than \$1,000.

Senator LUNDY—I hope that the sports committee can foster a better relationship with the confederation.

Mr Ferguson—We have a very amicable relationship.

Senator LUNDY—That is very good to hear. On page 96 of the annual report, it is mentioned that the government has agreed to a national audit of sporting facilities. Wasn't a similar audit conducted only a year or two ago?

Mr Ferguson—I think you might be referring to another report.

Mr Crick—That was part of the government's response to the parliamentary committee on sports facilities. It agreed to do that audit and that audit is being coordinated through the states and Commonwealth Sports Ministers Council.

Senator LUNDY—Has there not been a national audit of sporting facilities recently?

Mr Crick—Not recently. Most of the states have information, but it is all in different formats. We are trying to bring it together to get a more sensible audit across the country of sporting facilities.

Senator LUNDY—Has any similar audit been conducted within the last five years that traverses issues of national sporting facilities?

Mr Crick—I do not think so.

Senator LUNDY—You are responding to a recommendation for that?

Mr Crick—Yes.

Senator LUNDY—What was the actual report?

Mr Crick—The House of Representatives Standing Committee on Environment, Recreation and the Arts inquiry into sport and recreation facilities.

Senator LUNDY—Their inquiry did not involve establishing details or a database of sporting facilities?

Mr Rowe—I understand the committee sought such information, but it did not exist. Therefore, it became one of its recommendations that an audit be undertaken.

Senator LUNDY—Can you outline the process that would take place with respect to this audit?

Mr Rowe—That has not been determined yet. The government's response said that it would support an audit under satisfactory arrangements with the states and territories. We are now going through a process of working out those satisfactory arrangements with the states and territories.

Senator LUNDY—Has a completion date or a preferred completion date been identified by the government? I am trying to get an idea of time frames.

Mr Rowe—There has not been a date set. We are currently receiving some advice from various states and territories as to what their holdings are. We are hoping to move on it as soon as we possibly can.

Senator LUNDY—Who is managing that from the department's point of view? Is that something handled by your section?

Mr Rowe—At the present time it is. The Sport and Recreation Ministers Council asked the secretariat to coordinate that. At that time the Commonwealth provided the secretariat to the council. The secretariat has now moved onto New Zealand, but we have continued in that role, in fairness to New Zealand.

Senator LUNDY—Have there been any estimations as to the cost of the audit?

Mr Rowe—Not as yet. We do not know what the parameters will be. It will depend largely on the information that we receive from the states and territories.

Senator LUNDY—And then it will be considered by the council and you will determine terms of reference for the actual audit?

Mr Rowe—It may well be considered by the committee officials which support the council, with a recommendation going to the council, but that process has not yet been determined.

Senator LUNDY—I saw a newspaper report in late December last year about a review conducted by the Australian Sports Commission of the cycling and track program. Can you enlighten me as to why that review was initiated?

Mr Ferguson—The Australian Sports Commission, in conjunction with the Olympic Committee, conducted a review into the cycling program. That followed problems in the program over the previous year, some of which got a fair amount of publicity, and it was decided that the program should be reviewed to ensure that it was heading in the right direction and was appropriately resourced and managed towards Sydney.

Senator LUNDY—Did you take submissions as part of that review?

Mr Ferguson—Yes. We received 27 or 28 written submissions and we interviewed 38 to 40 people.

Senator LUNDY—Just in outline, what was the actual process of the review like?

Mr Ferguson—It was carried out by me and Mr Doug Donoghue of the Australian Olympic Committee. We wrote very widely to people involved in the cycling fraternity asking them to put in submissions or raise any issues that they wished to raise. When we received those, we then made arrangements for a series of interviews in Sydney, Canberra, Melbourne and Adelaide. We conducted those and spoke to the 40-odd people who came along.

Senator LUNDY—What were the outcomes of the review?

Mr Ferguson—We determined that a number of the problems which had occurred in cycling in the last couple of years had been the result of unclear accountability in reporting arrangements. There was some need to ensure that everybody in the program was quite clear as to what their responsibilities and accountabilities were.

There was some confusion about the role of coaches. It was determined that the burden placed on the head coach was too high for him to appropriately carry and do his job properly, so we recommended that there be some changes to the coaching arrangements. The recommendations that we made are in the process of being put into effect.

Senator LUNDY—You have anticipated my next question, Mr Ferguson. It is: what changes are taking place? Are any other significant changes or restructuring occurring?

Mr Ferguson—The role of the head coach was changed somewhat and more resources have been put into coaching to assist him. Some changes have been made to the composition of personnel on touring teams, the direction of overseas tours and overseas trips. There will be a revision of the athletes' agreement. There will be provision made for a grievance process, so that athletes who have grievances have an appropriate process through which they can express those grievances and have them dealt with. They were the main aspects.

Senator LUNDY—Thank you. Have you received any complaints over the review process or the outcomes?

Mr Ferguson—The response to the review was very positive. We have received one complaint indirectly, not from an athlete concerned, but from somebody purporting to speak on behalf of an athlete. There have been a number of questions from athletes in terms of follow-up but not in the nature of complaints.

Senator LUNDY—Thank you for that. Turning to another issue that was widely reported in the media, the controversy over women's sporting uniforms with the volleyball team being the most recent example, can you tell me what the Australian Sports Commission is doing to promote the report that it released last year—in fact, it may have been the year before—'An illusory image, on the media coverage and the portrayal of women in sport in Australia'.

Mr Ferguson—That was not a report of the commission. I think that was done by Women's Sport Australia, if my memory serves me correctly. We are very well aware of the issue of uniforms. We have taken the view that we do not want to be in the position of forcing any athlete to wear a uniform that they may, for genuine reasons, consider to be inappropriate. At the same time, of course, we recognise the desire and needs of sport to make themselves attractive for television.

Senator LUNDY—With respect to that, do you see that there is a role for the Sports Commission to actually provide advice, guidance and direction to both national sporting organisations and sporting bodies generally about what would be considered to be not only

a practical but also a sensible approach to managing issues such as that, given the controversial nature of it?

Mr Ferguson—Our advice to sporting organisations is that they should be sensitive to those issues. We have not been prescriptive in terms of the dimensions of the uniform, whether the bikini should be six inches or three inches.

Senator LUNDY—That was the approach beach volleyball took.

Mr Ferguson—We were thinking of appointing Mr Boulton to go around and measure them.

Senator LUNDY—Now, now, Mr Ferguson; I am sure you do not want that to go on the record. Has the issue of women's sports uniforms, or in fact sporting uniforms in general, as a matter of policy approach, been addressed by perhaps the women's sport unit within the commission on a policy basis?

Mr Ferguson—Again, only to the extent that we take the view that sports need to be sensitive to that issue. It is an important issue for a lot of people, and we have been urging them to take those concerns into account. We have not been prescriptive as to what might be appropriate or inappropriate in relation to any particular sport.

Senator LUNDY—You made the point before about the report I mentioned on media coverage and the portrayal of women in sport not being a report of the commission. Does that mean you do not have an action agenda, if you like, or activities relating to progressing some of those issues?

Mr Ferguson—No, we thought the report was a good report and we certainly support the recommendations that were made in it. We have been working, particularly in the area of the media coverage of women's sport, for quite a number of years. I think we could probably say that there has been some slight improvement, although, unfortunately, relatively slight.

Senator LUNDY—That particular example—citing beach volleyball and precise measurements being distributed amongst those involved in the sport—has provoked a very angry response from a number of people who have contacted my office. Have you had any feedback of that nature?

Mr Ferguson—I am not aware that anyone has specifically complained to us, but I am aware, obviously, that complaints have been made generally. My reference to Mr Boulton, although it was light, was intended to convey the thought that we do not think that it is appropriate for us to be doing that sort of thing. That is a matter for the sport.

Senator LUNDY—Indeed. I think it is one of those issues, Mr Ferguson, that perhaps the commission will be called on to provide a stronger expression of view about when it comes to how the individual sports should conduct themselves in the future if this develops in an all-pervasive direction.

CHAIR—I think you are getting into a commentary mode.

Senator LUNDY—I am indeed, but I have something to say about it. So I take this opportunity to do so. Another issue with respect to women in sport is that the Prime Minister has announced that an Australian sports medal program will be embarked upon. I do not know whether this is for the commission or the department, in fact, but can you outline how these awards will be administered?

Mr Spasojevic—I understand it is the responsibility of the Department of Prime Minister and Cabinet.

Senator LUNDY—Okay. So you do not have anything to do with it at all?

Mr Spasojevic—It is the responsibility of the Department of Prime Minister and Cabinet.

Senator LUNDY—Were the women's sports awards the responsibility of Prime Minister and Cabinet before he scrapped them?

Mr Ferguson—No. They were operated through the commission and funded by the commission.

Senator LUNDY—They were. What sports awards do you still administer?

Mr Ferguson—We administer the Active Australia sports awards which incorporate a number of the awards that were in the Women in Sport awards. The major award in the Women in Sport award, namely, the Female Athlete of the Year, is incorporated into the Sport Australia awards.

Senator LUNDY—Was there any liaison between Prime Minister and Cabinet and the Sports Commission in relation to the Australian sports medal program?

Mr Ferguson—Yes, there has been a fair amount of discussion over a reasonable period of months towards the background to establishing the proposal.

Senator LUNDY—So why did it end up with them and not with you?

Mr Ferguson—They initiated it, I think is probably the answer.

Senator LUNDY—Perhaps I should couch that differently. Did you—

Mr Ferguson—They came to us and said, 'We are thinking of instigating this proposal; you are the people who are involved in sport, so can you give us a hand.'

Senator LUNDY—And did you think that you would be administering it?

Mr Ferguson—No.

Senator LUNDY—Okay. I will refer all other questions to Prime Minister and Cabinet in relation to that. As to the national agreement on under-age boxing, what has been the follow-up action taken by the department since the Sports Ministers Council last year?

Mr Ferguson—We have had a meeting of the working group established at that time to look into this issue. Since then we have been gathering all the information that we could from the various jurisdictions around the country as to their approach to the regulation of boxing. The minister has had a meeting with officials of the boxing union and the commission has had a number of meetings with the boxing union. We are proposing to call a second meeting of the working party in the near future to consider where we go from here.

Senator LUNDY—So are you in a position to advise the committee of any actions that are likely to take place, or just that you have another meeting coming up?

Mr Ferguson—I think it is perhaps a bit premature to do that. It is quite clear that different jurisdictions have completely different approaches to the regulation of boxing—and martial arts sports as well.

Senator LUNDY—And have you done an analysis of the legislative and regulatory base for that in each state?

Mr Ferguson—We have, yes. That is the information that we have been gathering.

Senator LUNDY—Okay. Could you provide that to the committee?

CHAIR—Do you mean now?

Senator LUNDY—On notice.

Mr Ferguson—I believe so. Yes. Once it is completed, yes, I do not see any reason why we should not. It is public knowledge.

Senator LUNDY—That would be useful. That is all I have.

CHAIR—Thank you, Senator Lundy, and thank you to the sports people from subprogram 1.4. I suggest that we have a five-minute break. We have been going for a long time.

I am not sure whether there are any questions under 1.6, but I know we have questions under 1.7 and 1.9. I will have to check about 1.6.

Proceedings suspended from 6.34 p.m. to 6.38 p.m.

CHAIR—Can I say that, as I understand it, I do not think we have any questions for subprogram 1.6. I will call Senator Conroy.

[6.39 p.m.]

Subprogram 1.9—Science and technology

Senator CONROY—Sorry, Mr Besgrove, but I just have a couple of wrap up-questions. What were the terms of the TRM contract? What were they actually employed to do?

Mr Besgrove—I do not have full recall of the details of the terms of reference of the consultancy. We would have to supply that to you; I think that could be made available. In broad terms, they were asked to do an assessment of each of the applicants. If you look at page 9 of the press release that we have tabled, you will see a full listing of their role. They reviewed the applications, provided interim reports, verified the background reputation and achievements of the applicant, verified the claims made by the applicants and then provided a final report based on their entire due diligence process. In essence, we asked them to replicate the process they would go through if they were advising us as private investors on which fund manager to invest money with.

Senator CONROY—Were they required to produce a short list, or just required to review every applicant?

Mr Besgrove—They were required to review every applicant referred to them by the funds management committee.

Senator CONROY—It is just that 21 seems like a long short list. In a commercial situation, or even a departmental situation, you would not anticipate that the final outcome would be 21 or 24—whatever that final number was. They were not even required to draw up the list of 12? Were they just told, ‘Here is every application. Tell us what you think,’ and a couple of hundred thousand dollars later—

Mr Besgrove—I think we have already taken on notice providing you with information about what the ranking from TRM looked like. I simply cannot recall what the nature of that report was. It is too long ago.

Senator CONROY—You probably slightly misunderstood my question so I will try to be a bit clearer for you. I am surprised that TRM dropped out of the process on 14 November.

Mr Besgrove—TRM was providing advice to the funds management committee and to the IR&D board, but ultimately it is the board’s decision as to how they craft the final stages of the assessment process. I think the TRM, by 14 November, had met the obligations outlined in the contract, to the best of their ability, and had provided sufficient information for the department, in its role in supporting the funds management committee, the IR&D board, and the committee to make some final judgments.

Senator CONROY—I am just saying that I am surprised they were not involved a little bit further into the process, in terms of down to the 12 or whatever, but I guess that, given that the FMC were a further step between the 25 or 20 and the board, there was not felt to be a need to keep them on to make recommendations on the 12 or the five.

Mr Besgrove—I think it is fair to say that all of the 12 were people who were in the upper end of the TRM ranking, so to that extent their views were certainly taken on board. But no, they were not asked to come up with a short list of five or six. I think the board would have seen that as an abdication of its responsibility.

CHAIR—Could I interrupt for a second. The news for subprogram 1.6 and its officers is all good: you are not required, only 1.7 and 1.9.

Senator CONROY—Have there been any further licences issued since the five?

Mr Besgrove—No. Ms Berman should comment on round 2.

Ms Berman—No, there have been no licences since the completion of round 1. However, further money has been identified—another \$100 million—which becomes available on 1 July 1999. A process has yet to be determined in terms of timing for the call for applications for that.

Senator CONROY—So there is another application process?

Ms Berman—That is correct.

Senator CONROY—We have still just got the five?

Ms Berman—That is correct.

Senator CONROY—I think the five were on the front of the press release, so we are not in the commercial-in-confidence area. Are you able to identify who was on 1 May?

Ms Berman—It was A&B Investment.

Senator CONROY—On 1 June?

Ms Berman—It was not 1 June, but it was in June. It was AMWIN.

Senator CONROY—August?

Ms Berman—Rothschild.

Senator CONROY—Coates and Momentum.

Ms Berman—Those last two were in November.

Senator CONROY—Not a lot of momentum to Momentum! A year is an awful long time to get signed up. You describe it as 'getting their act together'. They rated so highly through the process so almost a year is a long time to be waiting to sign up with them. You must have been a bit disappointed.

Ms Berman—When the decision was made in December 1997, no governing documents had been prepared—that is, the contractual arrangements between the to be licensed fund managers and the Commonwealth. There was a process of about five months in which consultation occurred between the fund managers and the Commonwealth on various aspects, which was done through the Fund Management Committee, on developing the contracts.

The licensed management contracts were ready by May, through agreement with all parties. Then there was a trust deed, or partnership agreement, that had to be the second part of the licensing and there was a time period allowed in the governing documents—ministerial directions—for that to take place. It was a period of, I think, 90 days and, within the

ministerial directions, there was also the ability of the board to extend that 90 days should it see that that was desirable.

Senator CONROY—So it had to extend beyond what was the 90 days to get the last two probably, and possibly the August one?

Ms Berman—Three of them were within the 90 days.

Senator CONROY—So it was those last two, Momentum and Coates.

Ms Berman—Momentum and Coates Myer. They sought extensions and the board considered that, as it was able to in the ministerial directions, and gave them extensions and they then came in within that time frame.

Senator CONROY—Was it six months from when you were ready to sign up to when they were ready to sign up?

Ms Berman—Yes. The documentation that was completed in May concerned the management licence agreement. The further documentation relating to the structure of the fund, whether it was going to be a trust deed or a partnership arrangement, in some cases took longer to conclude because the focus had been on unit trust structures. One fund decided to go another way and decided to set up a partnership. That was one reason.

Senator CONROY—Was that Coates or Momentum?

Ms Berman—That was Coates Myer.

Senator CONROY—They went the partnership route?

Ms Berman—They did.

Senator CONROY—Which caused further paperwork complications.

Ms Berman—It certainly did, it extended the period.

Senator CONROY—That just leaves us with Momentum again, taking six months to sign a document. Do you have any other observations as to what caused the delay for Momentum?

Ms Berman—Momentum had a number of reasons why they were concerned to extend the period. They related to completion of the unit trust contract and they also related to their identification of the private sector investment funding.

Senator CONROY—Surely they would have had to provide that information during the tendering process.

Ms Berman—I will refer that to Mr Besgrove.

Senator CONROY—Surely that was part of the criteria, that they would have to be able to quickly pull together the private sector. That was the whole point, was it not?

Mr Besgrove—I think it is fair to say that we anticipated that some of the applicants would take some time to conduct the capital raising. The simple reason for that is that the focus of these funds is in a very early stage, which is an area that private investors have generally shied away from in Australia because it is extremely risky. We had always anticipated, and the government had always accepted, that there were probably going to be some of these licensees who would take some time to raise the capital. That was in fact exactly what happened with Momentum but they were able to raise the capital.

Senator CONROY—Within the process that you went through, you recognised that a number of the five—I guess you did not quite know it was going to be five—but a number of the likely successful applicants would take some time to get their act together.

Mr Besgrove—Might take some time, and because we had not implemented a program of this sort before, we were not clear how long the negotiation of licence agreements and trust deeds would take in practice. As Ms Berman has indicated, some of that was quite time consuming.

Senator CONROY—Would that have been noted in your assessments and recommendations, that is, who was more likely to take time than others? Would that have been one of the criteria?

Mr Besgrove—I do not believe so. If you refer back to the objectives of the program, one of the objectives is to increase the supply of skilled funds managers in this area in Australia. I think it is fair to say that the board was interested in seeing some new entrants and also that some of the applicants had an explicit training strategy to train new funds managers. It was a very deliberate attempt to try to grow the number of skilled funds managers in Australia.

Senator CONROY—I just want to reiterate that none of these five was in the ones that were upgraded initially in the departmental category from weak to medium?

Mr Besgrove—No.

Senator CONROY—And none of these five was in the three that decided to stay in the race after the initial departmental cut.

Mr Besgrove—No.

Senator CONROY—Thank you very much. I will put questions on notice for IP Australia who have already gone, and apologies to the people from 1.7 who have hung round needlessly.

CHAIR—We do still need 1.9, and this is the final program we will be looking at. Fire away, Senator Conroy.

Senator CONROY—The annual report states that in late 1998 the marine science and technology plan will be released and that it will be finalised in March or April. Has the report been released?

Mr Pettifer—Senator, the report has not been released yet. We expect to release it in the next three months or so. It was important to link it in with the oceans policy, which was released just before Christmas. That caused some delay, particularly in relation to getting consistency in the institutional arrangements, for example, that would govern the implementation of the science and technology plan and the oceans policy.

Senator CONROY—Could you explain what those compatibility problems were?

Mr Pettifer—The oceans policy has a ministerial board which will govern it. We were developing some proposals for a marine science and technology council which would implement the marine science and technology plan. We need to work our way through how those two things would fit together. That was one of the issues. The other issue is that there were quite a number of submissions and quite a number of issues that needed to be worked through, and it has taken a little while to do that.

Senator CONROY—So, in the next three months, you would not expect any slippage?

Mr Pettifer—We do not at this stage, no.

Senator CONROY—Your annual report also states that, in late 1998, negotiations were scheduled to commence with the EU in relation to a science and technology agreement. Has this occurred?

Dr Wellings—Those negotiations have been progressing. In early March this year a delegation from the EU will be visiting Canberra to finalise the negotiations.

Senator CONROY—What does it hope to cover?

Dr Wellings—It will cover the relationship between Australia and the EU of what is called the European Union (EU) Fifth Framework Programme for Research and Technological Development. There are S and T frameworks within the EU to which Australia has been associated. To date, we have not been eligible to receive funding from the EU. When we have been partners in those projects, we have had a rather minor subsidiary role. With the fifth framework, while we will not be able to access EU funding, we will be able to come as a full participant to projects, which will be a subtle shift. It will allow us into a more active participatory role with key European laboratories for science and technology.

Senator CONROY—The annual report states that, by the end of 1998, an in-principle agreement with the state and territory governments was expected in relation to the regulation by statute of gene technology. Has this occurred?

Dr Wellings—Again, I will talk to that. Yes, that has occurred. There has been a Commonwealth-state process running over the last 12 months since a Commonwealth cabinet decision in September 1997 to pursue that. The Commonwealth-state working group has outlined a framework for legislation, and that matter has now been considered by cabinet in all jurisdictions. In fact, it is now in front of the Commonwealth government.

Senator CONROY—How are we going?

Senator Minchin—No decision has yet been made, Senator Conroy, but when it is we will keep you informed.

Senator CONROY—Can we get an outline of what is covered—what are the main areas? Is that a problem? It is just for information, more than anything else.

Senator Minchin—Broadly, the governments have decided that there should be a formal, statutory, legislative framework for regulating gene technology, rather than the voluntary system there is at the moment—relying on other forms of statutory and voluntary systems. We are just reaching final agreement on the shape of that statutory and regulatory framework.

Senator CONROY—Are you not able to give us any indication of what the main areas are that are covered in it? Does that put you in too difficult a position?

Dr Wellings—The issue has been to try to put in place a nationally consistent framework that fills in the spaces in gene technology issues which are not already covered by the bits of legislation. So there are existing areas of legislation that deal with therapeutic goods. The MRA deals with agricultural chemicals. NICNAS, I think, deals with hazardous environmental wastes. There is another area that has slipped my mind—

Senator CONROY—This does not cover the ones you have just identified?

Dr Wellings—No, the gene technology legislation will make sure that issues which are not covered by existing legislation are covered, and, where other legislation can deal with gene technology regulation, that there is harmonisation of key issues like risk assessment for health or environmental purposes.

Senator CONROY—Your report states also that a gene technology information program which will inform consumers about genetically modified organisms and their products is being developed. When will that program be finalised?

Dr Wellings—That program is currently being finalised in the department, so within two months.

Senator CONROY—What are its aims?

Dr Wellings—The aim of the gene technology information program is to provide Australians with some understanding of the use of gene technologies and the range of applications of the technologies and the advantages that flow from the technologies, and to make it clear that environmental risk processes and the methods of risk assessment to minimise any hazard, if any, from the technology are taken into consideration.

Senator CONROY—There is a lot of disinformation around. Is that what you are trying to say?

Senator Minchin—Yes. This is not propaganda; it is informative, informing the public on both the costs and benefits, risks and advantages.

Senator CONROY—I am sure you would be aware of the various groups that are out there and get into the papers at various stages. How much funding is available for it? Have you made a decision?

Senator Minchin—I do not think a budget has been agreed to. That is a matter for cabinet to budget for.

Senator CONROY—Which grants have been under the technology diffusion program?

Dr Wellings—I would have to take that on notice. This is a question that Senator Campbell raised this morning.

Senator CONROY—Sorry. How many applications were received?

Dr Wellings—We will take that on notice.

Senator CONROY—To add to that list: what proportion of applicants were able to be supported?

Dr Wellings—Again we will take that on notice.

CHAIR—Senator Campbell.

Senator GEORGE CAMPBELL—These questions are probably appropriately directed to you, Mr Besgrove. I had a discussion this morning with people in the department about AusIndustry and the enterprise improvement programs. In the process of that discussion it was indicated that there are some new programs being developed. I would be interested to know in what areas they are being developed, what degree of involvement the states have in respect of the development of those programs and what degree of involvement the states will have in terms of the delivery of those programs. In other words, how are they going to be delivered? Can you enlighten me in those areas?

Mr Besgrove—Yes, I can, Senator. In the course of last year, I believe in about August, the government announced a new program called Innovation Ready, which was to draw upon funding from the R&D START program. It was to focus specifically on small established firms and to provide support for management—basically upgrading management skills—within those firms, specifically in relation to research and development. So it had a specific focus on, if you like, firms engaged in innovation processes. During the election campaign, the government also announced commitments to a Venture Awareness program and an Investment Ready program. I think it is fair to say that all three of those are being developed at the moment and there is some consideration being given to some amalgamation of them.

The states are going to be consulted in the development of those programs; we propose to do some of that in the next couple of months. There has already been some state government consultation over the last year or so and some trialling of specific initiatives—in Queensland, for example. So I think it is fair to say that there has already been substantial consultation with

the states on these issues. There is likely to be further consultation in the next couple of months. It is not possible for me to speculate on state involvement in delivery at this point in time—I simply do not know. It is possible that the states may be involved in delivery, depending upon the nature of the delivery that is decided upon by the government, but we cannot say at this point.

Senator GEORGE CAMPBELL—Are we looking at packages here similar to the packages that were delivered by NIAS? I do not necessarily mean the content, but the sort of package approach.

Mr Besgrove—I believe there are some significant qualitative differences between what is being considered here and what was delivered under NIAS. NIAS was very much a generally available program which focused on a very broad range of small to medium enterprises across a whole range of firms and technologies. These new initiatives are very much focused at the start-up small firm stage with a specific emphasis on developing start-up companies and helping existing companies to commercialise technology. So it has a much narrower focus and it is a logical extension of the work that the government has embarked on over the last couple of years in implementing the R&D start program, establishing the innovation and investment fund program and so on. It has a much narrower purview than the old enterprise development programs.

Senator GEORGE CAMPBELL—Is it specifically targeted to key industries or is it available to companies across all industries? Is it targeted, for example, to the IT industry?

Mr Besgrove—Those are decisions that are yet to be taken by the government. But it is my expectation that they would be broadly available rather than targeted.

Senator GEORGE CAMPBELL—Across all industries.

Mr Besgrove—Yes.

Senator Minchin—It is a very high preference.

Mr Besgrove—But some of these are issues that we are yet to take to the minister, so it is speculation at this point.

Senator GEORGE CAMPBELL—What is the sort of time frame for the development of these programs? When will the development be completed? When will they be freely available?

Mr Besgrove—The money becomes available on 1 July for the two most recent ones. It is our expectation that we would be in a position to launch them in the first half of the next financial year, subject to the government's agreement.

Senator GEORGE CAMPBELL—Has the funding been determined yet?

Mr Besgrove—No, the total funding envelope has not yet been determined. There were some previous announcements but I think that the government will probably reconsider the total funding envelope.

Senator GEORGE CAMPBELL—Is that likely to be in the budget?

Senator Minchin—It is subject to budget deliberations.

Senator GEORGE CAMPBELL—So it is likely to be in next year's budget.

Senator Minchin—Yes. It will be announced in the May budget.

Senator GEORGE CAMPBELL—Mr Besgrove, the venture capital industry: we had some discussion this morning about the IIF program and the five companies. We were advised this

morning that the five companies are now up and running. They are out there in the marketplace and I think we were told that something like \$10 to \$12 million had been lent across a range of companies.

Mr Besgrove—It is not a loans program, it is an equity investment program. So the \$12 million has been invested in nine small firms.

Senator GEORGE CAMPBELL—That is the degree of what the involvement is.

Mr Besgrove—Yes.

Senator GEORGE CAMPBELL—The question I was concerned about was: to what degree has the performance of these companies—licence holders or whatever term you want to give to them—been measured against the performance of companies who are operating in the venture capital industry generally?

Mr Besgrove—I think it is appropriate to respond to that at two levels. First of all, within the program itself, my colleagues in AusIndustry have a responsibility to gather information on the performance of each of the licensed funds. Under the terms of their licence agreements they have to provide reports on performance on a six-monthly basis. One of those is unaudited; the other one is independently audited, so once a year there are audited reports provided to the funds management committee and AusIndustry. There is an ongoing—

Senator GEORGE CAMPBELL—Funds management committees are subcommittees of the IR&D board.

Mr Besgrove—Yes. Those five licensed funds have to report to AusIndustry on how they are performing in their day-to-day operations and so on. We are also conducting ongoing monitoring of the venture capital industry in Australia generally, but I would just like to make the point that the five AAF funds are focused very much in early stage, so they have a somewhat different focus from most of the other 60 or 70 venture capital funds that operate in Australia. Most of those tend to make larger investments in later a stage.

Senator GEORGE CAMPBELL—In the bankcard capital area.

Mr Besgrove—Yes. The direct comparisons can be somewhat misleading but, having said that, we will of course be monitoring the performance of them using things like the annual AVCAL Arthur Andersen survey of venture capital in Australia, and we would expect that the AAF funds would provide returns similar to returns from other venture capital funds both here and overseas. It is too early to tell at this stage, because they have only been operating for a year.

Senator GEORGE CAMPBELL—When did the first fund start operating?

Mr Besgrove—In May, and it made its first investments in June, I believe.

Senator GEORGE CAMPBELL—So, virtually, you have had only one report.

Mr Besgrove—Two of the funds are yet to make any investments, I understand, so it is very early days to be making any assessments of performance at this point in time.

Senator GEORGE CAMPBELL—Who is on the funds management committee of the IR&D Board?

Mr Besgrove—I will have to take that on notice. I have been asked several versions of that question this evening. At this point in time I am not familiar with the names of all of them, because I am no longer directly involved in the administration.

Senator GEORGE CAMPBELL—Do you know who the chair of the committee is?

Mr Besgrove—The chair is Dr Paul Moy.

Senator GEORGE CAMPBELL—Is he a member of the IR&D Board or is he from outside?

Mr Besgrove—I do not know.

Senator GEORGE CAMPBELL—You have a dual system, haven't you; you have some people who are on these committees who are on the board and some people who are drawn from outside?

Mr Besgrove—Yes. The chair of the IR&D Board, Professor Anderson, for example, is also a member of the funds management committee, so there is some cross membership.

Senator GEORGE CAMPBELL—I would appreciate if you would take that on notice. I asked also, Mr Besgrove, about the decline in R&D. The point I was making was that, given the degree of support there is for innovation in R&D in this country and the fact that there are tax concessions and all sorts of mechanisms being put in place to try to encourage it, the ABS statistics show that there is an actual decline in the R&D expenditure. What sort of activity has been undertaken by the department, or your group, in trying to analyse why that decline is taking place?

Mr Besgrove—Firstly, could I make the point that there appears to have been a one-year decline. That is certainly reflected. But I would make the point that 1995-96 was an unusually high activity year for research and development, and then the decline in the following year brought it back to what could perhaps be regarded as the more normal level of previous years. There are various ways you can interpret the information, and one is to say that 1995-96 may have been an unusual spike in the data. We do not know yet. Obviously we are monitoring the situation, but it is not clear that there is any significant long-term decline. There may be some plateauing going on, but it is really far too early to be able to draw conclusions.

Senator GEORGE CAMPBELL—But you are monitoring the situation?

Mr Besgrove—We are monitoring it. As you would be aware, a number of private industry groups have conducted surveys of members and provided that information to the government; there have been a number of Deloitte surveys, BCA surveys and so on; and of course we are monitoring it through some of our own surveys as well as through registrations for the R&D tax concession.

Senator GEORGE CAMPBELL—When do you think you will be in a position to make a qualitative judgment as to what is happening with R&D?

Mr Besgrove—I am not sure I can provide a simple answer to that. The data to date suggests that there has been a decline from 1995-1996 but that it may be levelling out, but the tax concession data is too preliminary to draw conclusions from at this point.

Senator Minchin—Senator Campbell, I think it is important to note that it is reasonable to assume that our tightening in order to remove the rorts which I think everyone accepts were there is bound to have some impact on the measured apparent level of R&D. We will not really know whether we just had a blip by removing the rorts until we have more time under our belts to measure the level of R&D. We are very anxious to maintain R&D, but of the genuine kind—the kind that is legitimate and not part of that rorting.

Senator GEORGE CAMPBELL—I am trying to put a reasonable time frame on it. I understand the point you are making. But, as I said this morning on another committee I am involved in, there was some criticism by small business around the place about the degree of red tape they had to go through in terms of accessing the START funds. I suppose there is

an argument that we have gone from one extreme to another, if you want to put it in that context. Some people were saying that it was not even worth while making the application, they did not have the time worrying about all the red tape et cetera.

I am concerned that we do not tip the scale too far in the other direction. Obviously you would appreciate, Minister, and I am sure Mr Besgrove would appreciate, because he has been involved in this area for a long time, that if you make a blunder, then losing one or two years in terms of correcting the policy setting can lose you a lot of influence and opportunity in the marketplace. I am concerned to ensure that, in the finetuning of policy, the time frames were kept reasonably tight in terms of ensuring maximum degree of advantage to our companies in that area. That is the reason I am trying to get a feel for how you see it going.

Mr Besgrove—We are clearly monitoring the situation and providing advice to the government on trends as we see them emerging.

Senator GEORGE CAMPBELL—Okay. I suppose we will make a judgment when we see the figures for the financial year come June.

Senator CONROY—I want to have a chat about the gene technology and labelling. Am I correct in understanding that the proposed amendment to standard food produced from gene technology will require all food products produced from or using gene technology to be labelled 'Does contain', 'May contain' and, optionally, 'Does not contain', regardless of whether the products are different in any way from existing products?

Mr Spasojevic—Senator, we are not going to be able to answer that; that is the responsibility of another department. Food and genetically modified food belongs in the department of agriculture—

Dr Wellings—It belongs to the Australia New Zealand Food Authority. Senator Tambling, the Parliamentary Secretary to the Minister for Health and Aged Care, is the minister responsible.

Senator GEORGE CAMPBELL—I have a question that may be more appropriately answered by you, Minister, than the department. When I asked Mr Besgrove about the AusIndustry structural development programs, he said this was within the area of managerial skills. Is there any other work being done in the department—and this may be more appropriate for the minister for education—on the whole question of managerial training and skills issues. It has been around for a time, it was in the Karpin report, and nothing seems to have eventuated in that particular area, although there is a reasonable degree of recognition across the whole community that there is a gap in the managerial skills of a lot of our small and medium companies.

Mr Spasojevic—Senator, I am not aware that there is anything going on. There is certainly nothing in this portfolio. I am not aware that anything is going on in the education portfolio, but we can take that on notice if you would like.

Senator GEORGE CAMPBELL—Can you do that? It is really an extension of what Mr Besgrove was talking about in terms of those programs for small companies. It is a broader issue and it is a real issue out there amongst industry. Industry itself would recognise that there is a deficit in the managerial skills that people have. I would be interested to know what is being done to try to lift that level.

Mr Spasojevic—Yes.

CHAIR—That concludes the examination of the additional estimates for the Department of Industry, Science and Resources. I would like to thank the minister and officers of the department for expediting proceedings so that we could conclude prior to a meal tonight. Thank you very much.

Committee adjourned at 7.20 p.m.