



COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

SENATE

ECONOMICS LEGISLATION COMMITTEE

Estimates

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ECONOMICS LEGISLATION COMMITTEE

Wednesday, 5 June 2024

Members in attendance: Senators Bragg, Canavan, Cox, Hodgins-May, Hume, McDonald, McKim, O'Neill, Barbara Pocock, David Pocock, Rennick, Roberts, Dean Smith, Stewart and Walsh

TREASURY PORTFOLIO

In Attendance

Reserve Bank of Australia

Ms Michele Bullock, Governor of the Reserve Bank of Australia
Dr Christopher Kent, Assistant Governor, Financial Market)

Committee met at 09:00

CHAIR (Senator Walsh): I declare open this hearing of the Senate Economics Legislation Committee into the 2024-25 budget estimates. I begin by acknowledging the traditional custodians of the land on which we meet today and paying my respects to their elders past and present. I extend that respect to Aboriginal and Torres Strait Islander people here today. The committee is due to report to the Senate on Tuesday 2 July 2024, and it has fixed Friday 26 July 2024 as the date for the return of answers to questions taken on notice. The committee's proceedings today will begin with the Reserve Bank of Australia.

Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. I remind all witnesses that, in giving evidence to the committee, they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence. The Senate has endorsed the following test of relevance of questions at estimates hearings. Any questions going to the operations or financial positions of the departments and agencies which are seeking funds in estimates are relevant questions for the purposes of estimates hearings.

I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. The Senate has resolved also that an officer of a department of the Commonwealth shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

Witnesses are reminded of the Senate order specifying the process by which a claim of public interest immunity should be raised. I incorporate the public immunity statement into the *Hansard*.

The extract read as follows—

Public interest immunity claims

That the Senate—

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

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

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

(1) If:

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

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

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

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

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

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

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

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

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

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

(13 May 2009 J.1941)

(Extract, Senate Standing Orders)

CHAIR: I remind all senators that, as we continue our work implementing the *Set the standard* report, as chair I will ensure that proceedings are conducted in an orderly, respectful and courteous way.

The committee has agreed to authorising all media outlets to record the proceedings of the public hearings, subject to the broadcasting resolutions in the standing orders and the following conditions. Media entry is subject to not exceeding the maximum capacity of the room, and social distancing will be observed. The committee or a witness may object to being recorded at any time, and the committee may require that recording cease at any time. Recording must not occur from behind the committee or between the committee and witnesses and must not otherwise interfere in the proceedings. Computer screens and documents belonging to senators, members and witnesses must not be recorded, flashes must not be used, and the directions of the committee secretariat must be followed at all times.

Reserve Bank of Australia

[09:03]

CHAIR: The committee now welcomes the Reserve Bank of Australia and its representatives, Governor Michele Bullock—good morning, Ms Bullock—

Ms Bullock: Good morning.

CHAIR: and Assistant Governor Christopher Kent.

Dr Kent: Good morning.

CHAIR: In welcoming the RBA, the committee recognises the central bank's independence under the Reserve Bank Act 1959, particularly in regard to monetary policy settings. The committee is cognisant that, while the RBA does not receive annual appropriations, it does provide the parliament with opportunities to discuss its insight and performance, which the committee greatly welcomes. As such, no government minister will be in attendance with the committee while representatives of the RBA are present. Governor, do you wish to make any opening remarks or are you happy to proceed?

Ms Bullock: I'm happy to proceed.

CHAIR: We'll go straight to questions then. Thank you again for being with us. I'll go to Senator Hume.

Senator HUME: I want to ask, obviously in the context of the national accounts figures coming out later this morning, whether the RBA expects GDP per capita to increase in today's national accounts.

Ms Bullock: Well, forecasting is a difficult process, but our expectation at this point would be no; we don't expect it to increase. We expect the growth to be quite low, and that would imply per capita GDP to be declining, as it has done.

Senator HUME: If it is declining, how many quarters in a row has it been of either no or negative GDP per capita growth?

Ms Bullock: I'm not sure. It would be at least the second; it might be the third. I wouldn't be 100 per cent sure. I'd have to—

Senator HUME: From my calculation, it's at least a full year. Is there another advanced economy—and when I say 'advanced economy', that leaves it open to interpretation, so let's say G7—that has experienced such a protracted collapse in GDP per capita since the pandemic?

Ms Bullock: Quite a few. I couldn't say whether or not they've all had 12 months worth. But certainly other countries have experienced declines in GDP per capita, particularly countries that have had large immigration like we've had.

Senator HUME: What's the definition of a GDP per capita recession? Is it two quarters in a row?

Ms Bullock: There is no definition of a GDP per capita recession. The concept you're referring to about a recession is something that was developed in the United States. They call it a technical recession, and it is decline of GDP for two quarters in a row. As I said, it was developed in the United States. It's a technical definition. I personally don't really think it's very helpful, because recessions are about losses of jobs and human difficulties, and I don't think that sort of concept of technical recession really captures that.

Senator HUME: The phrase that seems to be being used is 'household recession'. Surely that exactly encapsulates what you've just spoken about.

Ms Bullock: Household consumption is very, very weak; we know that. We know that from previous national accounts, and we know it from retail sales. I just think the term 'per capita recession' gets bandied around in a way that isn't very helpful.

Senator HUME: Yes. I remember Dr Chalmers using it an awful lot when in opposition!

Yesterday an article came out in one of the major newspapers with a quote from Brendan Rynne, who's one of the economists at KPMG, who said, 'We are a heartbeat away from recession in Australia.' Is that your sense of where we are?

Ms Bullock: Our sense at the moment is that the economy is weak, yes, and it's certainly showing up in consumption, and we expect, as I said, that the national accounts that come out today will confirm that for the March quarter.

Senator HUME: So, 'a heartbeat away from recession' is an accurate description?

Ms Bullock: I wouldn't put it quite like that. I would say that we are in a position where the economy is very weak, as I've said. People are cutting back on discretionary expenditure. But the labour market is still growing, and that's a very important point to remember—that the unemployment rate is rising gradually but employment is still growing.

Senator HUME: What, then, is driving the GDP per capita recession, or—we're not using that phrase—'very weak economy', or as Mr Rynne said, a heartbeat away from recession? What is driving that, in the RBA's view?

Ms Bullock: A number of things are driving it. Higher interest rates obviously is part of that. We had to increase interest rates because inflation had risen and demand was very strong. There's a difference between thinking about growth in demand and the level of demand. If you think about where we were maybe a year or two ago, the level of demand is much higher than the ability of the economy to supply what was being demanded. That's what's driving inflation. So, growth in demand in the economy had to slow in order to bring it back more in line with supply, and that's what we're observing. So, when you're thinking about the growth in demand, yes, it's had to slow, because the level is still too high relative to the ability of the economy to supply.

Senator HUME: And that growth in demand has come back. Is this the soft landing that you have been referring to—finding that sweet spot between raising interest rates and dampening demand?

Ms Bullock: Yes, it is. The sweet spot we're looking for is where we bring demand back into line with supply but we don't end up in a situation where we go too far and end up in excess capacity. That would be a situation where unemployment rises quite strongly and there are more people out of work, obviously. So the soft landing we're looking for is that demand comes back into line with supply, that growth slows enough to deliver that and that we end up with employment still growing, maintaining a lot of the gains we've had in employment, and with inflation coming back to target gradually.

Senator HUME: Many economists and commentators—and, actually, I think, maybe even you too—have described this as a narrow path. Do you believe that Australia is still on track, given the reacceleration of core inflation since December, the continuing weak outlook in the budget papers and productivity levels still being well below where they were in 2017? Are we still on that narrow path?

Ms Bullock: The board judges that, yes, we are still on that narrow path—that we have an opportunity here. But, having said that, there are a lot of uncertainties, and I think we've made it very clear as well that there are uncertainties on the downside. You've just highlighted a number of them. There is also uncertainty on the upside, which is that underlying inflation is coming down, but it's coming down only slowly. This isn't just a phenomenon in Australia; it's a phenomenon overseas as well, so—

Senator HUME: That core inflation isn't coming down as fast.

Ms Bullock: It's coming down, but it's coming down slowly. Now, part of our narrow path was that we were looking not to bring it down much more quickly; hence we've had this strategy, if you like. The board have had a strategy of keeping policy restrictive—we think it's restrictive—enough to bring demand back down to meet supply and slowly bringing inflation back down. We're forecasting that inflation will come back into target at the end of 2025 and back to the midpoint of the target by 2026, but there are a lot of uncertainties around that on both sides.

Senator HUME: What's the difference between what you're describing and stagflation? We've got four—potentially five—quarters of per capita GDP falling, not growing. We've had negative per capita GDP growth on average for eight quarters now, annual trimmed mean inflation running above four per cent for eight quarters and labour productivity averaging negative 0.8 per cent over eight quarters. That sounds pretty stagflationary in the traditional definition, doesn't it?

Ms Bullock: The thing that's missing there is that the labour market is strong. You'd typically think of stagflation as a situation where you've got very high inflation. Inflation's high, but it's come down from 7.8 per cent. Yes, it's higher than we're targeting at the moment, but we're still getting growth in employment. As I said, we've got weak growth, but we judge that demand is still a bit above the capacity of the economy to supply that. That, for me, doesn't describe stagflation.

Senator HUME: So we go through the narrow path, and there are plenty of risks along the way. What's plan B?

Ms Bullock: Plan B? There is a plan A, and plan A is to keep data driven. If we think we're on the narrow path, we can stay basically pretty much where we are, not ruling anything in or out. But if it turns out, for example, that inflation starts to go up again or it's much stickier than we think and we're not getting it down, then we won't hesitate to move and raise interest rates again. In contrast, if it turns out that the economy is much weaker than expected and that puts more downward pressure on inflation, then we'll be looking to ease. They're the plan Bs, if you like, but they're central to the strategy of the board.

Senator HUME: I want to come back to this issue around productivity. I know that you've spoken about this before. I know that your predecessor has spoken about this before. What are the risks to inflation and the growth outlook if productivity doesn't return to that long-term average of 1.2 per cent or, ideally, higher?

Ms Bullock: Embedded in our forecasts we have an assumption that productivity returns to something like its average prior to the pandemic. If that doesn't occur and if productivity doesn't pick up, what it means is that there's less ability for wages to rise. The way it has been described before is that if you have say inflation at 2.5 per cent, productivity growth at one per cent, then wages can rise by about 3½ per cent and there is not an inflationary pressure there. The risk is that if productivity doesn't pick up and wages growth doesn't slow, to reflect that you will then get inflationary pressures.

Senator HUME: What are some of the great drivers of productivity?

Ms Bullock: I believe you had Danielle Wood yesterday. She's great on productivity. We are interested in productivity as far as it goes for inflation. Productivity is going to be driven by government decisions. It's going to be driven by things such as investment in education and digital. I'm only repeating what the Productivity Commission would tell you. I concur with the sorts of things that Danielle says. From our perspective, we have to take what's given in terms of productivity and work with that.

Senator HUME: At a principles level, do industrial relations policies have an impact on labour productivity?

Ms Bullock: In principle they could, but I have no views on that.

Senator HUME: Is the bank aware of some research that's come from the Master Builders that the first tranche of industrial relations reform will cost the construction sector \$15.9 billion in output?

Ms Bullock: I'm not aware of that research.

Senator HUME: Is the bank aware of some research from EY that puts the cost of abolishing the ABCC at a cost to the economy of \$47 billion in lost output?

Ms Bullock: I'm personally not across that research.

Senator HUME: Is the bank aware of some research from e61 Institute that multi-employer bargaining will reduce competition and stifle firm growth around the small business definition in the Fair Work Act?

Ms Bullock: I am aware of the e61 research.

Senator HUME: Do you have a view on how current workplace relations reforms are likely to impact productivity and that productivity task, given that that it's essential to bring down inflation, given that it's fallen 5.5 per cent since June 2022?

Ms Bullock: No, I don't have views on particular government policies in that respect.

Senator HUME: What has been the impact to the budget of not achieving the long-term average productivity growth over the last two years?

Ms Bullock: I want to caution about looking at productivity growth over the last two years. Productivity growth over the last two years has been absolutely driven by the COVID shock. It's been up, it's been down. It's been affected by shutdowns, opening up, immigration. So I would caution very much against reading anything much into the wiggles over the last couple of years. I think we've got to take a step back here and look at what happens to productivity in a longer run sense and all the sorts of things that the Productivity Commission talks about and government policies. That's what's relevant for that.

Senator HUME: I want to mention that, because both you and your predecessor have previously supported the implementation of the Productivity Commission's five-year Advancing Prosperity review. From your observation, are many of those reforms being enacted in the budget?

Ms Bullock: Again, these are government policies. I'm not telling the government what to enact and I'm not telling them that they have to enact anything. All I'm saying is that the Productivity Commission, obviously, has views on this. They have lots of good ideas, and it's up to the government to decide if and how they want to implement those.

Senator HUME: When does the RBA anticipate that it will see a return to that 1.2 per cent productivity growth?

Ms Bullock: We've got productivity growth returning over the next few years to around that level.

Senator HUME: Over the next few years? Can you be a bit more specific?

Ms Bullock: Over the forecast period. In the next couple of years we're forecasting productivity will start to rise. Again, I caution that if you look at the productivity numbers, they have been all over the place.

Senator HUME: Is your inflation forecast dependent on that being achieved?

Ms Bullock: Yes, it is.

Senator HUME: A number of economists have publicly questioned the fiscal stance of the budget, not for the first time in recent years. This is a budget that spends \$4 in new policy spending for every \$1 that it raises. That spending growth is both in real and in nominal terms. It's growing at twice the rate of economic growth. Is this budget, in your view, in its fiscal stance contractionary or expansionary over the forward estimates?

Ms Bullock: That's a very complex question to answer. It's not simple. The reason it's not simple is that it's not the only thing that is impacting whether or not we are in an expansionary or contractionary phase. The start of your questions was all about how weak the economy is. There's the international environment as well, and China. I don't think it's helpful to think about the budget and say it's expansionary or contractionary without thinking about what else is happening in the economy. If it's true and at 11.30 we get numbers that show the economy is very, very weak, then there are offsetting forces here. I would just say that I think we have to be careful. We are going to look at our forecasts in August, as we always do. We will take into account the fiscal and what's going on in the private sector of the economy and what is going on overseas, and we will see what that means for inflation.

I would note, though, that Treasury in their forecasts have the new budget in there, and they still have inflation coming back down into the band in the same timeline as we do, by 2026. It's part of the story but it's not the whole story.

CHAIR: I have a few questions along a similar line to Senator Hume's around the narrow path that we're all working towards. That narrow path is about getting through the inflation challenge. I think inflation is now about half what it was at that high point, which I think was at the end of 2022. You talked a little bit about the labour market and how we maintain those gains in employment. You've talked about the economy and the need to move through and get to a point where we can strengthen economic growth. There are lots of opportunities and lots of challenges in all of that. We've had significant jobs growth here over the last couple of years. I think that's one of the features of the post-COVID period here in Australia. The jobs growth has been significantly higher than it has been in other similar economies around the world. So how do you see the labour market and how important is maintaining those employment gains to keeping on the path that we all want to be on?

Ms Bullock: The labour market has performed very well. We've had lots of growth in employment. The unemployment rate is rising gradually, but it has risen from a low of 3.5 per cent. Some of the other really, really

great things that we saw in the labour market were that longer-term unemployed fell as well, so that was good. Youth unemployment fell to historically low levels. The participation rate is up at historic highs. Particularly women and older people are participating more in the workforce. Despite high participation rates, and much higher growth in the labour force itself through immigration, we still have really low unemployment. I think that's really a testament to how well the labour market has performed.

We are seeing the labour market ease on a number of measures. Some of the leading measures, including vacancies and advertisements and job churn, those sorts of things, are suggesting the labour market is easing. We really hope that we can maintain those gains and that as the economy slows the labour market—it's worth pointing out that as the unemployment rate is rising, that's because the labour force is growing a bit more quickly than people are being employed. Employment is growing, but it's just growing more slowly than it was. Again, that's the narrow path we're hoping to maintain. We're hoping to maintain a situation where employment continues to grow, but not quite as quickly, because the labour market was under quite a lot of pressure. Again, it comes back to this point about supply and demand, that the demand for labour was much greater than the supply of labour. But if we can slow that demand for labour a little bit and still have employment growing then that will be the narrow path for us.

CHAIR: In terms of your longstanding mandate for full employment along with price stability, how are you viewing the challenge over the next year or so of balancing those things and making sure of course that we maintain those gains for people? I think if people want one thing from the economy it's a job that they can count on. That's incredibly important for people at all stages of their lives, and we know that if people don't get out into the labour market early they struggle later on. We know of course that inflation hits people without a job the hardest. So how are you thinking about balancing those mandates and working towards full employment over the next year or so?

Ms Bullock: At the moment the board thinks, as I said, that monetary policy is restrictive, and that is slowing the economy and that is going to help bring things back into better balance. Forecasting is a difficult process, and there's lots of uncertainty around it, but our central forecast at the moment has the unemployment rate rising gradually and inflation coming back down into the band over the next couple of years. We could seek to get inflation back down more quickly, which might require higher interest rates, but we've chosen to try and bring this down onto the narrow path. Having said that, if inflation doesn't come down then we do have an issue, and the board won't hesitate to act if it feels that inflation is not coming down, or it's not coming down quickly enough, or inflationary expectations are starting to get out of control; they're starting to rise. In those circumstances, the worst possible thing for employment over the long run is high inflation, so it's really important that we get inflation back down into the band and get it anchored back down into the band, and if it doesn't look like it's getting there then we will have to take action.

CHAIR: In terms of your forecasts, which have been published and you've just discussed, about the timeframe for getting back into the band, for the benefit of the committee could you explain when you would look at the data again and assess those forecasts in the normal course of events as you would.

Ms Bullock: The normal course for us is that we have a forecasting round every three months, in February, May, August and November. Our next forecasting round, if you like, will be in August, and we'll release those forecasts at the conclusion of the Reserve Bank Board meeting in August. So we'll be gearing up, and what will be taken into account will be any data that has come in since then, both overseas and in Australia, both on inflation and activity. Those are the sorts of things that will go into that. The last set of forecasts, as I said, are as at May. There's been a bit of water under the bridge since then, so we'll come back to that in August and relook at those forecasts.

Senator CANAVAN: I want to go to the RBA's calculation or forecasting of underlying inflation measures. Do you calculate, or forecast I suppose is the proper word, the ABS core inflation measures, the trimmed mean and the weighted mean?

Ms Bullock: We do, yes. We have forecasts for the trimmed mean explicitly set out in our forecasts.

Senator CANAVAN: What were the trimmed mean and the weighted mean for the 2024-25 year in the statement on monetary policy forecasts?

Ms Bullock: In the May statement on monetary policy we had trimmed mean inflation in December 2025 at 2.8 per cent—that's the end of next year.

Senator CANAVAN: They're the year ending, too, aren't they? That's the 2025 calendar year.

Ms Bullock: Yes, that's right.

Senator CANAVAN: What about for the financial year? Do you have that for June 2025?

Ms Bullock: For June 2025 we have it at 3.1 per cent.

Senator CANAVAN: That's trimmed mean. Have you got weighted mean as well?

Ms Bullock: No, we only forecast trimmed mean.

Senator CANAVAN: These forecasts—do they take a building block sort of approach? Do you do forecasts for each of the 87 different lines of expenditure in the basket?

Ms Bullock: No. We have a number of models which forecast inflation. We can look at particular special cases. Sometimes we look at what we know is happening. We make assumptions, for example, about petrol prices, which are basically that they don't move, whatever they are. We use the models to basically make sure that the forecasts are internally consistent, but we also apply judgement to that, so we look at what else is going on in the economy, what we've seen in the past, whether the models have underperformed or overperformed, and whether we need to adjust.

Senator CANAVAN: You say you make some exceptions there. For these latest figures we just went through, have you prepared forecasts for electricity price growth?

Ms Bullock: I don't know if we've got explicit forecasts for electricity price growth. What we would have is what we know is in the default market offers and those sorts of things, but we wouldn't have a model that forecasts electricity price growth. We would take what we know from various data points, in particular the—

Senator CANAVAN: So you wouldn't be able to say, or maybe you could take on notice, whether you've forecast for the 2024-25 year electricity price growth that's above average or below average?

Ms Bullock: I think we would probably take the default market offer and put that in; that's my feeling, but I can certainly take it on notice explicitly.

Senator CANAVAN: Okay.

Dr Kent: The overarching approach would be to start with a macroeconomic model, which isn't looking at those disaggregates. But we'd also use judgement based on some of those key categories to cross-check—

Senator CANAVAN: I'm wondering how your trimmed mean forecast is different, then, from your headline inflation forecasts. If you're just using a macroeconomic model, how do you determine which bits of the 87 expenditure items are going to be outside the 70 per cent trim?

Dr Kent: We'd start in the near term with some of those obvious outliers for the most recent quarter, and then we'd assume something about petrol prices and know how long it might take for headline inflation to come towards trim. Trim, further out, is the core of the forecast, and then headline will move towards that within a reasonable period of time. That's the assumption.

Senator CANAVAN: If you use the default market offers—there were some slight reductions this year, or this forthcoming financial year—it's probably fair to say your electricity price forecast would have not been outside the 70 per cent trim for the May statement.

Ms Bullock: I don't think so, but—

Senator CANAVAN: You're not going to speculate, but it sounds like that would be the case. Obviously, since the statement on monetary policy has been—the government's rebate has been announced. Will you now, for the future forecasts you do, look at that as a special case that might fall outside the median?

Ms Bullock: That would be something that we would expect to be reflected in headline inflation, and I think—

Senator CANAVAN: That's right, yes.

Ms Bullock: Treasury's estimate of about half a percentage point, we think, is probably about right, so that would be reflected in headline inflation. But, underlying inflation, we wouldn't expect it to be reflected in trimmed mean.

Senator CANAVAN: You wouldn't expect it to be, because it would be such a large change. It'll fall outside that band. There are also state based rebates. You'll be considering those as well, presumably, and that will—

Ms Bullock: Yes, we'd take those into account.

Senator CANAVAN: That would only further exacerbate this issue that'll be outside that basis. I suppose that raises the question, then, of how much influence it will have on monetary policy settings, if the government's rebates don't affect the underlying inflation—the trimmed mean forecasts. Would the RBA abstract them from these one-off, large changes to individual kinds of expenditure?

Ms Bullock: We do and we have in the past. We try to look through things that are one-off and are going to be reversed. We tend to look through those things.

Senator CANAVAN: The summary of that, then, is that the government's electricity price rebates haven't materially changed the risk of an interest rate rise over the next year?

Ms Bullock: Yes, the government's rebates will affect headline inflation at the margin. To the extent that inflation might have a two on it in a headline sense, they might affect people's expectations and they also might affect prices that are indexed. But, in terms of the underlying pulse of inflation, we're looking through that to the trimmed mean, if you like, and we don't think it's going to have an impact on that.

Senator CANAVAN: You've basically confirmed it for me. But I looked back at RBA statements from when the GST was introduced, and the RBA made it clear that they wouldn't make a knee-jerk reaction out of the fact that inflation was going to be above target at the time the GST was introduced. This is not dissimilar, is it?

Ms Bullock: No.

Senator CANAVAN: This is a subsidy rather than a tax, but it's an artificial change in measured inflation that doesn't affect underlying inflation pressures.

Ms Bullock: We're looking through those sorts of things that are impacting headline and will be reversed—they'll come off again in a year's time—and we're looking at the underlying pulse.

Senator CANAVAN: I suppose there is one difference here compared to when the GST was introduced. While there was an increase in prices for people, there were also income tax cuts, which largely made people whole, if not gave people more money in their pockets, and so there was somewhat of a neutralisation of any second-round effects on people's spending and disposable income. In this situation, though, there's not that. The government is effectively, over the next few years, going into debt to fund the rebates. There's not a corresponding increases in taxes or some such, so what about the second-round effects of these rebates, including the state ones, which are not small? Are you at all concerned about those having second-round impacts on higher inflationary pressures?

Ms Bullock: No, I'm not, really. I think the quanta are small enough that I don't think they really are going to have much of a second-round impact on demand and inflation. If you think about the \$300, or the \$75 a quarter, off your electricity bill, are people going to go out and spend big on that? I really don't think so. It is different than giving someone \$300 and saying, 'Here's \$300.' I think, at the margin, it's not really going to have much impact in the second-round sense.

Senator CANAVAN: How is it different from that? It is basically giving someone \$300, isn't it? This is a bit of a quibble from me here, but how is it different for me? Now I have \$300 that I would have had to spend otherwise.

Ms Bullock: Over a year you've—

Senator CANAVAN: Unless people are paying less than \$300 on their power bills, I suppose.

Ms Bullock: Psychologically, I think it's different. If you hand someone \$300 and say, 'Here's \$300,' I think, psychologically, they think of that differently to if they see that their bill has just—

Senator CANAVAN: The helicopter of cash is different, you think?

Ms Bullock: We saw the helicopter of cash utilised in the pandemic, and people went out and spent it. Having said that—

Senator CANAVAN: The implication of what you're saying is that the \$300 rebate is not materially changing people's cost of living. It's not making a material impact.

Ms Bullock: I would say it's not that material. It is helping people who are clearly hurting at the moment, but I don't think it's material in terms of our forecast for inflation. If you look at the error bands around the inflation forecast, I think that's even more pertinent.

Senator CANAVAN: Thank you.

Senator DEAN SMITH: Good morning, Ms Bullock and Dr Kent. Thank you for your participation. The evidence from the Secretary to the Treasury, Dr Kennedy, aligns with your comments earlier this morning in regard to expectations from the national accounts today. The expectation is that they will reveal weak growth, and if the consensus of commentators is realised this could be the weakest or slowest growth for over three decades, excluding the pandemic periods. I notice that you're nodding in agreement, Ms Bullock.

Ms Bullock: Yes.

Senator DEAN SMITH: Is the narrow path narrowing?

Ms Bullock: It was pretty narrow to begin with, I'd say.

Senator DEAN SMITH: I'd agree with that.

Ms Bullock: But so far, as I said, we seem to be still on it. We still have employment growing. We have inflation coming down. As I said, it was a conscious decision to bring inflation back to target but to do it in a measured way so that we could preserve the gains to employment. At the moment, we're still on it.

Senator DEAN SMITH: Are the upside and downside risks in balance at the moment?

Ms Bullock: The board would characterise the risks as there are risks on the upside and the downside, yes. I can't rule anything in or out, reflecting that fact. That goes to the point that, even though the risks are balanced, the cost of higher inflation is something that we've got in mind. So, if it did seem like the risk had shifted to the upside, then we'd be very conscious that the cost of that would be much higher.

Senator DEAN SMITH: The risks might be in balance, but the consequences are not.

Ms Bullock: Yes.

Senator DEAN SMITH: The Treasury, in Budget Paper No. 2, has calculated the non-accelerating inflation of unemployment at 4½ per cent. Do you have a calculation with regard to the NAIRU?

Ms Bullock: I think ours is currently about 4.3-ish. So it's lower than it used to be, but I think it's about 4.3.

Dr Kent: With a huge range of uncertainty.

Ms Bullock: With a whole range of uncertainty around it, if you look at the models.

Senator DEAN SMITH: What would have been the key drivers of core inflation since the beginning of this year?

Ms Bullock: The key driver of core inflation has been excess of demand over supply. We talked earlier about that. The inflation initially, as you probably know, was driven by strong demand at the time of massive supply chain issues. So there was a big component of temporary inflation, which, as the senator said earlier, peaked at 7.8 per cent at the end of 2022. It has come down a long way since then as those issues have unwound. The current issue is that non-tradables inflation, which reflects domestic demand pressures, is more elevated. It is sitting at around four per cent. It's coming down slowly. And that is reflective, as I said, of demand being higher than supply.

Senator DEAN SMITH: Can you be more specific with regard to what those key drivers are of core inflation?

Ms Bullock: If you think about people demanding services in the economy, just say services, at the same time as you've got people demanding services, you've got a lot of costs for businesses going up, so things like insurance, administration, wages—these sorts of things. All these labour and non-labour costs are going up to businesses. Businesses can pass those on if there is strong demand for their services. So, if you think about some of the things that are being demanded, coming out of the pandemic, there were a lot of things that people couldn't do during lockdown that they desperately wanted to do when they weren't anymore, like restaurants—

Senator DEAN SMITH: Travel.

Ms Bullock: All of these sorts of nice things—getting our nails done and our hair done. People wanted to do those sorts of things. There was a strong demand for that. So there was a sense in which the vestiges of the pandemic were adding to demand at a time when there were supply issues, and the supply issue that was most at the front of mind then was, in fact, labour. People couldn't get people to work. Those two things meeting meant that input costs went up. There was strong demand, so they could pass that on in their prices. That's the sort of thing I mean by demand being more than supply.

Senator DEAN SMITH: How is Australia's experience in regard to core inflation since the beginning of this year different to or the same as that which has been observed in the United States, Canada or the European area?

Ms Bullock: It's a very similar experience. What you've observed overseas is that, just as happened here, the initial supply chain issues resolved. There were special factors in various places. Europe, for example, was particularly impacted by energy costs. Their inflation went up over 10 per cent, and energy was a big part of that. As some of these supply shocks have fallen out, inflation overseas has come down. But, if you look at core inflation—and services inflation, in particular—overseas, the experience there is very similar to here. That's something that I think is of interest, because there's obviously something that's similar across countries which is driving that, and demand versus supply is often part of that.

Senator DEAN SMITH: What is the bank's expectation in regard to real wages over the year to December 2024?

Ms Bullock: Real household disposable income I've got—we forecast it—but not real wages.

Senator DEAN SMITH: Just to be clear, my first question is: what is the bank's latest forecast in regard to real wages over the year to December 2024?

Ms Bullock: Very small growth.

Senator DEAN SMITH: Very small growth?

Ms Bullock: Yes. We've got wage price index at about 3.8, and we've got inflation at 3.8.

Senator DEAN SMITH: Zero?

Ms Bullock: Zero, on wage price index basis.

Dr Kent: For this calendar year.

Ms Bullock: For this calendar year.

Senator DEAN SMITH: How far have the living standards of Australians fallen? Can the bank do that?

Ms Bullock: Real wages have fallen by around—I don't know; I'd have to take a specific number away. But over the past year or so, or couple of years, real wages have fallen, because inflation has been much higher than wage rises.

Senator DEAN SMITH: Is the bank able to provide us information over the last two years in terms of the real disposable income per capita?

Ms Bullock: We can take that on notice and provide that, yes.

Senator DEAN SMITH: When does the bank expect Australian households to return to the living standards that they were experiencing pre-pandemic?

Ms Bullock: We expect real wages to start to rise basically from now. We think they are rising now, as inflation is coming down. It's about mid-2026, I think, that we'll have real wages back to where they were prior to the pandemic—I think. But can I check that on notice?

Senator DEAN SMITH: Yes, please. You have characterised the inflation tackle as bumpy. That's my word, not yours, but it is up and down.

Ms Bullock: I think I've used the word too.

Senator DEAN SMITH: Okay. We're agreed on the word 'bumpy'. So the real disposable income experience, or when Australians can expect to get back to their pre-pandemic experience, will also be bumpy, unreliable and uncertain?

Ms Bullock: Well, yes. These are all forecasts, and forecasts are, as I keep saying, inherently uncertain. Particularly as you go out a year or so, they get very uncertain. We have a central forecast, but there are big bounds around it. So, yes.

Senator DEAN SMITH: You've said that the board will not hesitate to lift interest rates if the inflation challenge is not tackled. You will raise interest rates if necessary during an election campaign period?

Ms Bullock: I'm not speculating on any campaign periods, but the board will do what they think they need to do on inflation.

Senator DEAN SMITH: When it needs to be done?

Ms Bullock: The board will be driven by the data, and the data will tell us if we need to move.

Senator DEAN SMITH: I just want to turn to the timing of the budget and RBA forecasts if I have a few moments remaining.

CHAIR: I think your colleagues will grant you that as well, Senator Smith.

Senator DEAN SMITH: Thank you very much. In previous evidence you shared that you were asked to peer review the government's stage 3 tax cuts initiatives. Were you asked to peer review any elements of the 2024-25 budget?

Ms Bullock: I might just correct there. We were never asked to peer review stage 3 tax cuts. What I said at the time was that Treasury ran their analysis past us to tell us what was happening. We were not asked to peer review it. Similarly, we were not asked to peer review anything to do with the budget.

Senator DEAN SMITH: No elements of the budget were passed by the RBA for their consideration or comment?

Ms Bullock: I had discussions with the Treasury secretary. I also speak regularly to the Treasurer, and the Treasurer spoke to me about some elements of the budget, but I was not asked to peer review the budget.

Senator DEAN SMITH: Just staying with the conversation with the Treasurer, was that on the eve of the budget? Was that as part of the final stages of budget preparation? Was it in the month preceding the budget's official release? Can you give the committee a sense of timing?

Ms Bullock: Yes, sure. It wasn't the eve of the budget. As I said, I speak to the Treasurer on a regular basis and, among other things, he mentioned some things to do with the budget in the months leading up to the budget, some potential issues.

Senator DEAN SMITH: Are you able to disclose to the committee what those potential issues were?

Ms Bullock: They are private discussions between the Treasurer and I, suffice to say that I wasn't asked to peer review the budget, but he did mention some of the things that they were considering in the budget.

Senator DEAN SMITH: Where they expenditure measures or revenue measures?

Ms Bullock: They were mainly to do with expenditure measures, but it was a private conversation and I'd rather respect that if I could, thank you.

Senator DEAN SMITH: How does Dr Kennedy as a member of the board share with the board and yourself issues around budget consideration, how budget decisions should get incorporated into the RBA's forecasting, general discussions around budget parameters? Does the Secretary of the Treasury bring that forward to the board in a written form? Is it part of the board conversation in a more informal way? Does it exist as an agenda item in the board's deliberations? Firstly, how does the Secretary of the Treasury bring forward budget considerations or budget discussions? Secondly, broader issues that might be relevant.

Ms Bullock: There is nothing formal about it. There is no formal agenda item. The way the board works is a general discussion led by presentations on the economy. If there is a point at which it is relevant to bring in issues to do with government, fiscal issues, then the Secretary of the Treasury brings those in at that point. It is quite an organic process, rather than a sort of a formal written paper or an agenda item.

Senator DEAN SMITH: I totally accept the Treasurer may have cause to ring and share views with the Governor of the RBA. Is the nature of the conversation, is the nature of the informal discussions, to seek your endorsement or is it to provide information?

Ms Bullock: The conversations I have with the Treasurer are about providing information and making sure that we don't surprise one another. So I tell him things that I don't want him to find out in the media, for example; I'd rather he find out from me. Likewise, he will talk to me about things that he wants me to know. That is the nature of the exchange of information.

Senator DEAN SMITH: Thank you.

Senator BRAGG: Governor, you have previously said that if inflation doesn't come down it will be a problem. Inflation has been up in the last few monthly figures, so when does that become a significant problem?

Ms Bullock: The challenge is that, yes, you are right, it has blipped up a little bit in the last couple of monthly figures. The trouble with the monthly figures is that they are not comprehensive. They tend to focus, so the first one of the quarter, the first month of the quarter, tends to be more goods weighted. The second one tends to be more services weighted. Really, what we are looking for is the comprehensive quarterly CPI. The challenge for us there is that we only get four of them a year, obviously; therefore, it is quite difficult to read momentum into quarterly figures because you only get one obviously every three months. So what we would say about the monthly figures is that they are coming down less quickly than we thought it would. They are coming down more slowly than we thought it would. But we really need to wait and get a comprehensive read to see if that confirms what we're seeing in the monthly figures. You don't have to go back long, maybe a few months, to when the monthly figures were all surprising on the downside, and everyone was saying, 'Oh, inflation is falling much more quickly; interest rates are going to come down really quickly.' Now they have surprised a little bit on the upside. Everyone is now saying, 'Oh, interest rates are going to have to go back up.' I think we need to step back a little bit and just watch what is happening in a longer term sense.

Senator BRAGG: How important are the June quarterly figures for monetary policy?

Ms Bullock: They are important because we are trying to make sure we bring inflation back down to target in the next couple of years. We plan to bring it back by the end of 2025, back in the target range, as our forecasts have, so it is important. It is not the single most important thing because it is a lagging indicator and there are other things that we will be considering as well; for example, some of the information we will get out of the national accounts, which will tell us where economy is sitting. So, because of the lags in these things, we've got to make judgements about whether or not the inflation numbers we are seeing are in fact reflecting conditions that were six months ago, or are they in fact now quite current, and what are the other factors—for example, the

employment market—that are telling us that the price pressures might be easing going further out? Yes, they are important but they are not the single thing to be looked at.

Senator BRAGG: I imagine you are doing your best there. I will now ask you about some of the comments made by the Deputy Governor recently in the AFR. Mr Hauser said that we have a dual mandate in reference to the Reserve Bank and he said that was clarified and strengthened in the Statement on the Conduct of Monetary Policy last December. Governor, you have previously said the Statement on the Conduct of Monetary Policy was not a substantive change to the status quo. Is that still your view?

Ms Bullock: Yes. It is not a substantive change to the way we were really operating anyway. The point about the Statement on the Conduct of Monetary Policy is that that document clarified things, but my view was—I don't know if you had a view, Chris—that the way we were operating is in fact reflected in that statement.

Dr Kent: We have long recognised a dual mandate.

Senator BRAGG: In the *Financial Review* Mr Hauser also talked about some energy policy factors. I was just wondering whether energy policy and emissions policy are something that you see sitting within monetary policy or fiscal policy.

Ms Bullock: No, electricity policy is very much firmly the role of the government. It is relevant for us to understand it because we need to understand the potential implications for monetary policy and inflation, but energy policy is not the Reserve Bank's—

Senator BRAGG: It is not something for the RBA to be doing, is it?

Ms Bullock: It is not the Reserve Bank's responsibility but we do need to understand it is what I'm saying.

Senator BRAGG: You need to understand it, but it is not your role to be running that policy?

Ms Bullock: We don't run that policy.

Senator BRAGG: I didn't think so. There were references in this article about climate change, labour markets, the role of superannuation and supply chains. I think he used the expression 'pushing the envelope'. Are these matters that fit within your day-to-day responsibilities?

Ms Bullock: No; they're not. I would have to go back and re-read the article, but it's not my impression that the deputy governor was saying that they are our responsibility. I think there might be a bit of misinterpretation there.

Dr Kent: I think he was intending to convey the sense that central banks globally have always been quite focused on modelling, understanding and forecasting demand-side factors but that we had to get better at understanding, modelling and forecasting supply-side factors.

Senator BRAGG: I figured that was the case. I just wanted to get that on the record. Finally, I have one last question about something unrelated. There were some claims made on the *Project* on channel 10 that the RBA had said that people who withdrew super during COVID had lost a lot of money as a result of them using their own money. That was news to me that the Reserve Bank had commissioned that research. Is that right?

Ms Bullock: No. We did not commission any such research. The Reserve Bank periodically runs conferences and workshops where we get together academics and other people who have an interest in economics to present papers. My understanding is that there was a paper at a workshop that we organised and ran which made those claims. The Reserve bank did not commission the research, and it's not the Reserve Bank's research.

Senator BRAGG: Thank you very much.

CHAIR: Senator O'Neill?

Senator O'NEILL: Good morning to you, Ms Bullock and Dr Kent. I'm from the state of New South Wales, and I'm so proud to be a New South Welsh woman, especially when I see the shiny parts of Sydney. But recently I've been out in western New South Wales to communities like Brewarrina and Broken Hill. Right across the country, wherever you live, the impact of the work of the RBA—I know you're acting in the national interest—has material effect on people's real life. My questions go to not just the modelling—about which we've had some questions, and I'm confident there's going to be very good information that will inform the decision-making in the interest of the nation—but also the impact of the interest rate rises and how they are being felt throughout the economy. In my questions, I'm trying to test what your awareness about the impact of that at this point of time is. Is that one of the factors that you are really taking into account?

Ms Bullock: The first point to make is that rising interest rates and monetary policy affect different parts of the community differently. We know this. Obviously, people who have debts face higher interest rates. It hurts them. People that actually have assets—savings, for example—benefit from higher interest incomes. It does

impact people differently: we know that. But in setting monetary policy, we have to take into account the aggregate effect and what that aggregate effect is on inflation.

We try to impact aggregate demand. We can't impact supply. In impacting aggregate demand, there are obviously various channels through which monetary policy works. One that people focus on most is the cashflow channel, but that's not the only channel. The cashflow channel is important in Australia because we have a lot of people with variable rate debt, variable rate mortgages in particular. They get immediately impacted as interest rates rise. This is quite different from some countries overseas. There's quite an immediate and obvious impact on those people.

How do we monitor what's going on with those people? There are a number of ways. The first, I can tell you, is that I get lots and lots of letters. I read those letters. Some of them are very hard to read. People are experiencing challenging times. Having said that, we can't set interest rates with respect to one group of people. We have to think of the economy as a whole. When I talked earlier about the narrow path, one of the things that's really important for people who have debts and are trying to meet their repayments is that they have a job. For us, this is why this concept of the narrow path and not doing more than we absolutely have to do is so important. That's what we've got in mind. As I said, we have to set rates at the aggregate, but we are conscious of what's going on with some people, and we do hear those stories. That's really what's driving us to try and make sure that we keep on this narrow path.

Senator O'NEILL: Earlier when you spoke about the multitude of factors that the board takes into account, you used a very important word, in my view, which is 'judgement'. I have no doubt that those people who have written to you and the people who are writing to us in the communities that we live and work in are telling us that they are feeling incredible pressure right now.

Ms Bullock: Yes.

Senator O'NEILL: And while I'm sure that they will be proud of your taking your role so seriously, the focus on the narrow path is also an opportunity for the potential for some relief for those people whose mortgages are, in the cashflow channel, being impacted. I guess I'm seeking reassurance on behalf of all those in the cashflow channel—millions of Australians—that, should the opportunity present itself, the judgement of the Reserve Bank to reduce interest rates will happen at the earliest opportunity.

Ms Bullock: Yes. I think there are two things going on with people who are finding it hard at the moment. It's not just mortgagees. Inflation is actually the thing that is hurting absolutely everyone. We talk about the cashflow channel and the people who have mortgages hurting, but that's about a third to 40 per cent of the population. The rest of the population are also hurting, and everyone is hurting because of inflation. So yes, I can say that if it looks like inflation is coming back down then the board will be looking to lower interest rates at an appropriate point in time. If it looks like we're going to meet our target then we will remove the restrictive nature of monetary policy. That's what we will do.

But I want to emphasise to people that the precondition for that is that inflation needs to be coming back down and to be sustainably back in the band on the board's timetable, because, if it's not, we can't remove the restrictiveness of monetary policy. It won't be good for people now, because inflation will be hurting everyone. It won't be good for people on mortgages, because inflation will still be high. And it won't be good ultimately for employment, because it will mean we'll have to act harder in the future in order to get inflation back down. That is the real message I want to get across.

Senator O'NEILL: And I think that message has come through, and there will be people who really understand that. But my request is: is it the board's thinking that the relief that is so sought by so many will be provided at the earliest opportunity?

Ms Bullock: It'll be provided when the board is convinced that inflation is coming back down to within target. That's when the relief from interest rates will come. And I can't forecast when that will be.

Senator O'NEILL: No, I'm not asking for a date, but I guess clarification: will the burden that is being borne be part of the judgement factor that you will bring to the decision? Are you hearing the Australian people?

Ms Bullock: We're hearing from those people, and we don't want to prolong high interest rates for longer than we have to. But we need to make sure they're in place for long enough to bring inflation back down.

Senator O'NEILL: Thank you, and I'm sure there's some comfort there for people that we'll get there—and the sooner the better. Clearly in the cashflow channel households have had to respond to the reality of rising interest rates. So, my question is: in terms of what the RBA knows, how have households responded to rising interest rates, in particular in terms of discretionary spending, but also non-discretionary spending?

Ms Bullock: I might make a couple of remarks and then I'll pass to Chris, because I think he has a few perspectives on this as well. We know that people are responding by cutting back discretionary spending. They are shifting to more value—

Senator O'NEILL: What does that actually mean?

Ms Bullock: Discretionary spending means different things to different people, but, for example, it might mean that I don't get my nails done every month; now I get them done every two months, say. It might mean instead of going out to breakfast on Saturday morning and dinner on Friday night, I only go to dinner on Friday night. That's what I mean. Discretionary spending means different things to different people. Some people might say school fees are discretionary. Others would say they are absolutely not discretionary. I don't want to say these things are all discretionary and these things aren't.

Senator O'NEILL: So people make judgements based on income and debt?

Ms Bullock: People make judgements.

Senator O'NEILL: Yes.

Ms Bullock: And they can make judgements. There are certain things that you would think are non-discretionary. Things that you might put in that bucket might be electricity, rent, housing repayments and, obviously, putting food on the table. We know that people tend to be cutting back on what you might loosely call discretionary items, although there is some rubberiness about what that might mean. In the essential category, people are, where they can, buying cheaper. They might be buying the home brand rather than the name brand to try and make ends meet a little better. That's what we know about spending.

We know another thing about their spending. We have a lot of information from the banks on their customers, what their customers are spending money on, and the various cohorts of their customers. What we know from that is that everyone is cutting back. So growth in spending for mortgagees and nonmortgagees is much lower than it was, and that's not surprising, because nonmortgagees are often renters. So they're cutting back. We know that in all age groups spending is growing more slowly than it was. It's growing more slowly for some than for others. In particular, it's slower for younger people than it is for older people, but everybody has slowed their spending. We know some of those things about spending. We also know a bit about saving, but I want to pass to Chris to talk about what we know about that.

Dr Kent: One of the things the governor was saying is that, in some ways, it's surprising to people how spending is weak across the board, regardless of their age, whether they own a house, whether they have a mortgage on a house, whether they are renters. And I think one of the features there is that higher interest rates don't just walk through the cashflow channel; they also provide a big incentive for everyone to save more. That is what's happening, more or less.

The saving rate has dropped from the very high levels during the pandemic when people couldn't go out and spend, but they haven't dropped so low that people are running down that extra stock of savings to any large degree for households as a whole. Some households have really eaten into whatever savings they put away in the pandemic, but the household sector as a whole has not done that.

The other thing that's quite interesting and surprising to people is that households which have a mortgage, as a whole, are putting in about the average amount of extra payments over and above what the banks require them to make every time they meet their mortgage repayments. I think that's an incentive that comes from having higher interest rates. There is an incentive for everybody to save more, and I think that explains some of the behaviour the governor was outlining.

Senator O'NEILL: That is a very important piece of evidence this morning, because one thing I am proud of as an Australian is how we all stick together. It's not like there is one part of the economy or one part of the population that's really just completely copping it. Everybody is feeling this. We're all doing this together, that's what I take from what you have said there.

Ms Bullock: Chris mentioned this, but there is absolutely a portion of the population that is really hurting. They're hurting from inflation, they're hurting from higher interest rates, or they're hurting from higher rents. We get that. We do. But on the whole, people are responding, and they're responding by cutting back where they can. We're seeing this in the consumption numbers.

Senator O'NEILL: And that is helping you with your task.

Ms Bullock: And that's helping with the task, and, as Chris said, this is part of the transmission of monetary policy. Yes, there's a cashflow channel. It's the incentive to save, rather than to spend, when interest rates go up.

People with mortgages, to the point, are putting extra savings, extra amounts of money, into their offset and redraw accounts, effectively. They've got a great incentive to do that because if they're now paying 6½ to seven per cent on their mortgage, there's a great incentive to try and offset as much of that as they possibly can, to get their net debt down as low as they can. So, they're responding in the way that you'd think they would and they're doing that by reducing their consumption, which is helping the aggregate demand story.

Again, I come back to a really critical point here, which is that employment is really important here as well because while people have jobs, they've got these options. They've got money coming in. They've just got to try and figure out how to rearrange their finances a bit and rearrange their spending in order to meet. If they don't have a job, it gets much harder.

Senator O'NEILL: We're on the narrow path and Australians are doing their bit to keep us there, so we should be congratulated as a group together. Can I just raise with you a concern, though, that I think people might have with regard to the lag in the monetary policy that you've been referring to and the action that you've taken. How much of the 425 basis points rise in interest rates has already flowed through to have an impact. We hear that it can be quite immediate in its impact in some ways, but then there's a delay in it finally working its way through. Where are we in terms of that flowthrough of the impact of the interest rate rises that Australians have seen?

Ms Bullock: There's a general point there and a mechanical point. I'll ask Chris to address the mechanical point. The general point is that when we talk about monetary policy and the flowthrough, we generally think about the flowthrough of monetary policy to take 12 to 18 months in full. A large chunk of that 425 was just to remove the very accommodative stance of monetary policy. We think we are now restrictive. I'm not exactly sure—I couldn't really give you a number of how restrictive we are—but we think we are restrictive. The signs are that it's working, so that suggests we're restrictive. But it's possible that there's still, in the general sense, maybe—if we think of the next, say 12 months—another 50 basis points or so, maybe, to come through. But maybe not. The standard term here is that there are long and variable lags, and we don't know. There is a mechanical point that I want Chris to speak to, because I think it partly goes to answering your question as well.

Dr Kent: In terms of mortgage rates that the average mortgage holder is paying, something like about 80 per cent of those 425 basis point increases in the cash rate have been passed through to the average outstanding mortgage rate. That reflects a couple of things. Obviously, it's been passed through a lot more and a lot more quickly for people on variable rate mortgages. This time around the pass-through's been a bit slower than normal because we started raising rates at a point where there was a very much higher share of fixed rate mortgages than the economy normally would see. Normally, around 20 per cent of mortgages are fixed. We came into this with something much closer to 40 per cent—that order of magnitude. But most of those very low fixed rate loans have now rolled off. People have been able to manage those changes, more or less. The fixed rate mortgagee rolling off doesn't now look much different from the variable rate mortgagee in terms of their ability to meet the payments. A little bit more is still to come through. There are still a few people with very low fixed rate mortgages that are rolling off. Most of that will finish this year, and that may add another 20 basis points or so to the average outstanding mortgage rate. The other thing that's happened, just very quickly, is banks have been competing a bit more vigorously for good quality borrowers. So those who are able to either change banks or negotiate with their banks have been getting better deals than they might otherwise have got. That's helped. That's why only about 80 per cent of the increase in the cash rate has passed through.

Senator O'NEILL: Thank you. I'm heartened that you'll really respond to those letter writers and that you're hearing us, as parliamentarians, letting you know that constituents are waiting for that narrow path to be walked and for a reduction to come to them as soon as possible.

CHAIR: Senator McKim?

Senator McKIM: Good morning. Thanks for coming in. I wanted to ask some questions around the distributional impact of your decisions on interest rates. You've touched a little bit on that already this morning, Ms Bullock. Can I just be clear: is it your evidence that all age cohorts are reducing their spending at the moment? That is contrary to some reports that—

Ms Bullock: Not reducing, slowing. They're slowing the growth rate in their spending. The numbers that we see are typically from the banks. They are nominal. So it doesn't take into account inflation. But the general position is that everyone has slowed the growth rate in their spending.

Senator McKIM: So your evidence is that the growth rate is slowing across cohorts. But we are seeing evidence where younger folk, who generally carry more debt than older folk, are cutting back their spending significantly. In some age cohorts there's an over seven per cent reduction in spending on essentials while folks

over 65, who are more likely, as you have indicated, to have savings and lower or no debt and have access to tax breaks in their super, are increasing their spending above the rate of inflation. Would you accept that?

Ms Bullock: There is a variety of pieces of evidence here. I understand that there is a younger cohort that, in real terms, is cutting back its expenditure. But the fact remains, as I said earlier, that everyone is slowing their expenditure. They might still be spending, but the growth rate in their expenditure is not as great as it was a year ago. Everyone has slowed their spending.

Senator McKIM: That's right. But that doesn't mean they are reducing their spending, Ms Bullock.

Ms Bullock: No. It doesn't mean their spending is going down; it just means it's not growing as quickly as it was.

Senator McKIM: I want to be clear about this. Have we got a situation now where younger folks, who are more likely to be carrying debt, are actually reducing their spending, while older folks, who are more likely to have savings and lower or no levels of debt, are still increasing their spending?

Ms Bullock: There's a number of things going on here. I don't think you can equate younger folks with having debt.

Senator McKIM: On average a younger person is more likely to carry debt than an older person, aren't they?

Ms Bullock: It depends again on who you think are younger folks. There are people who might have families and mortgages. You might call them younger. But there is also a whole younger cohort who don't have mortgages but are renters. We have a whole lot of things going on here. The No. 1 is inflation. Everyone has seen the cost of living rise dramatically. Everyone is being hit by that—young folks, older folks, everyone. Then you've got renters. They are typically younger and they are typically lower income—not exclusively, of course. Those people are cutting back on their expenditure, I think. Then you have perhaps younger to middle-aged people who have mortgages. They will be affected by inflation and by interest rates. They are cutting back their expenditure. And then—you are right—there is another cohort who are perhaps getting more income on their savings. They have a savings buffer that they accumulated during the pandemic when they couldn't travel, for example. They are less constrained. They are still being hit by inflation. They are still observing the cost of living going up.

Senator McKIM: Are people over 65 increasing their spending at the moment?

Ms Bullock: I will have to take the specifics on notice. My understanding is that, in nominal terms, they are. I would have to check whether they are doing so in real terms.

Senator McKIM: Is there any way for monetary policy to slow down the spending of that cohort?

Ms Bullock: Monetary policy works through a few channels. The channel that most affects them is the one Chris referred to earlier, which is the incentive to save. When interest rates go up, you are incentivised to save more than you would when interest rates are low. So that channel will impact people who don't have debts.

Senator McKIM: Is it possible to use fiscal levers that I accept are within the purview of government and not the RBA to slow the spending of that cohort in general terms? You've accepted some in principle comments already this morning. I'm not asking you about specific policies or anything like that, but, just in general terms, are there fiscal levers available?

Ms Bullock: In general terms, government policies can impact different cohorts. Monetary policy cannot. It has one lever, and it impacts people differently.

Senator McKIM: You've taken on notice the specifics of the spending of people over 65, but are you concerned that that's one of the drivers of inflation—that folks over 65 are increasing their spending? Doesn't that stimulate demand which then flows through into inflation? The proposition I'm putting to you is that you put up interest rates, and that disproportionately impacts on younger people as opposed to older people. So young people get used as cannon fodder in the war on inflation to try and solve a problem that they're not actually causing. They're cutting back their spending whereas older people make bank and increase their spending. They have more money to do it because higher inflation rates work for them. How is that fair or just or equitable?

Ms Bullock: Monetary policy has one lever. It's the interest rate, and we use it to try and impact aggregate demand, and we're having an impact on aggregate demand. We understand the distributional impacts that you're referring to. As I've already talked with Senator O'Neill, I get letters; I understand that. I do. But I've only got one lever, and I have to get inflation down because the best thing I can do for everyone, including all the young people who are being hurt by this, is to get inflation down.

Senator McKIM: The Reserve Bank historically has consistently jawboned and on things like wages. Your predecessor, Dr Lowe, repeatedly did that. He warned against wage growth and wage price spirals. Why doesn't the RBA jawbone more on fiscal policy?

Ms Bullock: Fiscal policy is not my mandate. Governments have a lot of balancing to do. They have a lot of infrastructure to build. They have things like aged care, health and the NDIS. State governments have education. These are all things that society needs, and governments need to provide these things. I am not going to tell governments, who are elected by the people, how to manage their fiscal policy. I ask them to think about inflation while they're thinking about that, and they do. Ultimately, they've got to make decisions about what they think is best for their constituents.

Senator McKIM: Just on Dr Kent's point—I think it was his and you have possibly referred to it too—around what I think you called the incentive to save. Do you measure that? Is that just a principle or do you measure or is there any way to measure whether, for example, the over-65 cohort is actually banking? Or do they choose to increase their spending because they've got more money because interest rates are higher and their bank accounts are bigger?

Dr Kent: There are a number of different sources of data and none of them is perfect. The thing that Michelle was referring to earlier about spending patterns—and I'll have to get back to you with the precise details—is when you look at the spending behaviour of different groups by age, they are remarkably similar in that everyone has slowed the growth of their spending. There are some who are cutting back on the level of spending and some who are still increasing the growth in nominal terms, but it's much less growth than had been the case before we raised interest rates. So that's circumstantial evidence that says savings rates are staying at an elevated level. Actually, they're not that high but they're not dissimilar to where we were pre-pandemic. They're doing that having built up a huge extra stock of savings during the pandemic, so they're not really tapping into that. It's circumstantial, but the spending behaviour from the banks—credit cards, how they are monitoring their accounts and how customers are using those—provides a high level aggregate that says that even the older population's spending growth has come right down. It's consistent with that story.

Senator McKIM: Thanks, Dr Kent. You've said you'd take on notice a response to my question on the spending patterns of over-65s. Could I ask you to broaden that out? I'm not sure how you cut up the demographics in age terms, but perhaps you could give us what you have on the spending patterns of different age demographics.

Dr Kent: We might have to provide you a broad story, because often the banks provide that to us in confidence.

Senator McKIM: Alright.

Ms Bullock: We'll see what we can come—

Senator McKIM: If you can, take that on notice and see what you can provide.

Ms Bullock: Yes. We'll see what we can do.

Senator McKIM: Thanks. That'd be helpful. I just want to ask quickly about how you calculate rent inflation. Do you calculate rent inflation?

Ms Bullock: We make a forecast for rent inflation. The way we do it is that we look at what's happening with advertised rents, which is a small chunk, obviously, of the stock, and we make some assumptions about how quickly that will feed through into rent in the CPI, which is based on the stock of rental accommodation. That's sort of how we forecast it.

Senator McKIM: The ABS has started presenting rental inflation as a netted-out figure. They take the headline rate of rental inflation and then they take into account Commonwealth Rent Assistance, and they provided that as a netted-out figure. The headline rate at the moment is 9.5 per cent. They take into account rent assistance and they present the netted-out figure at 7.8 per cent. Does any of that feed into your calculations, and which figure do you take to represent rental inflation—the headline rate or the netted out figure?

Ms Bullock: In terms of our forecasting, we would follow the methodology that the ABS use, which is the concept of what rent people are actually facing, not what they would face in the absence of Commonwealth rent assistance.

Dr Kent: It's a little bit like the question before from Senator Canavan on other features, in that we'll see different effects on headline and underlying.

Senator McKIM: I'm happy if you come back on notice on this, but isn't it the case that rent assistance doesn't actually bring rents down? It's a payment to renters, so it increases the bank balance of renters who are on government payments. I think that's just under 50 per cent of renters, but just in round terms let's say it's 50 per cent, so obviously not everyone gets CRA, Commonwealth rent assistance. It's a payment into the bank accounts of renters, so it doesn't actually reduce the price of rents—

Ms Bullock: No, it doesn't reduce rents.

Senator McKIM: so, when you run your calculations, why wouldn't you use the headline rate of rental inflation rather an adjusted rate? I guess that's my question.

Ms Bullock: To Chris's point, it depends on what you're forecasting. If we're forecasting headline inflation, then we take it into account. But if we want to look at underlying inflation, then we're looking at rental prices absent the Commonwealth rent assistance. It depends on what you're forecasting.

Senator McKIM: So when you said at last estimates that you were expecting about a 10 per cent increase in rents over the year, was that a gross increase or was that subtracting rent assistance?

Ms Bullock: I think that was gross.

Senator McKIM: That was gross, was it? Thanks.

Ms Bullock: I think that was gross, but can I take that on notice?

Senator McKIM: Please. What's your current forecast for the pain that renters are going to feel over the next 12 months?

Ms Bullock: I think we'll have to take that one on notice too. We don't strip it out. From memory, we think that it has peaked and that growth in rent is starting to come off, but I'll have to come back specifically on what our rental forecast is at the moment.

Senator McKIM: But, nevertheless, it's significantly above that general inflation.

Ms Bullock: Yes, it's significantly higher than other things in the basket.

Senator McKIM: Yes. Alright.

CHAIR: Thank you, Senator McKim. As people know, we've got the governor and Dr Kent until 11, so we'll go to some very short blocks of questions now of three or four minutes each. Deputy Chair?

Senator BRAGG: We've spoken this morning about monetary policy and fiscal policy. Over the last year or so, you've been running a contractionary monetary policy cycle; would that be right?

Ms Bullock: Yes. We think financial conditions are restrictive.

Senator BRAGG: That's right. What about the fiscal position? Would you describe that as contractionary as well, or would you describe it as expansionary or neutral? How would you describe it?

Ms Bullock: As I said earlier to an answer to a question, I think it's difficult to consider it in isolation. It is true that the budget has more expenditure in it. My main concern is what it is doing to inflation and what it's doing to aggregate demand. I don't know the answer to that question until we have done our next forecasting round and until we have the rest of the state budgets in as well, because it's a whole-of-government thing. The other thing it very much depends on is where the economy is at the moment. At 11.30 we're going to find out where it was in March. It depends on the balance between the two things. If there is more spending, that might be expansionary but it might be that it's offsetting an extremely weak private sector. In which case, aggregate demand as a whole is not adding to inflationary pressures. So that's the sort of context I think we need to consider.

Senator BRAGG: I know your concern about the impact of fiscal policy. My only other question is: what about this discussion about the nature of there being homegrown inflation here in Australia? To what extent do you think the fiscal position and fiscal policy are providing some of that homegrown inflation?

Ms Bullock: Homegrown inflation reflects what has been going on in the past, and I think fiscal policy has been running a surplus for the last couple of years, so I'd say that has been helping the homegrown inflation situation, if anything, in that circumstance. But, more generally, as I said earlier, governments have a big balancing act. They have lots of competing priorities. I have one: inflation. They have lots of competing priorities and they have to deliver those in a way that manages not only aggregate demand but also their commitments to provide infrastructure and services to the Australian people.

Senator BRAGG: Thank you.

CHAIR: Senator Smith.

Senator DEAN SMITH: We have skirted around the issue, but in the financial stability assessment report that was released in March 2024, there is an important graph, graph 2.3, which looks at the liquid savings relative to housing and essential expenses.

Ms Bullock: Yes.

Senator DEAN SMITH: When talking about the response of the economy to rising interest rates, it talks about the strong financial position that people had prior to the cumulative effect of rising interest rates. But, if I'm correct, the data used is 2022.

Ms Bullock: That's right.

Senator DEAN SMITH: I was wondering if you could provide a commentary on what this graph now looks like, because it specifically deals with the mortgagor and the renter—so those people that own the homes are excluded. Could you give us a sense of what this graph now looks like? In much of the commentary it's the strength of this position which has provided an important buffer to Australian families and households.

Ms Bullock: I have a couple of points. The 2022 data is relevant because it is saying that, as we were coming out of the pandemic, the strength of the balance sheets had risen. The data are the HILDA data. HILDA only comes out with substantial lag. I don't think there are data for 2023 for HILDA yet—I'll have to take that question on notice—but I don't think so. But that's where we get those data from. So I'm not sure I can provide you with an update of that graph but I'll come back to you.

Senator DEAN SMITH: With all of your experience and all of your understanding and Dr Kent's exchange with Senator McKim, these graphs would be lower now than they were in 2022?

Dr Kent: I think that's the challenging thing, because it's not immediately clear. As I suggested, the household sector as a whole has not burnt through that extra pile of savings which is incorporated in those figures coming out of the pandemic. Our experience is similar to lots of other economies. It is very different in the US economy. The US consumer has burnt through that extra pandemic savings they built up. But that is not the case in, say, Canada and many other economies.

Ms Bullock: They kept it. So the answer is that we don't actually know and it's possible it hasn't.

Senator DEAN SMITH: If there is any other commentary you can provide on that particular graph, if you could take that on notice, it would be much appreciated. Thank you.

CHAIR: Senator Hume.

Senator HUME: Thank you. I'm going to divert a little bit now and ask some questions about Armaguard. I understand that since the last round of estimates there have been media reports that there was a roundtable process that the RBA led to find a solution to the claims that Armaguard, who obviously is the sole provider of cash-in-transit now, would become insolvent. Is it correct that those roundtables have now ceased?

Ms Bullock: The roundtables commenced, I think, at the end of last year. They were facilitated by me. It had, initially, the major banks around the table. Then, more recently, the major retailers and Australia Post also joined the roundtables. They are facilitated by the bank. It is really to get everyone together to discuss the issues. We haven't had one since March. Whether or not we need to have another one will depend on how things are going. But we haven't sort of said, 'That's the last one,' or anything like that. It's just that we have them as we feel we need to. There are groups other than that broad roundtable that I chair also looking at longer term solutions to the issue of cash distribution in a world of declining cash transactions. That is chaired by someone else in the Reserve Bank, not me, and it includes banks and retailers and Armaguard as well. So other meetings are going on, just not that roundtable you are referring to.

Senator HUME: So, clearly, the RBA is still concerned that there is no long-term solution to the provision of a cash-in-transit service?

Ms Bullock: We are concerned that as transactional use of cash declines, the business model for distributing bank notes around the place is under pressure. We are concerned about that, and that's what Armaguard have really brought to the fore. That's what the banks and the retailers—and ourselves; we have an interest as well in trying to find what might be a solution to this. Other countries are experiencing similar situations. We're trying to learn from what they are doing overseas to address these issues. Our geography poses some challenges.

Senator HUME: It has been reported that, in your dealings between the impacted customers, the banks and Armaguard, an offer was made to Armaguard of \$26 million to provide some stability to the company. Is that correct?

Ms Bullock: I have some knowledge of—we're not involved in those discussions, so I can't say for certain. I have heard that that is the case, and I think I've read it in the press. But we are not involved in those discussions. That is a matter between the banks and Armaguard.

Senator HUME: Of course, the problem is—and correct me if I'm wrong, but the provision of funds, particularly at this magnitude, wouldn't simply solve the problem, would it? It's still going to be an ongoing problem. What ongoing work was proposed to be conducted?

Ms Bullock: No—and the concept always was that the banks and the retailers would provide some assistance to Armaguard to make sure the business kept running while other solutions were looked at. There are a number of things. There's the Armaguard-Prosegur merger; Armaguard would have to look quite closely at their operations to see if they can get efficiencies to improve their business model and the economics of the business model. There are issues to look at, for example, what are the incentives to move the bank notes around; can we recycle them in a more efficient manner, rather than sticking them in big trucks and moving them around? So, as I said, there is a group that I referred to earlier, which the Reserve Bank is involved in as well, which is looking at some of the practical ways forward which could improve the reliability and the economics of this. And, if we can't, how do we ensure that we continue to have a cash distribution system, and who pays for it?

Senator HUME: That is the different group that you're not personally leading?

Ms Bullock: That's the different group; I'm not personally running. But there is a group and the idea is that—

Senator HUME: Who is on that group?

Ms Bullock: the amount of money that the banks are going to contribute and retailers are going to contribute is to keep the system running while the industry figures out how they transition to a new model.

Senator HUME: So is the same group that's in the roundtable—

Ms Bullock: The same group of banks and retailers are allowed, under an authorisation by the ACCC, to talk to each other about these issues, with the Reserve Bank chairing as an independent facilitator, if you like, a trusted facilitator.

Senator HUME: On that \$26 million, what is your understanding of how it was structured? Was it a loan? Did it come with interest?

Ms Bullock: I have no information on exactly how—

Senator HUME: You don't know who it came from?

Ms Bullock: I have little bits of information, but I wouldn't like to (a) tell you something that was wrong; or (b) give you information that in fact I'm not permitted to give you, because it was given to the bank confidentially. I'd have to come back on notice with that, and, to the extent that it's been provided to us in confidence, I'm not sure I can provide it.

Senator HUME: If you were to come back to the committee with that on notice, I think that would be very helpful. Was there a payment of \$26 million offered? Did it come with any interest? Was it a loan? Is this something—offering free money—that the bank has done in the past?

Ms Bullock: Can I just be clear here: the Reserve Bank has not contributed—

Senator HUME: Sorry, I should have said the 'banks' have done in the past. And what was the aim of the due diligence work that would have been conducted as part of that payment?

Ms Bullock: Again, this is not an agreement that the Reserve Bank is party too. To the extent that we have any information that's been provided to us, I suspect that was in confidence. I am aware of the discussions that are going on, but I just want to be very clear: I can take it on notice, but it's quite possible that, whatever information I have, I cannot provide it.

CHAIR: Thank you, Governor. Senator Canavan.

Senator CANAVAN: I'll quickly go back to what I was asking about before. Before, I think you said it's likely the government's energy rebates will fall out of the trimmed mean forecast, given the size of the change that'll occur there. Does that mean then that the RBA's trimmed mean forecast of 3.1 per cent for the next financial year is unchanged at the moment?

Ms Bullock: We haven't done another forecast. So we can't say yet what our indications are.

Senator CANAVAN: When will that next statement be?

Ms Bullock: We'll release the next forecasts in August.

Senator CANAVAN: I want to switch to headline inflation—so not the underlying forecasts but the headline forecasts. I think you said earlier—this is just to compare—that the bank's assessment is the same as the Treasury's assessment that the relief measures in the budget would reduce headline inflation by around half a percentage point in 2024-25. Was that right?

Ms Bullock: Yes. I think that also includes some of the rebates in some of the states as well. That's the Treasury forecast, but we concur that that's probably the ballpark.

Senator CANAVAN: I believe the Commonwealth's measures and the state ones that I've seen are all one-off measures for the next financial year that will, as you've said, lower the index value, effectively, for the CPI this financial year. Doesn't that mean that inflation will now be higher in 2025-26?

Ms Bullock: It means that as the rebate drops out—and this is why we look through it—then the price goes back up to where it was.

Senator CANAVAN: Which means the growth rate would be higher.

Ms Bullock: The growth rate will pop up. But what we don't know is what's happening to everything else in the inflation basket. It doesn't necessarily mean it goes up higher than it was or back to where it was; it depends on what else is happening.

Senator CANAVAN: Obviously I'm asking questions with everything else being equal.

Ms Bullock: Everything else being equal, it drops out, and the level goes back up.

Senator CANAVAN: This will cause it to go down but then kick up.

Ms Bullock: That's correct.

Senator CANAVAN: That's because it's now growing off a lower base. Thank you. Do I still have time?

CHAIR: Yes, you've got one more.

Senator CANAVAN: Maybe I'll come back, because I'm going to a different topic. If it's one question it won't be enough.

CHAIR: Thanks. Senator Roberts.

Senator ROBERTS: Thank you for appearing. I missed you last time because I couldn't get on the schedule. I want to get a quick update on as many things as possible. Part of the Reserve Bank's process is to review inflation data and unemployment data. Do you use data from the ABS and, if so, do you use that data exclusively, or do you have other sources for unemployment and inflation data?

Ms Bullock: We use ABS data obviously for inflation and unemployment. We use a variety of other sources of information, though, because we don't just focus on the unemployment rate itself; we focus on a variety of measures that the ABS put out. We also focus on things like vacancies and advertisements. There's information we get from our business liaison program, where we talk to businesses about what they're doing with their labour forces: are they demanding more labour or not? So we use the ABS data, but we have a wealth of other information that we look at as well.

Senator ROBERTS: Thank you. Business-to-business payment defaults and business bankruptcies, to the third quarter of 2024, are at a record. I'm sure you know that. Are you watching these metrics? And would these record figures act to reduce the appetite in the Reserve Bank for another interest rate rise?

Ms Bullock: We do watch the business insolvencies data. My understanding is that they haven't actually returned to the trend that they were prior to the pandemic. In the pandemic, with low interest rates and government assistance, insolvencies were actually at a record low. They have popped up, but they haven't popped up to where the trend was going prior to the pandemic. So I think that's important perspective to put it in. We do look at it and we look at it from a couple of perspectives. We look at it from the perspective of how monetary policy is impacting businesses, but we also look at it from the perspective of financial stability and the potential impact on banks, banks' arrears and banks' balance sheets.

Senator ROBERTS: Thank you. Suicide Prevention Australia's community tracker, also to the third quarter of 2024, shows a huge rise in the number of calls to help services, in suicidal behaviour and in clinical presentations. This is an independent and accurate barometer of how everyday Australians are doing. Are you aware of that tracker?

Ms Bullock: Yes, I am. In fact I have regular meetings with various organisations—for example, Beyond Blue. They talk to us a lot about this sort of data. We also talk to ACOSS regularly, we talk to other charities in our business liaison program and we hear a lot about the fact that charities are seeing people come in who they haven't seen before. So this is obviously an indication that they're stressed. So, yes, we do keep in touch with that stuff.

Senator ROBERTS: Can you update me on the state of the central bank digital currency, please? The last word we had was I think when Mr DeBelle was deputy governor. I understand you're developing a standard, not an actual currency itself? Is that correct?

Ms Bullock: We've done a couple of things. We ran a pilot program with a real claim on the central bank last year.

Senator ROBERTS: Is that what's known as a 'sandbox'?

Ms Bullock: It was sort of like a sandbox, if you like. We had a number of different use cases. Various businesses came in with their use cases to use the central bank digital currency. From that information, what we took away was that probably the most fruitful piece of research we could continue with was the use of a central bank digital currency in a wholesale sense. By that I mean there's a lot of discussion about putting assets on the ledger—for example, having a distributed ledger of financial assets—and then you could have a central bank digital currency which is used to make settlements of those financial instruments, or they might be physical instruments, physical assets. That's the most fruitful work and that's where we're going at the moment. We're in the process of standing up a project that looks at how a central bank currency could be used in the atomic settlement of assets. That's where we're going at the moment.

Senator ROBERTS: So you're not developing a standard?

Ms Bullock: No. Basically, we're looking at what the business case might look for. We're not so interested in the technology and we're not so interested in standards. What we're interested in is: is there a business for this?

Senator ROBERTS: Would that allow other parties, including each of the banks, to develop their own cryptocurrency?

Ms Bullock: The banks themselves can develop what some people call 'stable coins', and some banks have developed stable coins. Central bank digital currency, if it were to be developed, would be something that everyone could potentially use—not literally every Australian, because, if we're focusing on business, then it might be that some businesses can use it. Individual banks can, in theory, at the moment—and some of them have experimented with it—develop stable coins, which are effectively cryptocurrency.

CHAIR: It's your last question, Senator Roberts.

Senator ROBERTS: This would not exclude existing cryptocurrencies, such as bitcoin?

Ms Bullock: No. The central bank digital currencies would not have a relationship with bitcoin, no.

Senator ROBERTS: But it wouldn't exclude bitcoin?

Ms Bullock: What do you mean by 'exclude bitcoin'?

Senator ROBERTS: To sideline them or remove them.

Ms Bullock: No, bitcoin would continue to exist, but central bank digital currencies offer a different business proposition than bitcoin. Bitcoin has particular uses; central bank digital currencies would not be encroaching on that space, I suspect.

Senator RENNICK: I want to table those serial numbers as well, if that's all right. Could I get on notice—because I'm pretty sure you won't know off the top of your head—how much the RBA and the government of Australia pay the Bank of England to store the gold in England? The reason I ask is, as you know, we've just been on a public works committee where we've been down into the basement of the RBA building. There are obviously vaults and things down there. Would it be possible to bring our gold back to Australia and store the gold in the vaults at the bottom of the RBA building? That would be a way to pay for the cost of the asbestos removal. That's going to cost about \$1 billion. Wouldn't it be a way to help pay for refurbishing the RBA building?

Ms Bullock: We can take that on notice.

Dr Kent: We can take that on notice. What you'd be doing, though, is spending a lot of money to securely bring all that gold back. That's 80 tonnes of gold under security plus all the freight. The other thing you'd be—

Senator CANAVAN: [inaudible]

Dr Kent: Potentially, yes. It would take some time. You'd have to find someone to buy it from. The other thing you'd be doing is you'd be giving up the option to lend out that gold, and—

Senator ROBERTS: As you've said in the past though, that gold doesn't move; it's just a—

Dr Kent: It's lent out to people who pay us interest for those loans while—

Senator ROBERTS: That's right, but you can still do that if the gold's here. That's all electronic.

Ms Bullock: No.

Dr Kent: No. They don't want it here in Sydney; they want it in London.

Senator ROBERTS: Yes, that's what worries me. As you'll see when I table these figures, the serial numbers have all been refined from 2014 or 2015 onwards. That's part of the reason. I don't want to dwell on that, because I've got a short period of time.

In regard to the cash issue, RRAT has just handed down a report about the closure of branches in the regions, and one of the recommendations was to use the RBA's transfer and payment system combined with Australia Post to keep government provided bank branches open in the regions or metropolitan areas. That is another way to generate income to help pay the billion dollars for the asbestos removal. Do you think the RBA could work with the government and Australia Post to provide banking facilities along with cash?

Ms Bullock: That's really a matter for the government. If the government wants to set up individual government banks in the regions, that's a matter for the government. The Reserve Bank does not distribute cash itself. The Reserve Bank obviously distributes cash to the banks themselves and they distribute it around—

Senator RENNICK: Sorry to cut you off there, but as you know the banks don't want to know about it. It's all too expensive and they've walked away. They're saying they are private industry and it's not their problem. I know you're independent, but ultimately you're a government body at the end of the day. I just think that's something that should be—

Ms Bullock: Again, it's a matter for the government.

Senator RENNICK: Okay, cool. I'll leave it at that.

Ms Bullock: It is a matter for the government if they want to set up banks and cross-subsidise to bring money into them.

Senator RENNICK: Are you aware of the 1937 royal commission into banking that basically said the central bank should be responsible for the control of the volume of credit in a system? Are you familiar with that recommendation?

Ms Bullock: I'm familiar with the royal commission—I haven't read it recently; I will confess—but not specifically with that particular recommendation.

Senator RENNICK: The second part was that it said that the distribution of credit should be the responsibility of private banks. I'm not for a minute suggesting that the RBA take over all private banking facilities. With regard to the control of the volume of credit in the system, I want to refer to 1985 when Paul Keating lifted all capital controls and allowed foreign banks to come in and lend to our private banks. Household debt had gone from 40 per cent of GDP to 120 per cent of GDP. Do you think it was reckless of the government at the time to completely lift capital controls and have no control over the type of capital that comes into the country and how it's used?

Ms Bullock: No. I think that Australia has done very well in the recent years since we floated the exchange rate and eliminated capital controls. It has allowed foreign investment to flow. I think that generally most people think that the deregulatory period, including the deregulation of the banks, allowed people who were previously credit constrained to access credit I think generally people would say deregulation has been a good thing.

Senator RENNICK: Even though we've got 120 per cent household debt and people are now struggling to make repayments.

Ms Bullock: We can get into debates about that and there's at least one good RDP which explains that particular issue, but back in the heavily regulated days people were credit constrained. The minute you allow people to borrow, including good credit risks who couldn't get credit before, then of course the debt to income ratio is going to rise. It also rises because, as inflation has come down and interest rates have come down, the debt service ratio has come down, so that allows people to take on a bit more debt.

The other point I would make is that in Australia, unlike many other countries, the rental housing stock is owned by households. Overseas it's owned by corporations and governments, so the higher household debt is partly a result of the fact that we have the housing rental stock owned by households. That's the other part. There are a number of factors.

Senator RENNICK: I accept that.

CHAIR: Thank you. The committee will consider the document that you've provided at a later meeting and consider as to whether it should be tabled.

Senator HUME: Before we shut down—and I promise I won't ask another question—we have some more questions for you, and one of those might be a request for a private briefing on this Armaguard issue, if you cannot speak to us at the committee.

CHAIR: Thank you very much, Ms Bullock and Dr Kent for answering our questions. You go with our thanks. The committee now concludes its consideration of the Treasury portfolio for today and I thank everybody who's participated.

Proceedings suspended from 11:01 to 11:13

INDUSTRY, SCIENCE AND RESOURCES PORTFOLIO**In Attendance**

Senator Ayres, Assistant Minister for Trade and Assistant Minister for Manufacturing

Department of Industry, Science and Resources

Ms Meghan Quinn PSM, Secretary

Corporate

Mr Neal Mason, Deputy Secretary, Enabling and Business Services Group

Ms Jane Urquhart, Deputy Secretary, Resources and Strategy Group

Ms Michelle Dowdell, Head of Division

Mr Bede Jones, General Manager

Mr Gavin McCosker, Chief Finance Officer

Ms Rebecca Lee, Chief Information Officer

Mr Stewart McGill, General Manager, ICT Operations Branch

Ms Leanne Yannopoulos, Chief Operating Officer

Ms Tanja Watson, Acting Chief Operating Officer

Ms Sam Chard, Head of Division

Mr Derek Stiller, General Manager, Integrity Branch

Chief Counsel and Integrity

Ms Janean Richards, Head of Division

Mr Ray Marcelo, Acting Head of Division

Mr Merrick Peisley, Acting Head of Division

Ms Tegan Johnson, General Manager, Ministerial and Executive Enabling Branch

Ms Naomi Perdomo, General Manager, Whole of Government Policy and Priorities Branch

Ms Deborah Miliszewski, General Counsel

Outcome 1: Support economic growth, productivity, and job creation for all Australians by investing in science, technology and commercialisation, growing innovative and competitive businesses, industries and regions, and supporting resources.

Program 1.1: Growing innovative and competitive businesses, industries and regions

Ms Julia Pickworth, Deputy Secretary, Industry and Commercialisation Group

Ms Isolde Lueckenhausen, Acting Commissioner

Mr Mayuran Jeyarajah, Acting Deputy Commissioner, Investigations

Mr Gary Rake, Chief Executive Officer, Australian Building Codes Board

Mr David Luchetti, Head of Division

Mr David Chuter, Executive Director, Industry Growth

Ms Tanya Blight, Executive Director, Office of Industry Innovation and Science Australia

Ms Louise Talbot, General Manager, Sector Development

Mr James Flick, General Manager, Industrial Net Zero Policy

Ms Leah Wojcik, General Manager, Industrial Net Zero Transformation

Ms Donna Looney, Head of Division

Ms Jocelyn Cooper, General Manager

Ms Jasminder Higgins, General Manager

Ms Dara Williams, Head of Division

Mr Matthew Crawshaw, General Manager

Mr Merrick Peisley, Acting Head of Division

National Reconstruction Fund Corporation

Mr Ivan Power, Chief Executive Officer

Ms Rebecca Manen, Chief Operating Officer

Outcome 1 (Continued):

Program 1.2: Investing in science, technology, and commercialisation

Ms Helen Wilson, Deputy Secretary, Science and Technology

Dr Bruce Warrington, Chief Executive Officer

Ms Jo White, Director

Mr Nicholas Purtell, Head of Division

Ms Natalie Weddell, General Manager

Ms Linda Lee, General Manager

Mr Anthony Murfett, Head of Division

Mr Daniel Quinn, General Manager

Mr Anthony McGregor, Head of Division

Ms Michele Graham, General Manager, Quantum Branch

Analysis and Insights Division

Ms Michelle Dowdell, Head of Division

Ms Kate Penney, General Manager

Mr Merrick Peisley, Acting Head of Division

Mr Enrico Palermo, Head of Agency

Mr Christopher Hewett, General Manager, Space Policy

Australia's Chief Scientist

Dr Cathy Foley

Commonwealth Scientific and Industrial Research Organisation

Dr Doug Hilton, Chief Executive

Ms Kirsten Rose, Deputy Chief Executive

Mr Tom Munyard, Chief Operating Officer

Dr Peter Mayfield, Executive Director, Environment, Energy and Resources

Professor Elanor Huntington, Executive Director, Digital, National Facilities and Collections

Dr Jack Steele, Director, Strategic Government Programs

Outcome 1 (Continued):

Program 1.3: Supporting a strong resources sector

Ms Jane Urquhart, Deputy Secretary, Resources and Strategy Group

Mr Sam Usher, Chief Executive Officer

Ms Jodie Lindsay, General Manager, Social License and Operational Support

Mr Peter Chesworth, Head of Division, Minerals and Resources

Ms Victoria Pullen, General Manager, Critical Minerals Office

Ms Kym Moore, Acting General Manager, Mining Branch

Oil and Gas

Mr Robert Jeremenko, Head

Mr Cliff Weeks, General Manager, Offshore Resources Branch

Ms Norelle Laucher, General Manager, Offshore Strategy Branch

Mr Shane McWhinney, General Manager, Northern Endeavour Branch

Mr David Lawrence, General Manager, Gas Branch

Mr William Tan, General Manager, Decommissioning Branch

Mr Graeme Waters, General Manager, National Offshore Petroleum Titles Administrator

Analysis and Insights Division

Ms Michelle Dowdell, Head
Ms Crystal Ossolinski, General Manager
Ms Shevaun Fitzmyers, Principal Adviser
Mr Merrick Peisley, Acting Head
Ms Tegan Johnson, General Manager, Ministerial and Executive Enabling Branch
Ms Naomi Perdomo, co-General Manager, Whole of Government Policy Priorities Branch

Geoscience Australia

Dr James Johnson, Chief Executive Officer
Dr Steve Hill, Chief Scientist
Mrs Alison Rose, Chief, Space Division
Mr Jonathan Ross, Branch Head, Satellite Land Imaging Collection
Dr Andrew Heap, Chief, Minerals, Energy and Groundwater Division
Dr David Robinson, Head, Basin Systems Branch
Mr Trent Rawlings, Chief, Corporate Division
Ms Erika Tadiran, General Manager, Enabling Services
Mr Clive Rossiter, Chief Information Officer
Mr Michael Koh, Chief Financial Officer

National Offshore Petroleum Safety and Environmental Management Authority

Ms Sue McCarrey, Chief Executive Officer
Mr Graham Blair, Deputy Chief Executive Officer, Regulatory Operations
Mr Cameron Grebe, Deputy Chief Executive Officer, Strategic Regulation and Improvement

Outcome 1 (Continued):

Program 1.4: Nuclear powered submarine program Australian nuclear science and technology organisation

Mr Shaun Jenkinson, Chief Executive Officer
Mr John Edge, Chief Operating Officer
Dr Miles Apperley, Group Executive, Nuclear Safety Security and Stewardship

Department of Industry, Science and Resources

CHAIR: The committee resumes with the Department of Industry, Science and Resources, Corporate Enabling and Business Services. We'll follow the order set out in the program, according to my notes. I'll take a moment to remind participating senators that we have a hard marker of 10 pm tonight with modified breaks throughout the day. The committee has set 14 June 2024 as the date by which senators should submit written questions on notice, and 26 July as the date for the return of answers to questions taken on notice.

I welcome Senator the Hon. Tim Ayres, representing the Minister for Industry and Science and representing the Minister for Resources. Good morning minister.

Senator Ayres: Good morning.

CHAIR: I also welcome the secretary of the department, Ms Meghan Quinn, and all officers of the department. Good morning, Ms Quinn. Did you have any opening remarks that you'd like to give, Minister?

Senator Ayres: I do not.

CHAIR: Ms Quinn?

Ms Quinn: I do have a brief opening statement.

CHAIR: Thank you.

Ms Quinn: This year's budget once again reinforced the central role of the Department of Industry, Science and Resources in the government's agenda to build a better future for all Australians. This portfolio will be working collaboratively across government and with stakeholders to design and implement important elements of the government's Future Made in Australia agenda. Measures are spread across the department's remit.

On the industry side, we have new initiatives such as the Battery Breakthrough Initiative, which is part of the Battery Strategy; green metals; and the Future Made in Australia Innovation Fund. These build on existing measures, including the Industry Growth Program and the National Reconstruction Fund.

For science, we are supporting a thriving, skilled and diverse workforce in science, technology, engineering and mathematics—STEM—and ensuring continued operations of the National Measurement Institute. In technology, we're taking action to support the safe and responsible use of AI in Australia and making strategic investments under the Quantum Strategy.

In resources, we're advancing implementation of the Critical Minerals Strategy, including through the design of tax production credits. We will be supporting Geoscience Australia to deliver enhanced precompetitive geoscience and geospatial data through the Resourcing Australia's Prosperity program and their collaboration with the United States' Landsat Next program. The Future Gas Strategy sets out the role gas will play in the transition to net zero and supports decisions on gas supply and production being based on credible and detailed analysis.

In short, the department is part of the whole-of-government focus on realising the opportunities in the transition to net zero emissions and supporting the creation of internationally competitive industries and new sources of economic growth. We continue to focus on recognising the opportunities that come from new technologies and exploring ways in which Australia can harness Australian know-how.

Technologies of particular focus include quantum, artificial intelligence and robotics, as they have the power to unlock and underpin large economic and social benefits. I am proud of the work the department has undertaken, in collaboration with a range of other organisations, to undertake a comprehensive due-diligence process to support the government's decision-making in relation to the world-leading quantum computer company PsiQuantum, which aims to build and operate a world-first utility-scale fault-tolerant quantum computer in Queensland. The National Robotics Strategy was released in May, and it sets out a vision for Australia's robotic ecosystem to excel in developing, manufacturing and using responsible robotics and automation technologies. Australia needs to maximise the impact and value of our investments in research and development and to strengthen our innovations ecosystem. As such, the department will be supporting a strategic examination of Australia's research and development system.

On departmental administrative matters, since the previous estimates hearing, we've created a dedicated legal and integrity division, which brings assurance functions previously in the department all together under one division. Staff in my diverse department are committed to public service and passionate about the work they do. I wanted to draw out, for example, that earlier this year Mr John Fiander retired after 62 years of dedicated service to the National Measurement Institute and its predecessors. I would like to thank the staff in my department, those in the broader portfolio and our many collaborators across industry, academia and Public Service for their professionalism and expertise over what has been a busy time. I look forward, with my team, to sharing information on our work with the committee over coming days.

CHAIR: Thank you very much for your opening statement, which we table, and, on behalf of the committee, congratulations to Mr Fiander for 62 years of service. That is amazing.

Senator McDONALD: Hear, hear!

CHAIR: We'll proceed now to questions. I'll go to the deputy chair, Senator Bragg.

Senator BRAGG: Thanks very much, Ms Quinn, for being here. You might recall that we had an exchange on 15 February this year about these PsiQuantum matters and I asked you some questions about them.

Ms Quinn: I do recall that, yes.

Senator BRAGG: One of the questions was:

Have there been any agreements between PsiQuantum and the government, the Commonwealth?

You said:

I'm happy to take it on notice in terms of relation, because there might be other engagements, because other colleagues are dealing with quantum technology et cetera. At this point in time, I am not aware of any agreements with the company.

That's what you said, and then you provided some answers on notice. Is that right—that in February this year there had been no agreement signed?

Ms Quinn: This is a matter that comes under 1.2, which I was anticipating answering questions on after dinner because it goes to technology and science. If we're going to get into detail, I won't have my appropriate officials here to go through all the issues on PsiQuantum. But we're absolutely happy to answer all those questions from six o'clock.

Senator BRAGG: I'm in your hands. We have questions about the contracts here because I thought those might have been of a corporate nature.

Ms Quinn: No. All of the engagements we've had with PsiQuantum have been managed through a technology taskforce in the science and technology group. That team have led our engagements on this process across the government and with the Queensland government, and they have drawn on resources. But it might be best to wrap it all up there.

Senator BRAGG: I don't mind. My understanding was that legal services was part of corporate.

Ms Quinn: We procured legal services, and that was all done by the taskforce, as is usually the case. Legal services are part of it, but it's more that they provide enabling services to the areas within the department.

CHAIR: Just to assist, I'm sure the committee is happy to ask appropriate questions at the appropriate time, but we also wouldn't want to get into the situation where questions are being asked later and are referred back to the corporate group. It's worth just having this discussion between the deputy chair and yourself to see what—

Senator BRAGG: Maybe I can ask the questions, and you can see whether you have the right people here.

Ms Quinn: Sure.

Senator BRAGG: Noting that my first question was just about the background of when contracts had been signed and the like—and I accept your initial answer—from a legal services perspective, do you know whether the original value of the contract was \$280,000?

Ms Quinn: We did procure legal services. It was done through the taskforce. They will have the details on the precise amounts. I do understand it is in that ballpark. We also procured services for a range of supports, such as investment banking support, commercial support and probity support. That was all managed through the taskforce, and they'll be able to answer all the questions in detail.

Senator BRAGG: So you can't answer questions about legal services here in corporate?

Ms Quinn: The contract management was done through the taskforce. They are the appropriate place. But we've got numbers, facts and things.

Senator BRAGG: Are they far away? Are they here in the building?

Ms Quinn: No. They're scheduled to appear at six o'clock.

Senator BRAGG: I don't want to be difficult at this time of the day, but it does seem strange that legal services and procurement matters aren't in corporate.

Senator Ayres: I understand the difficulty, and I think there's something reasonable in what the chair said about, first of all, these matters being dealt with in the appropriate bit because staff will be on hand. The department, I understand, anticipates and welcomes being asked questions about this set of issues. What the chair said I think is that we don't want to end up in a position where issues that could reasonably be canvassed in corporate are then deferred back. May I just point out that the secretary will be here for the whole day. One way of approaching this is to deal with all of these issues when the appropriate officials are here.

On the legal services question, to be clear, yes, corporate has legal services, but, as I understand from the secretary's answer, the questions around the procurement of legal services are for something that is done at the unit level.

Senator BRAGG: Let me ask you this then. I just want to make sure that we don't have a back-and-forth between different parts of the department. I'm grateful that you'll be here for the day, Ms Quinn. Who are the officials here from corporate?

Ms Quinn: We have my deputy secretary—

Senator BRAGG: Mr Mason, yes.

Ms Quinn: and we have people related to our budget division and our newly created legal and integrity division. We've got our IT department and our HR.

Senator BRAGG: We're pretty collegiate in this committee, so, if your legal people are going to be here for the duration of the proceedings and are not going to be disappearing, then I think we will be amenable to your proposal. My only concern would be that we don't want to have a ball going back and forth between different parts.

CHAIR: Yes.

Senator Ayres: Can I just check a couple of details with the secretary about this, because I understand the proposition that's being put.

CHAIR: The committee will suspend while we consider this.

Proceedings suspended from 11:25 to 11:28

CHAIR: The committee resumes, and the deputy chair has the call.

Senator BRAGG: Just to put some scope around these questions, these are questions about governance and legal services, which I imagine would be in the corporate section of this estimates hearing in the usual course of events. Who is the chief legal officer in the department?

Ms Quinn: We've recently created a Legal and Integrity Division, and, as part of that movement, the head of that division is colloquially called the 'chief legal officer', and that is Janean Richards.

Senator BRAGG: And she's here today?

Ms Quinn: Yes, she is.

Senator BRAGG: She is the general counsel, in effect, is she?

Ms Quinn: Yes.

Senator BRAGG: Or the chief legal officer. What's the title?

Mr Mason: Chief counsel.

Senator BRAGG: Chief counsel.

Mr Mason: Chief counsel and head of division.

Senator BRAGG: And the actual name?

Mr Mason: Janean Richards.

Senator BRAGG: Ms Richards, I imagine, has been involved in the contracting done by the department on everything, right?

Mr Mason: As the secretary mentioned, the division was established a fortnight ago. Janean took on that role.

Senator BRAGG: What was there before?

Mr Mason: We had just a legal branch.

Senator BRAGG: This is sounding a lot like *Yes Minister*, I have to say.

Mr Mason: I'm not trying to be difficult; I'm just—

Senator BRAGG: It was a legal branch; now it's a division.

Mr Mason: Yes.

Senator BRAGG: What's the difference between a branch and a division?

Mr Mason: Essentially, previously, we had a branch. One area of legal was sitting in a broader area of corporate. It sat with property areas, HR areas and other functions.

Senator BRAGG: How many people were in the branch?

Mr Mason: In the legal branch? Let me just see if I've got that hand. As I look for that, as the secretary mentioned, a fortnight ago we established a new division. We brought that branch out of the old division it was in and, with the integrity branch, we formed a new group.

Senator BRAGG: What I'm asking is: how many people worked in the branch?

Mr Mason: I'm seeing if I can put my fingers on that. I think the number of public servants we had there on 31 March was 55-odd full-time equivalents.

Senator BRAGG: They did legal and other things, right?

Mr Mason: They did a range of functions in that, including freedom of information, legal advice, legislation—

Senator BRAGG: And now you've got a legal division?

Mr Mason: Yes.

Senator BRAGG: How many people are in that?

Mr Mason: The division takes the resources that we had from the legal branch and adds the resources we had in our integrity branch together to form a full division. Let me just see if I've got that total number here. So 45 in integrity and then 55 in the legal branch. So we're at 90-odd full-time equivalent staff.

Senator BRAGG: In legal?

Mr Mason: In total for that new division I was just talking about.

Senator BRAGG: How many of these people are lawyers?

Mr Mason: I would need to take that on notice, because there'll be a mix—

Senator BRAGG: But some of them? A large number?

Mr Mason: There'd be a significant portion, yes.

Senator BRAGG: This is led by Ms Richards?

Mr Mason: It is, yes.

Senator BRAGG: As the chief lawyer in the department, would she be involved in all material contracting?

Mr Mason: The legal team will provide commercial advice, but we have advice that also comes from our finance area when it comes to procurement, and the business area obviously leads the negotiations on those contracts.

Senator BRAGG: What was the impetus to create this new division?

Mr Mason: We'd been on a bit of a journey for some time in building the assurance within the organisation. It commenced post the machinery-of-government changes when the department became the Department of Industry, Science and Resources. The first part of that was building an integrity branch, which we did around 12 to 13 months ago. That originally commenced as part of a group within our grants division and, over time, we've seen the opportunities to grow the amount of assurance we're providing, both within the organisation and also supporting the work that we do on behalf of government. We made the decision some weeks ago that now was the right time to bring a range of those assurance functions together to give us more scale and an opportunity to see things across the portfolio.

Senator BRAGG: Were there some risks in the structure that you were concerned about that led to this new division as well?

Mr Mason: As I mentioned, the opportunity for us was to continue, essentially, the continuum we had been on, which was about strengthening the integrity and assurance that we were performing in the portfolio. The decision was a natural consequence of progressing that journey.

Senator BRAGG: Ms Richards reports to you?

Mr Mason: Yes.

Senator BRAGG: Do you look at material legal contracts?

Mr Mason: We enter into a range of contracts, as you'd appreciate. Certainly the ones that relate to the functions that I perform, depending on the type of contract, I will be involved in. Obviously the business area that are working on that piece of work and negotiating that contract will be the ones that take the lead for both the negotiation of that and the decision-making under the contract.

Senator BRAGG: In relation to the PsiQuantum matters, do you see those contracts, or do they go to Ms Richards?

Mr Mason: As the secretary mentioned, the discussion and the work that was done for PsiQuantum was done in a taskforce. That was in a different group, which is scheduled to appear after—

Senator BRAGG: So it doesn't come to you at all?

Mr Mason: The particular piece, no, because the decision was to run it from a taskforce. That's not uncommon.

Senator BRAGG: So it doesn't run as part of the department?

Ms Quinn: Just to clarify: it definitely is part of the department.

Senator BRAGG: Who does it report to?

Ms Quinn: It was situated within the Science and Technology Group and reported through.

Senator BRAGG: I am looking at your organisational chart. As part of the Science and Technology Group, is it?

Ms Quinn: Yes.

Senator BRAGG: Who is the head of that?

Ms Quinn: Ms Helen Wilson is the deputy secretary of that group. Mr Anthony McGregor is the division head.

Senator BRAGG: When this division needs legal services, where do they go?

Ms Quinn: It depends on the nature. Just like any other division or component of the department, if it's something that our internal lawyers can provide or some advice, or they contract out to the market.

Senator BRAGG: Just so I can piece this all together: the PsiQuantum contract was dealt with by a taskforce outside of the usual legal channels?

Ms Quinn: No. That's not correct.

Senator BRAGG: Your internal lawyers still had engagement on it?

Ms Quinn: We can check. It depends on what your question is.

Senator BRAGG: It's not a trick question. I'm trying to work out whether your internal legal division had some input into the contracting.

Ms Quinn: They would have potentially been involved. I'm happy to have someone come to the table.

Senator BRAGG: It might be helpful if Ms Richards can come to the table if she's the chief lawyer.

Ms Quinn: The usual operation is that, if a policy area as part of their policy development work or their implementation work requires support on a legal question, they may initially go to our internal legal services. They would have a discussion about the scale, scope and expertise required, and then there would be a decision about whether there needed to be additional resources brought in. It is not uncommon for significant work programs to contract external expertise. That was the case in the PsiQuantum process. There was a decision to have external expertise come in. We then go to market. We used the usual arrangements, through government panel arrangements, often the Department of Finance panel arrangements, and we go through the usual contracting process and management of that contract. Most of that is done by the area that is doing the policy work or the implementation work, with technical assistance if required from our procurement area in our CFO area or our legal services area that is now in a new legal and integrity division.

Senator Ayres: I'm happy to be contradicted on this by the department, but what I've heard is consistent with what I understand: there is a legal capability within the department which sits in corporate. If the question is about HR issues that have a legal dimension—buying a building, doing a commercial lease, health and safety issues, insurance—that range of corporate governance, risk management and whatever else sort of questions, they are the people who would normally be engaged in that kind of work. When it comes to the business of executing a process around an investment that engages other parts of government as well, that is not a capability that they have inside. There are questions that we anticipate that I'm sure will be very good questions, and they will have very good answers, and I'm very happy for you to ask them, but I'm anticipating that you are not going to be able to get much satisfaction out of the discussion at this level—but feel free.

Senator BRAGG: Thanks very much. For my sins, I was an internal auditor at Ernst & Young, so I've looked at lots of these processes before. In my limited knowledge, it has always been the case that legal services and management of those services would be done by a corporate part of an organisation, particularly in a government. The Chief Scientist wouldn't be signing the contract—I hope not—with PsiQuantum. That would be done inside a proper governance environment. If you're not doing that, you may need an internal audit done. I want to ask you some questions about the management of this contract, which is pretty simple. I think they can be answered by lawyers, frankly. I've got a contract from AusTender I'd like to table with the committee's good wishes. I want to ask you about the legal component of the contract and how it is being managed. Is it appropriate for me to ask, Ms Richards, whether you have had any engagement with the contracts with King & Wood Mallesons?

Ms Richards: As the secretary has explained, the division was established only recently. I commenced in this role formally from 13 May. I have not personally had engagement or been involved in the contracts that were set up with King & Wood Mallesons, but I can talk generally to the way that we manage our legal services and legal service engagement, and the proportion of work that is performed by in-house lawyers as opposed to the work we give to external lawyers. As the minister has explained, we do maintain particular capability in house to deal with the services that are required on a general basis. When we have bespoke or particular legal issues or commercial agreements, we will go to external providers who've got expertise that is greater than ours on those particular issues to provide assistance in the delivery of advice to the department and to government.

Senator BRAGG: Congratulations, of course. What day did you begin in the role?

Ms Richards: 13 May.

Senator BRAGG: I think there have been some revisions to this King & Wood Mallesons contract since 13 May. Have you had any engagement on those revisions?

Ms Richards: Not in that period I have not. Part of the service that our division branch provides is to support the procurement of external legal services. If people in the taskforce needed, as you're suggesting, legal advice,

they would come to the internal lawyers in the first instance and describe the nature of the services and the assistance that they need. We will work with them to make a decision in terms of whether that is a service that we've got the expertise to provide or whether we should put them in touch with somebody else. We will go through the process, in terms of the whole-of-government legal services panel, to help them test the market and procure legal services and make a decision about the engagement of an external provider.

Senator BRAGG: This might be a dumb question. If I were to ask you about the value of this contract and how it is being managed over time, including while you've been in the role—that's not something you would like to answer?

Ms Richards: I would take it on notice because, as I said, I've been in the role for three weeks. It has crept up on Mr Mason. I probably haven't been in a position to answer detailed questions on the expenditure incurred in that contract in the last three-week period.

Senator BRAGG: Who would we ask?

Senator Ayres: Ms Richards has taken that question on notice because she must. The department will be in a position to answer that question and others related to it in the bit of the program that deals with that because the right people will be here who can talk about the scope of the legal work that was executed by the contractor.

Senator BRAGG: Maybe I'll just ask the secretary then. I believe this contract has gone from \$200,000 to over \$3 million. Is that a normal thing to happen?

Ms Quinn: It depends on the nature of the project, but it's not unusual, if you're working through a phased approach to an issue, that you may start with a certain tasking and then you progress over time as you go through phased steps. That was the case with the PsiQuantum due diligence process, where we stepped through things in a phased and methodical approach. So it doesn't surprise me that that's how we manage our arrangements for effective expenditure of taxpayers' money.

Senator BRAGG: It doesn't surprise you that a legal services contract has blown out by 1,000 per cent and cost taxpayers over \$3 million?

Senator Ayres: It hasn't blown out.

Senator BRAGG: It's gone from \$200,000 to over \$3 million.

Ms Quinn: The services that we've procured have been adjusted as we've moved through a process. I wouldn't characterise that as a blowout.

Senator BRAGG: Why has it changed so much?

Ms Quinn: It was partly as we worked through the process and the sorts of questions that we needed to get advice on and the issues that we needed to resolve. This was a commercial negotiation that has many twists and turns as all commercial negotiations do. It's appropriate for us to monitor what we can do in house and where we need external expertise. We were working through a commercial process and due diligence process, as many people do, and that is usually a phased approach. Stepping through, some things come up during those discussions, and different aspects are required to get advice on. This was a very thorough and considered process.

Senator BRAGG: One of the amendments to the contract is \$1.5 million. That's a lot of legal services in one amendment.

Senator Ayres: This is a significant investment by the Commonwealth. It's not handing out a grant; it's a significant investment. The department will be able to give you much more detail about that due diligence process late this afternoon. Whether it's a commercial negotiation and a merger and acquisition between two companies or a trade negotiation between two countries or an investment between a private investment facility and some investment target, as the due diligence process moves on, it becomes deeper and more granular because the level of assurance and complexity becomes more intense.

Senator BRAGG: What is the reason that this has gone up so much?

Senator Ayres: Let me finish the answer. That is entirely normal, and, frankly, it would be very odd if it were different. As we must keep insisting, in terms of the detail of why that is, the correct officials will be here who will be in a position to answer those questions. It should be a source of comfort to you and to others that a capable external legal firm is engaged in the way that it has been in this very significant and important investment.

Senator BRAGG: I understand that you don't know all the detail here. I respect that. Secretary, do you know the primary reason why this has gone from a \$200,000 to an over \$3 million contract?

Ms Quinn: As I mentioned, we've gone through a phased approach in relation to engagements with the company and our engagements with the Queensland government as well. As we have gone through that phased

approach, the nature of the tasks and the process and advice that we were providing has changed. The very first phase is an evaluation at a very high level about whether this is an opportunity for Australia to pursue. You'll move through into greater depth. As you get into the situation of negotiating complex legal agreements, you need more legal services. So there was a phased approach to this due diligence, as there is in all other experiences I've had in dealing with commercial negotiations. As you get into the detailed legal negotiations on complex legal documents that will stand for decades, it's important that you have appropriate legal advice, and that's what we sought—not just legal advice but also commercial advice.

Senator BRAGG: It sounds like the position is that the officials that know the detail on this are not in the building at the moment. Is that right?

Ms Quinn: The officials that worked on the taskforce and the discussions and negotiations through this process will be appearing at six o'clock. I can provide you with a sequence and schedule of the services contract. We have the facts and figures and the times and the dates. But, if you would like more nuance on the elements, they might be able to provide you more information. The short answer is that you start where you start and you end where you end and what you need in the process and the middle is a function of the engagements that you have.

Senator BRAGG: The department gave a statement to the media this week, I think, saying that there was an increase in intensity and depth of the contract which gave rise to the extraordinary cost blowout from \$200,000 to over \$3 million. What was that?

Ms Quinn: I'd have to double-check the answer to the media inquiry you're referring to, but there was an increase in the intensity and depth of the engagement and activity—

Senator BRAGG: What does that mean? I don't understand what that means.

Ms Quinn: When you're having a conversation with an organisation about a possible commercial discussion, you start at a high level as a meeting of minds, and, as you work through negotiations, issues arise that require particular legal advice. PsiQuantum is a significant company with a great deal of expertise and opportunity, and we were working through detailed activities to make sure that any engagement with the government (a) was risk mitigated and (b) had appropriate opportunities for Australia. This was a commercial negotiation that required quite a deal of support.

Senator BRAGG: I understand that.

Senator Ayres: Senator, I have to say that this is a very surprising line of questioning. It is actually quite odd. Consider the counterfactual: somebody sits in an office and imagines the full scope over whatever the period was without any regard to whether a due diligence process would end in a successful investment or end in the Commonwealth walking away, and you negotiate some contract for legal services unknown. That would indicate some strange governance of this. It is absolutely normal. We can answer this at a headline level, and the secretary has now. We are happy to talk about the ins and outs of the qualitative issues that surrounded our decisions to move on through the contract, but it is absolutely normal in any acquisition or investment that, as each phase of the due diligence process concludes, it concludes with either 'move on to the next phase' or 'don't move on', and that work will become deeper and more granular over time. It would be a bit strange if the Commonwealth and the department weren't investing in the proper legal services to deliver the right result.

Senator BRAGG: I'm just getting the wind-up from the chair.

CHAIR: One final question.

Senator BRAGG: The reason that this is a matter of public interest is the amount of taxpayer funds that are being spent here on a contract. If you were in my position, you would be asking the same questions. That's why we have Senate estimates, so I think it's a reasonable—

Senator Ayres: I think it would be a different line of questioning, Senator Bragg.

Senator BRAGG: We don't have to agree.

Senator Ayres: You get to choose how you spend your time; that's true.

Senator BRAGG: We have this process because people's taxes are supposed to be spent well, and we always try and minimise waste, of course. But the reason these are of interest is that I asked the department in February whether in fact there had been an agreement with this company, and it was said then on 15 February that there was no agreement. Is it possible that this King & Wood Mallesons agreement was established for the purposes of an engagement with PsiQuantum back in August last year?

Ms Quinn: I stand by the estimates answer that I provided last time, that there was no agreement at that time. That is the case. We were in discussions with PsiQuantum in terms of moving through a due diligence process.

I'm very happy, with my officials here, to go through that—the phases and the steps and what we did—in as much detail as I'm able to at six o'clock. We did engage King & Wood Mallesons and other external advisers—

Senator BRAGG: From 9 August, yes?

Ms Quinn: I've got 9 August, yes. That's right.

Senator BRAGG: So due diligence started with PsiQuantum on 9 August?

Ms Quinn: No. Discussions with PsiQuantum started a little earlier than that. I can go through all the details, if you want, in the appropriate session, but there were phases. In August the decision was taken that we required external legal advice to be able to progress our discussions, and we did that, working through the procurement process with our Department of Finance colleagues.

CHAIR: I'll share the call, and we'll go to Senator Pocock.

Senator BARBARA POCOCK: Thank you for being here. I didn't come prepared to ask questions about the document that has just been circulated, but I do have a question. Are these all contracts with King & Wood Mallesons?

Ms Quinn: Yes.

Senator BARBARA POCOCK: And the approximate total value is \$12 million or \$13 million?

Ms Quinn: Sorry? I don't have that number. What I've got before me is contracts with King & Wood Mallesons that come to a current contract value of \$3,280,000. I'm not sure what you're—

Senator BARBARA POCOCK: I am referring to the document that was just circulated.

Ms Quinn: Maybe you're on a different page to me.

Senator BARBARA POCOCK: I'm referring to contract CN3993303. Oh, these are amendments. I beg your pardon.

Senator Ayres: It's a \$12,000 amendment, I think, that you're referring to.

Senator BARBARA POCOCK: I beg your pardon. So the total value of these contracts with Mallesons is around \$3 million?

Ms Quinn: Three point two, yes.

Senator BARBARA POCOCK: Are any of those related to the Entrepreneurs Program or are they all related to the PsiQuantum project?

Ms Quinn: They're all related to the PsiQuantum project.

Senator BARBARA POCOCK: I have questions that also go to contracts but not legal contracts. I'm pursuing the EY contracts story, which I've talked to you before about. In February estimates I asked you about your contracts with the consultants, specifically EY, including about the nature of the contracts, whether EY was advising on policies affecting their business case, their clients, and how the department is managing conflicts of interest, actual or perceived, with EY. The answer I got on notice from you was a couple of paragraphs, but it said, 'All procurement contracts with a maximum contract value of \$10,000, GST inclusive, and above are reported on AusTender.' That is a very unsatisfactory answer. I did not want to hold up estimates with contract-by-contract discussion, but what you have given me is that you have directed me to a website. I consider that a very inadequate response. Do you want to make any reply to that? I know it's in the cheat sheet about how you should treat me, but that is not appropriate treatment of a senator and a committee's genuine inquiry in relation to very large contracts.

Senator Ayres: That reflection is unfair and unwarranted. The department have been as helpful as they can. Often, senators do ask for publicly available information. If the secretary can assist you any further, she will. We can spend as much time on it as everybody wants, in terms of the advice from Prime Minister and Cabinet, the guidance on these questions and assisting departments, but it has been well and truly traversed in other places.

Choose how to spend your time on this, I suppose, but if the secretary can help you with further detail about the question that you've asked, I'm sure she'd be delighted to.

Senator BARBARA POCOCK: Thank you for that, but this is ground that I have already attempted to plough; I tried to plough it in February, I tried to plough it through a question on notice, and we're back here because I got no result. I am frustrated by this. EY has a very large client base of fossil fuel clients, and I want a reassurance from the department that you are aware and are actively managing to make sure that EY is not misusing government information to benefit their private-sector clients.

I'm not asking the question frivolously. We have a track record in front of us from PwC that is ample argument for doing that. So let's try this again: since June 2022 EY has been awarded almost \$6 million in contracts by DISR. The only information on AusTender says these contracts are for 'management advisory services or economic analysis'. Can you tell me what these contracts are for, and—as I said previously—in a way that might allow the public to evaluate whether there are any potential conflicts of interest arising from EY's clients' interests?

Ms Quinn: I might start by asking my colleague to provide an overview of how we manage conflict-of-interest processes and how we manage the sourcing of consultancies and contractors; and both how we manage conflicts on the way in and then how we manage conflicts during the operation of our engagements with other parties. I'll then turn to my CFO to provide more information on the individual contracts.

Mr Mason: I seem to recall we were very short of time last estimates, so I'll try to move through that quickly, and then ask my CFO and head of division, Sam, to add to it. I'll start with a piece that we did specifically to EY last year. We wrote, covering all the contracts that we had with EY, seeking assurance on some of the matters you've explicitly asked for. Beyond the contracts and the requirements we had on conflicts of interest within each individual contract, we wrote to a range of firms, including EY, seeking a range of assurances about how information was used, ensuring that they were abiding by the contractor requirements they had. We had an affirmative response back from them at the time, stating that they were compliant with their requirements. To the general question, that was one of the pieces of additional assurance we did last year.

In addition to that, we have a range of things within our contracts where we seek information from those we contract with, including EY, about how they manage conflicts of interest and how information is used. I'm happy to step you through individual contracts we have open with EY if you'd like me to, and to talk to you about the specific services that we're doing with those at a high level.

Senator BARBARA POCOCK: You've invited them to tell you if they perceive a conflict of interest; have you ever found a conflict of interest in relation to EY and its client base?

Mr Mason: In relation to our work, I don't believe so, but I will check that.

Mr McCosker: We'd have to take those specifics on notice as to whether there have been any conflicts. The procurement process, as was described in relation to the PsiQuantum arrangements, is managed by the divisions that actually procure the services directly. We're able to speak in terms of the contracts that we have available.

Adding to Mr Mason's comments about the assurance process that we have undertaken and had EY's response to, that's a part of what we have now established as an ongoing assurance activity with our major suppliers. We have recently written to major suppliers, including EY, as part of a risk-based approach on an annual assurance review. We're meeting with them, I believe, in early July—I'd have to check the specific date. Rather than just the written assurance, we're continuing that and extending it on a risk-based approach to meet with the suppliers, including EY, to understand in more specific detail the arrangements, how they support the management of information for various arrangements within their organisations, and how they lock down that information for specific engagement so that the teams working on a specific deal are the only ones who can access them and so the broader organisation doesn't have access in those types of matters.

Mr Mason: Could I add, in relation to the specifics of where there was a conflict identified, I will just doublecheck, because sometimes when we enter into requests for quotes, contract organisations will say to us, 'Actually there may be a conflict', so I want to doublecheck that answer and come back to you.

Senator BARBARA POCOCK: Thanks for doing that. I look forward to that.

Ms Quinn: Could I add one more thing? As we've just discussed, we have a core procurement area that manages components. We have a core integrity area as well, as we discussed earlier. Our contracts, once they're procured and consultants are on board, the day-to-day management and operation of those engagements are managed by the project team, the program team. We have spent a fair bit of effort within our department to make sure that all people engaging with consultants are aware of the potential conflict issues and integrity issues that they need to be aware of. We are very conscious of protecting data and confidential information in our engagements with the consultants. For example, we have arrangements that almost all the work is done within our IT system, as opposed to on other people's IT systems.

We have very strong IP protections, very strong legal frameworks to be able to make sure that we can manage those conflicts. And we monitor our engagements very closely during but also after our engagements, to make sure that we're aware and we follow up queries and questions and things like that. There's a process of evaluating options for working with people, then there's the process of doing the work together. Often it's a collaborative process. That's the purpose of bringing in expertise. We have a very strong focus on the department on building

capability within the department, and we have reduced the use of consultancies and contractors quite significantly over the last 18 months.

Senator BARBARA POCOCK: Do you have clauses in your contracts which required the meeting of KPIs in relation to transfer of knowledge and capability?

Ms Quinn: Yes, we do.

Senator BARBARA POCOCK: How do you evaluate those?

Ms Quinn: We have moved to increase and be more explicit about that. The department had already done this back in COVID times, because there was quite a lot of working with consultants in that. And progressively. It is a journey. We probably still have further to go on how to make that work very effectively. But we have a keen eye on building our capability while using external expertise, rather than being beholden and having to go back to others for capability. We have explicit arrangements. Just as a general example, if we have procured—I don't think from EY, but others, economic analysis, where they might have bought some data, built some analysis and created a model, in the past we might not necessarily have had full access to that. We have been very explicit that that is ours, we will have it, we will have reuse. We have training characteristics. We have the requirement for the consultants to pass over all the knowledge to be able to update and operate and edit and continue on so that we can then in future undertake that work independently.

Senator BARBARA POCOCK: I'm conscious of time. I appreciate what you've told us about is important, but I would encourage short answers if possible. I have a bunch of things I want to talk about. I want to come back to the notion of sterile corridors, which is what you're trying to establish. You have a project over here that involves analysis that may relate to coal or gas, that EY work on. EY have a bunch of very large clients in that field. You hope you've got a sterile corridor which prevents the use of information gathered and one into the other. The Australian Federal Police have adopted a different approach to that. They are investigating PwC, and they had an argument that they would have sterile corridors, but they have instead elected to have no contracts with PwC in the process of that. That is a clean way of being confident that there isn't informal information, which will never be written down, which affects the way in which EY may service. It can just use the fact that it has so many contracts—\$6 million of contracts—into your department to elicit and create client relationships. Is that a concern to you? What confidence can the public have that your corridors really work?

Ms Quinn: I'm aware of certain instances when we have gone out to market and asked people to provide their information so we can choose between providers. We do ask for conflicts. Have they got dealings on certain topics and certain parties? We take that seriously and we use that to steer away where we can, within the constraints of the procurement process as well as in terms of value for money and expertise et cetera.

Our absolute first preference is to deal with zero conflicts. I'm certainly aware of certain instances where we have received information as part of that evaluation process which has suggested that they may have clients or have done work on a certain area, and we have precluded them on the basis of wanting, as you say, to have a sterile corridor, not wanting to have any perceived, let alone actual, conflicts.

Senator BARBARA POCOCK: What's your level of confidence that you've got this sorted and that there are no conflicts of interest with EY?

Ms Quinn: We have done what we can and we're working through the process. It's difficult to have 100 per cent certainty in any of these integrity matters. We do take it seriously and we are using our legal and commercial arrangements and our internal staff training and capability to do as much as we can. But it would be a falsehood to say we have 100 per cent assurance.

Senator BARBARA POCOCK: I'm really concerned about the transparency here. I'm particularly concerned about very skeletal information provided through AusTender about what's inside the boxes of these quite large contracts with EY. We cannot be reassured by that information about what's actually going on or the potential that's there for conflicts of interest. That remains a really important issue for me. You of course have obligations to make sure there is transparency and accountability in relation to these contracts. Are you confident that you're achieving the standards that are required of you in relation to accountability and transparency in the management of that conflict of interest?

Ms Quinn: We have dedicated significant resources and a management and leadership focus on integrity. I mentioned at the start of estimates that we've been on a journey in terms of pooling all our integrity and legal services together to be able to have a really strong support system for our dispersed operation of all sorts of integrity and legal matters. We have focused on this intensively. We comply with all obligations that the Department of Finance and others require of us. We have active management and risk management processes as well with our contracts through our governance arrangements. We have a performance and risk committee that

looks at all our significant contracts and looks at our governance. We have a very open culture within the department for people seeking help where they may not be as experienced in managing some of these issues. And we have cross-pollination of ideas. This department has learned the lessons from the ANAO report into the EP program, and we have implemented quite a lot to mitigate those risks.

Senator BARBARA POCOCK: Can I ask for specific detail about what is actually going on in a range of contracts, if I may, in relation to EY? I know you're not going to do it for me today, because I don't want to hold us up until 10 o'clock tonight. But CN404000610 is a \$730,000 contract which is called management advisory services to EY. There's a research services contract CN3990340 for \$206,000. There's a \$1.3 million contract for professional advice, just called management advisory services, CN3918589. And there's a project management services contract for \$225,000, CN3856958. I would appreciate that information.

Senator BRAGG: I note our limitations here to ask you about corporate matters. Secretary, are you aware of the Office of Legal Services Coordination within the Attorney-General's Department?

Ms Quinn: Yes. And there's Guidance note 7, which is about reporting—

Senator Ayres: Sorry, Senator Bragg—somebody closed the door out there and I couldn't hear the last part of your question.

Senator BRAGG: Sorry, Minister. There's Guidance note 7 which is about reporting and settlement of significant issues. Do you know about that?

Ms Quinn: Not in detail. I know that there are obligations on departments when there are significant legal matters which refer them to the Attorney-General's Department. For example, there are options in some legal matters for the Attorney-General to take carriage of those legal matters. There's an arrangement to manage that. I'm aware of that at a high level, but we have others at the table who might be aware of more specific details.

Senator BRAGG: I might table Guidance note 7, then, for the benefit of the committee—if that's okay with you, Chair?

CHAIR: I'll just have a look at it, yes.

Senator BRAGG: Okay. It's my understanding that this guidance note says there should be 'early reporting' of significant legal issues and trends. Do you think that the legal issues we discussed earlier would satisfy that provision?

Ms Quinn: I'm happy to be guided by my legal experts. We do engage actively, as do all legal officers, in the processes run by the Attorney-General's Department.

Senator BRAGG: Ms Richards?

Ms Richards: Yes, Senator. Can I just clarify if your question is whether or not a particular matter was reported to the Office of Legal Services Coordination?

Senator BRAGG: I have a few questions, so it's good that you're here. Firstly: I imagine you're aware of this guidance note?

Ms Richards: I am.

Senator BRAGG: Okay. And you're aware of the requirement to report significant issues that arise in the provision of legal services?

Ms Richards: Yes, I am.

Senator BRAGG: Okay. Would this particular contract, which we canvassed with the secretary before, satisfy—well, did you report that?

Ms Richards: As I understand it, this happened, again, before my time. So, yes, the department did report the PsiQuantum commercial negotiation to the Office of Legal Services Coordination as a significant legal issue for the Commonwealth.

Senator BRAGG: So it was reported. Do you know when it was reported?

Ms Richards: I can take that on notice.

Senator BRAGG: Okay. What about the legal services contract itself? Was that reported, do you think?

Ms Richards: I can take that on notice. I suspect not, because the reporting obligation won't apply to a contract per se. It applies in accordance with the guidance note on the significant nature of the legal issue to the Commonwealth.

Senator BRAGG: Basically, the position is that these things were also dealt with by—what's it called?—the taskforce?

Ms Quinn: We had a technology taskforce, yes.

Senator BRAGG: Did they deal with this? Did they report it?

Ms Richards: Again, I can take that on notice. I suspect that the reporting would actually have been undertaken by the Legal Services Branch. As I said in evidence I gave earlier, the Legal Services Branch did provide assistance—

Senator BRAGG: Yes.

Ms Richards: to the taskforce in approaching the market and engaging—procuring—those legal services. But they didn't provide the legal services because they were beyond the expertise of the officials within the legal branch.

Senator BRAGG: Firstly, your evidence is that it was reported?

Ms Richards: My evidence is that it was reported.

Senator BRAGG: Very good. And the likely reporter was, I imagine, the person or persons working in the Legal Services Branch?

Ms Richards: Yes, it was.

Senator BRAGG: Who was the head of the Legal Services Branch?

Ms Richards: That was my colleague to the left!

Ms Miliszewski: Yes, I can confirm that at the time we reported it I was head of the legal function. That report was made regularly by my team and, at the time, we also consulted with the technology taskforce.

Senator BRAGG: I have many questions about the contracts and the ratcheting up of the cost, but it sounds like you aren't able to provide any more information and colour about that at this point. So again I will just go back to what we discussed before with the chair: my expectation would be that you would remain in the building until we exhaust those questions so that we don't have any ballgames going on.

Ms Richards: We understand.

Senator BRAGG: Okay. That's probably all I can do on this right now. I note Senator McDonald has some questions.

CHAIR: Yes, indeed. Senator McDonald.

Senator McDONALD: Thank you. Before I turn to my line of questioning, I've just been reflecting on those contract notice changes, which read more like a Nigerian love scam than some sort of corporate process. Some of these changes are within days of each other. It just smacks of poor planning, I would have thought, rather than comprehensive negotiation. My questions—Ms Chard, are you here? Yes, there she is. Terrific

Ms Quinn: Can I ask the nature of the question, Senator?

Senator McDONALD: You don't want to wait and be surprised?

Ms Quinn: We just want to make sure we have the appropriate people at the table. That's my obligation.

Senator McDONALD: Thank you. It's with regard to the review of the EDO fundraising, and this is a grants hub question.

Ms Quinn: It is.

Senator McDONALD: Hi, Ms Chard. How are you?

Ms Chard: Good, thank you.

Senator McDONALD: Last estimates, I directly raised allegations of the EDO preparing legislation for a teal candidate in the 2023 New South Wales state election. I directed these questions to you, Ms Chard, and you said you would take it on notice and look into it. I table one document today highlighting the EDO allegedly preparing legislation for Joeline Hackman, a teal candidate at the New South Wales election, and also for the current member for Wentworth. In your response to question on notice AI-37, you did not address any allegations of the EDO preparing legislation for candidates. Considering you were personally requested by DCCEEW to be a part of the investigation, I'm looking for you to shed some light on this topic. Other than the Facebook post attached in the DCCEEW investigation report into the EDO, were any allegations of preparing legislation and acting as political advisers for teal and Independent candidates or elected MPs included in the scope of the investigation?

Ms Chard: Senator, in the scope of the review that was undertaken by DCCEEW and that we participated in, the only social media post that was considered as part of that review was the one that you had previously tabled, which I know was in discussion at the DCCEEW estimates. We've subsequently considered the second social

media post, which I understand you thought had been tabled but which had not been. But we've since considered that particular social media post.

In general terms, we have considered carefully the kinds of activities that have been described in those posts, and we are satisfied that EDO hasn't used the grant funding associated with this particular grant to support the activities that have been described in the social media posts. The grant agreement that we have with EDO doesn't preclude EDO from undertaking lawful activities outside of those that are identified in the grant agreement. We are confident, with the milestone reporting to date, that EDO haven't been engaging in ineligible activities under the grant agreement, but I note that we are currently in the process of assessing their latest milestone report.

Senator McDONALD: One of the elements of the grant agreement is not to seek to change government policy and legislation. I assume that you specifically considered that?

Ms Chard: Yes, we have specifically considered that. That is certainly a limitation of the grant funding that we provide EDO but our grant agreement doesn't preclude them from engaging in those kind of activities by drawing on other resourcing the EDO might have beyond the grant funding.

Senator McDONALD: Do you feel you can unequivocally confirm that no public funds were used by the EDO in the preparation of legislation for Ms Joeline Hackman prior to the 2023 New South Wales state election?

Ms Chard: I can only make that confirmation in relation to the milestone reporting that we've reviewed to date. The latest milestone report that we have from EDO, which they provided on 30 April, is still under assessment by the business grants hub team.

Senator McDONALD: You would feel the same about the preparation of legislation amendments for the member for Wentworth, I'm going to assume. Would you not agree that providing the EDO with funding for other activities frees up funding to pay for activities such as writing or preparing legislation.

Ms Chard: I don't think I can comment on how EDO manages their financial resources.

Senator McDONALD: Ms Chard, can you unequivocally confirm that the EDO has not breached any Australian Electoral Commission or New South Wales Electoral Commission laws in relation to them preparing legislation?

Ms Chard: I can take that on notice. We do undertake due diligence as part of the milestone reporting that includes reviewing any records of unlawful activity in the milestone report assessments that have been done to date. There's not been any identification of any unlawful activity, but I would need to take that very specific question on notice, noting that we're also in the process of assessing their latest milestone report.

Senator McDONALD: Ms Shard, do you think it's appropriate behaviour for an organisation such as this to be actively preparing legislation for an election or elected representatives whilst receiving public funds?

Senator Ayres: It seems to me that really is asking an official to venture an opinion on a matter of policy. I think the official has been very cooperative given the limited role that this agency plays in terms of the administration of grants. She's assisted you as much as she can, but I do think that is stretching it a little bit too far.

Senator McDONALD: Minister, do you consider it appropriate behaviour for an organisation such as this to be actively preparing legislation for an election or elected representatives whilst receiving public funds?

Senator Ayres: I think other ministers would be in a better position to deal with this question. The source of funding, if I've got my facts right, is from the Attorney-General's Department, and I'm sure that these matters were traversed in some detail in the Attorney-General's Department.

As a matter of principle, I observed the last government's approach to these questions more broadly, which was to defund community organisations that it funded that didn't agree with it. There is a balance to be struck here and I to—

Senator McDONALD: I'm going to run out of time, Minister.

Senator Ayres: I won't be interrupted this early in the day. I'm not up for the interruptions at this stage, maybe as we all get a bit more tired there'll be a bit more.

Senator McDONALD: Could you answer the question, please?

Senator Ayres: I watched with some interest the criticisms that were made in relation to another set of matters that you haven't raised at this stage but I was as concerned as everybody else is about those.

Senator McDONALD: Minister, do you think it's appropriate for an organisation which receives public funds to be actively preparing legislation for an election or elected representatives whilst receiving public funds?

Senator Ayres: It's really not a question for me or for this department I do not know the context or the facts. I've heard what you've asserted. I'm not in a position to have any authority, detail or context to be able to answer that question. As you've been setting it out, I'm not sure whether these matters have been raised before, but it's not something that I've considered or that I have any contextual awareness of.

Senator McDONALD: Minister, I'll ask you to take that question on notice, then, because I'm specifically asking if it's appropriate for an organisation who receives public funds from your government to be preparing legislation or amendments to your own government's legislation.

Senator Ayres: I just answered the question. I don't need to take it on notice. I've answered the question.

Senator McDONALD: No, you haven't, because you said you feel unqualified or you don't have enough information. So I'm asking you to take it on notice so that you can be properly briefed and answer the question, please.

Senator Ayres: I understand what you're asserting and what you're asking for. I simply say I've answered the question.

Senator McDONALD: I still ask that you take it on notice, Minister, because I think that this is not an adequate response to a senator's inquiry at estimates, which is the only place that we get to hold the government to account for its expenditure.

Senator Ayres: I've heard what you've said—

Senator McDONALD: Unless you're taking a public—

Senator Ayres: I've heard what you said.

Senator McDONALD: I'm sorry?

Senator Ayres: I said I heard what you said.

Senator McDONALD: So you'll take it on notice?

Senator Ayres: I heard what you said, and I've answered the question.

Senator McDONALD: Chair, there is no matter that involves the expenditure of government funds, public funds—

Senator Ayres: You asked me for an opinion. I've given you an opinion to the extent that I can, and I don't propose to add any more.

Senator McDONALD: Well, Australians will hear the answer to that. I just have two more questions, please.

CHAIR: Okay. Senator McDonald, I'll just take the opportunity to formally table documents that have been previously circulated and accepted. *Contract notice view* is one title, and *Guidance note 7* is another one, as well as the social media posts that you're dealing with, Senator McDonald.

Senator McDONALD: Thank you, Chair. Minister, are you a hundred per cent comfortable that the ministerial investigation into the EDO was sufficient in its depth and scope?

Senator Ayres: The department and I are in a position to answer questions about the extent of the department's engagement in this process, and traditionally, as I understand it—not traditionally; organisationally, the department is engaged in the administration of grants for a number of government agencies, as one of the efficiencies that was struck across government over time. This is really a matter for which DCCEEW is the lead agency. I can't really offer you a view about the adequacy or otherwise of an inquiry, or whatever it's called, into these matters. You'll get a quality answer from the minister and the agency that have got lead responsibility for this that put all this work together. With the greatest respect, I think it's really futile to ask me for a view about these questions.

Senator McDONALD: Alright.

CHAIR: Last question.

Senator McDONALD: I understand that the next payment to the EDO was due on 31 May. Considering the additional evidence I've put forward today—with very little effort on my part, I have to say; I'm no investigative journalist—will there be any reconsideration of that funding?

Senator Ayres: If that's a question for me, I am certain that the department will discharge its obligations in terms of the administration of grants, consistent with its legal requirements. That is what you can expect of this department. In terms of policy questions more broadly on these matters, they're really questions for the policy agencies.

Senator McDONALD: Thanks, Ms Chard.

CHAIR: Senator Bragg.

Senator BRAGG: What level of FOI requests are you receiving at the moment?

Mr Mason: In terms of the overall numbers?

Senator BRAGG: Yes, and how you manage them. Maybe just give us a quick overview of how many you're getting and how you're managing them.

Mr Mason: Sure. I might hand over to Ms Miliszewski, and she'll step you through the total.

Ms Miliszewski: My branch has the FOI processing team and we also provide legal support on FOI matters. In terms of our FOI statistics, the number of primary requests this financial year to date, as at 31 March, is 149. We've also had 13 internal reviews and 15 Information Commissioner reviews.

Senator BRAGG: How many do you have right now?

Ms Miliszewski: I'll just check if I've got that information with me. I may have to take that on notice. I don't have the exact number on hand right now. Apologies, I will need to take that on notice.

Senator BRAGG: Right now, do you have a low, normal or high level of FOIs?

Ms Miliszewski: It's been pretty consistent. I think we're on track to be slightly less than last year. It's a fairly normal amount.

Ms Quinn: I believe the number of current requests for the department is around 43.

Senator BRAGG: What's the average you get a month?

Mr Mason: It does fluctuate.

Senator BRAGG: You don't have an average?

Mr Mason: Some months you'll get more requests in and some months you'll get smaller numbers. It's a demand driven issue.

Senator BRAGG: Yes, I understand that. But there are averages.

Ms Miliszewski: We don't currently have an average before us.

Senator BRAGG: You don't average it?

Senator Ayres: They don't have an average before them at the moment.

Mr Mason: We can divide the total number that we've given you by nine months.

Senator BRAGG: If you could take that on notice, that would be great.

Ms Quinn: Last year we had 149. If you do a simple average, it's about 12 a month.

Senator BRAGG: How many are you fulfilling each month?

Ms Miliszewski: We're very compliant with our statutory timeframes, but I don't have the number that we complete each month before me.

Mr Mason: I'd add that that will vary depending on the nature of the query and whether fees need to be applied.

Ms Miliszewski: Third-party consultations.

Mr Mason: Yes.

Senator BRAGG: How many have been rejected?

Ms Quinn: I'm just wanting to clarify what you mean by 'rejected'. There's not a rejection of an FOI under the act that I'm aware of. We operate as decision-makers under the FOI Act and meet our obligations to provide information. We go through the process of assessing the request, doing the search and working through the steps. We don't track anything like a rejection, because that's not part of our process.

Senator BRAGG: What about extensions? How many have had extensions?

Ms Miliszewski: Again, I apologise. I don't have the exact number of extensions.

Senator BRAGG: How many people are working on FOIs?

Ms Miliszewski: As at 31 March, we had approximately seven lawyers and five non-lawyers who do the FOI processing.

Ms Quinn: But just to be clear, that's in our central area. We have decision-makers and action officers who are dispersed across the department. The number of action officers working on that will depend on what the nature of the request is and how far it might be spread across different areas. Ms Miliszewski was talking about

the core team, but, once again, they support decision-makers who are in the policy and program areas that the FOI is related to.

Senator BRAGG: I might get you to take on notice how many have had extensions granted.

Ms Quinn: I'm happy to do so.

Senator BRAGG: Finally, on resourcing, in terms of the people who are working on FOIs, has that changed over the last 12 months?

Ms Miliszewski: Yes, it has. The primary driver for that has been in response to an increase in matters from the Office of the Australian Information Commissioner, who have been clearing their own backlog.

Senator BRAGG: Will it change again over the next 12 months?

Ms Miliszewski: Yes, we anticipate that.

Senator BRAGG: Sorry, by 'rejection', what I was meaning was, how many go back effectively being totally redacted or not being filled in the way that the person who had filed it had wanted?

Mr Mason: Each request is looked at on its merits in accordance with the act, so the amount of information provided or redacted will vary depending on the requirements of the act and how that decision has been made.

Senator BRAGG: Are there any cases you can think of where something has been completely redacted?

Mr Mason: There would be occasions where that would be required under the act. There would also be occasions where we might receive an FOI and we are not able to locate the information.

Senator BRAGG: There is no notice to refuse? There is no formal refusal?

Mr Mason: There is a deemed refusal if you don't meet your statutory timeframe.

Ms Miliszewski: There may also at times be a practical refusal if, for example, after working with the applicant we are not be able to come up with a practical reasonable scope.

Senator BRAGG: Has that happened in the last 12 months?

Ms Miliszewski: Yes.

Senator BRAGG: How many times?

Ms Miliszewski: I don't have that number before me, but—

Senator BRAGG: Can you take that on notice?

Ms Miliszewski: Yes.

CHAIR: The committee will now suspend for lunch.

Proceedings suspended from 12:40 to 13:27

CHAIR: The committee resumes with the Department of Industry, Science and Resources, corporate. I remind all participating senators about our hard marker of 10 pm. We will go to you, Senator Pocock.

Senator BARBARA POCOCK: With that hard marker in mind, I've got two lines of questioning. One is in relation to EY contracts and the Future Gas Strategy. The department of industry has just released the Future Gas Strategy, and EY was engaged by the Australian Energy Producers to help write its submission to the Future Gas Strategy. EY is a member of a number of industry groups lobbying aggressively for increased gas production in Australia. Does EY do any work for the department relating to gas demand or the gas industry?

Ms Quinn: I don't believe so.

Senator BARBARA POCOCK: Does EY administer any grants relating to the gas industry?

Ms Quinn: We don't have any private administration of grants in this department.

Senator BARBARA POCOCK: There's no grant administration in this department?

Ms Quinn: No, we administer all of the grants ourselves. We don't externally contract out for grant provision.

Senator BARBARA POCOCK: So there is no external grant provision, and none, therefore, with EY?

Ms Quinn: That's right. It's all done internally.

Senator BARBARA POCOCK: Does EY do any work for the department relating to the mining and resources industry?

Ms Quinn: I do believe they've been contracted for some work in the Critical Minerals Office. That's one contract that I'm aware of, but I'm not aware of others.

Ms Urquhart: We recently engaged EY in relation to a partnership program that we have with India. I don't have the specific details of that contract with me today, but I have certainly let my staff know to expect to answer questions about it tomorrow.

Senator BARBARA POCOCK: Could you take on notice that I'm seeking information about the critical minerals contract with EY. Did you say that it was with India?

Ms Urquhart: It relates to a program that we have with India.

Senator BARBARA POCOCK: Thank you. I look forward to that. Does EY administer any grants related to the mining and resources industry, or is that covered by your earlier answer, which was that there is no administration outside?

Ms Quinn: No, we administer grants directly outside. I just want to clarify that. Sometimes we have a relationship with people who then administer grants within their body. In the science space, for example, we might contract with the science institute, and then they administer some small grants, but we don't use private contractors to do administration. My colleague might clarify.

Mr Mason: The only thing I would add to what the secretary said is that we have had in the past and continue to have contracts, not with EY, to do surge work. So, where we might have rapid large numbers of assessments, we will engage a third party to do some of that work with us under the guidance and direction of our grants teams.

Senator BARBARA POCOCK: What are they searching for?

Ms Quinn: No, 'surge', as an extra labour—

Mr Mason: Yes, if we have a huge number of assessments we have to do.

Senator BARBARA POCOCK: So you might use a contractor, but EY does not have any contracts to do that at present?

Mr Mason: No.

Ms Quinn: No, and, even when we do use contracted labour, it's always within our governance framework with decision-makers in the department.

Senator BARBARA POCOCK: Explain what that means, please, Ms Quinn.

Ms Quinn: As my colleague Mr Mason has said, there have been occasions where we've been asked to assess a large number of grant applications. We might get some of that work done by external contractors, but they are providing information to decision-makers and managers within the department.

Senator BARBARA POCOCK: They are not decision-makers?

Ms Quinn: They are not administering and decision-makers in the way I think I took your question.

Senator BARBARA POCOCK: Does EY do any work for the department relating to geological storage?

Ms Quinn: I don't believe so, but we can check with our colleagues that look after geological storage.

Ms Urquhart: I will also be appearing tomorrow and could take that question, but I'm not aware of such—

Senator BARBARA POCOCK: Could you take that question now? It would save me coming back. Thank you very much. My final questions are in relation to core work and the way you're defining 'core work' in the department. The strategic commissioning framework outlines that, as of July, which is not so far off, departments like DISR cannot outsource core work to consulting firms. How are you defining 'core work'?

Ms Quinn: There are a set of criteria that the Australian Public Service Commission has worked with others to pull together. We have had a process of asking all of our areas to take that guidance, go through the work that they have and look very carefully. Some of it is very straightforward in terms of work that goes to advising cabinet and various components like that. Other areas are a little dependent on the function of the department and our usual activities—for example, call centres. That might be core work for a department that does a lot of call centre work, but, if there were a particular program that required someone to just facilitate calls for a particular issue, that might not be core for that particular area. We are working through it. It's reasonably clear for us in terms of our commitments. We're in a position to be able to meet the compliance with the framework and publish the information in our annual report.

Senator BARBARA POCOCK: When I look at the \$6 million of contracts that you hold now with EY, can you tell me which of these would constitute core work as you go forward under the new regime of the strategic commissioning framework?

Ms Quinn: I'm happy to take on notice what we can provide. Most of what we commission at the moment is deep technical expertise, such as financial assurance or commercial assurance, which is something we are

building our capability on in the department and have some capability, but we don't have large amounts of standing people waiting vacant on that work, so it's more around surge capacity that we often use external consultants. The framework does allow for that in the case where you have to operate quickly to do something and you don't have standing capability. The first call is to look within the department, the second call is to look within the Public Service to see whether you can share resources across areas, and the third is to look outside. We certainly are doing that actively. We have some capability we share, for example, with other departments. Similarly, we call in expertise when we need it.

Senator BARBARA POCOCK: I've asked for detail about a number of contracts in the earlier session, so I'm looking forward to getting that. I just wonder about your definition of 'core'. I look at the contract CN3770797, which is strategic planning consultation services. I would have thought strategic planning was a little like advice to government, 'strategic' being a key word here. It's an important directive governance kind of function, which I would not think would lend itself to a non-core function. Am I reading that correctly?

Ms Quinn: I'm happy to take on notice the specifics of that contract and the time at which it was relayed. Some of the framework is designed to facilitate the building of capability within departments. It is the case that some capability needs to be built in order to be able to do more within the Public Service. The categories can be quite broad on AusTender classifications, and so it depends a bit. 'Strategic' can mean quite different things. I'm happy to take on notice the details.

Senator BARBARA POCOCK: Indeed, AusTender is incredibly uninformative about the projects and what's inside the actual project, so I agree with your assessment there.

Senator Ayres: I remember traversing similar questions in estimates in a dim, dark period that I don't think about too much. AusTender is there to facilitate awareness of contracts for people to tender for them. It has, as you'll be finding out, limited utility for answering the kind of questions that you're asking about now. It's not really designed for that purpose.

Senator BARBARA POCOCK: It's not. It obscures what's happening.

Senator Ayres: Yes, but it's designed for another purpose.

Senator BARBARA POCOCK: Yes, and there is nowhere except coming to estimates and wasting everybody's time with pursuing—and I'm sure you did plenty of it in opposition—what's actually going on and who is doing what work for government. Think of the Morrison period; in their last year it was \$20 billion worth of contracted material.

Senator Ayres: I don't think you're wasting our time. I think that maybe I might have wasted people's time from time to time, but we're delighted to answer your questions.

Senator BARBARA POCOCK: I did have a last question. Does the department intend to start doing the kind of work that is listed in that set of contracts with EY in house and building that internal capability, rather than outsourcing work to EY that many of us would consider core?

Ms Quinn: Under the strategic commissioning framework, we are looking hard at our activities, and we are building capability in areas that might in the past have been commissioned outside. I mentioned economic analysis as being one. We are looking to do more of that in house. I want to caution that there will be a few categories where we're likely to continue to draw on expertise, areas where there's a very specialist deep capability outside and it would be inefficient for us to do it in house and occasional surge activity where it's more effective and financially appropriate for us to draw on people for a two-, three- or four-month period rather than have permanent staff. We do need to manage conflicts from time to time, even within the Public Service. So there are a few reasons why we will continue to use consultants, but, in general, we are absolutely looking to comply with the framework. As the secretary, I think it's incumbent on me to make sure we've got the capability to do core work within the department.

Senator BARBARA POCOCK: Thanks for all your answers.

CHAIR: We are in corporate, and we are meant to be in outcome 1.1. A number of senators have questions, so we'll go to some 10-minute blocks, starting with Senator Bragg.

Senator BRAGG: Can I ask you about the fleet contract you have with SG Fleet?

Mr Mason: Yes. How can we help?

Senator BRAGG: Do you know about it?

Mr Mason: I'm guessing it's probably the salary sacrifice provider that we use that enables our staff to salary-sacrifice, but I'd need to double-check if I've got the contract here.

Senator BRAGG: Do you have SG Fleet as a provider of cars to the department?

Mr Mason: I'll just see whether I've got someone who will have the detail of our leasing provisions. But certainly we use SG Fleet for one of the benefits our employees are able to use for salary-sacrificing arrangements. I'll just confirm if we use them for our own fleet also.

Mr McCosker: Senator, apologies. I actually don't have the answer to that question with me.

Senator BRAGG: Do you know how much it costs the department?

Mr McCosker: To actually lease vehicles ourselves?

Senator BRAGG: Yes.

Mr Mason: Just bear with me. Certainly, for the costs that are covered as part of the employee's decision to salary sacrifice, they pick up those costs themselves. I'm pretty sure I can tell you what the total fleet size is. I'm just seeing if I have costs here. I think I might need to take the dollar value on notice.

Senator BRAGG: I think there's one on AusTender that says that it's \$1.6 million. Does that sound right?

Mr Mason: I imagine that would probably be around correct, yes.

Senator BRAGG: Who's entitled to these cars?

Mr Mason: The majority of the fleet that we have is used by our National Measurement Institute. As you're probably aware, these are staff that perform a range of regulatory functions. They're generally commercial vehicles. They go out and measure petrol coming from petrol bowsers to make sure that a litre of petrol is a litre. They do weights and measures in grocery stores, checking scales et cetera. So they do a range of compliance activities. We also have a number of vehicles that are utilised by regional managers in AusIndustry. Essentially, one of the core functions of their roles is to meet with small to medium enterprises, and hence they spend a lot of time in their vehicles working with small businesses.

Senator BRAGG: What level are these people?

Mr Mason: In which case?

Senator BRAGG: What level do you have to be to get a car?

Mr Mason: It varies depending on the role that you perform.

Ms Quinn: It's not based on level; it's based on function.

Mr Mason: Tool of trade.

Senator BRAGG: Did you mention salary sacrifice before, though?

Mr Mason: Yes.

Senator BRAGG: How does that come in?

Mr Mason: Salary sacrifice has been an option as part of enterprise agreements that I'm aware of for many, many years. Generally, those things are enabling people to salary-sacrifice anything from a vehicle through to IT equipment, and those arrangements are open to all of our staff.

Senator BRAGG: I want to go on to resourcing. How many people work at the department?

Mr Mason: As at 31 March, we had an average staffing level of 3,131.

Senator BRAGG: Was the estimate for this year 3,063?

Mr McCosker: Yes, that's correct.

Mr Mason: Yes.

Senator BRAGG: So it's increased. What's the main driver?

Mr Mason: The number of staff has risen in the last 12 months predominantly by two factors. One is new initiatives and measures that have come through as part of government's budget decisions. We have also done some work in converting some long-term contractors to public servants.

Senator BRAGG: What proportion of these people are working from home or remotely?

Mr Mason: We have flexible working arrangements for all of our staff, and they're able to do that. Depending on the day, we'll have a variety of working arrangements in place for staff.

Senator BRAGG: Where have these new staff gone to? Which divisions, departments or other parts of the organisation?

Mr Mason: We undertake an annual business planning process within the department. We're commencing that at the moment for 2024-25. We'll make the decisions based on the work level and where the workload is required and apportion those staff against those work programs.

Senator BRAGG: Have any of these new people been put into the Future Made in Australia initiative?

Mr Mason: There will be staff that will need to support delivery of those programs. We're working through where those staff will be allocated as part of our business planning process that I mentioned before.

Ms Quinn: We have had people working on Future Made in Australia processes.

Senator BRAGG: How many?

Ms Quinn: It has varied. Some of those processes have been going for over more than 12 months. For example, the battery strategy that was a component of the budget announcement was something that had been worked on over 12 months; others were in more recent times. It's a bit fluid. It's not that people are only working on Future Made in Australia; in some cases they might be spending a portion of their time on it. But a significant amount of effort did go into supporting the government decision-making in budget and leading up to now, going into implementation. As I mentioned in my opening statement, we've been doing work on batteries, on green metals, on technology options in the system, on other clean energy options and then on the critical minerals side as well. So there's been quite a lot of work across the department that is framed under the Future Made in Australia work program.

Senator BRAGG: Are most of the new staff in some way working on Future Made in Australia or not?

Ms Quinn: You could argue that an awful lot of the work that we do in the department ultimately streams into Future Made in Australia criteria, even the work on the gas, in terms of supporting the energy system to be able to support clean energy manufacturing, but also critical minerals. We are the Department of Industry, Science and Resources, and all of those were elements under the Future Made in Australia. You can be very precise and say there are particular measures in a particular budget in a particular package, or you could say, 'Do they meet the intent?' On the intent, yes, more of them are on the package than are clearly not.

Senator BRAGG: How much of the Future Made in Australia is cross-portfolio?

Ms Quinn: Quite a lot of it. Clearly, Future Made in Australia canvasses different areas. For example, there's liquid fuels work that's done by the department of transport; there's energy transition work that's done by the department of energy; and Treasury is involved in terms of the legislation and other elements it does. So there's a lot of cross-portfolio work, very sensibly, given the need to integrate these policy measures.

Senator BRAGG: I might get you to provide on notice where the new allocations have gone.

Ms Quinn: I'm happy to take that on notice. We have got specific allocations for batteries, for green metals and for critical minerals, so we've got some specifics on that. Then we've got some other areas where we're working on the detail with others.

Senator BRAGG: Have there been any major initiatives terminated in the last year?

Ms Quinn: In the last 12 months?

Senator BRAGG: Yes.

Ms Quinn: The last significant program, which we talked about at last budget estimates, from the last budget, was the NSMEO in the Space Agency. Other measures have terminated. It's a natural—

Senator BRAGG: That's been wound back, hasn't it?

Ms Quinn: A decision was taken not to continue with it. There are others that have come to their natural end. A large bulk of the work in the Modern Manufacturing Initiative had been completed, for example, so those staff wound down because we were in contract management as opposed to contract issuance.

Senator BRAGG: How many people were working on the space initiative, and how many people were working on the Modern Manufacturing Initiative, roughly?

Ms Quinn: I don't have the numbers off the top of my head; I'm happy to take that on notice. Counting the grants people and the policy people, my instinct is that there were more on the Modern Manufacturing Initiative within my department. Some of the programs go across different agencies, so there were others in different places.

Senator BRAGG: I'm wondering where staff who were working on initiatives that have been concluded, or terminated in the case of the space initiative, are working now. Obviously, you're increasing your headcount, so I'm wondering why the people who were working on those initiatives aren't able to now work on the new initiatives.

Ms Quinn: We have an internal labour market, which is where we look to fill vacancies from internal staff. If we're not able to fill with internal staff, then we would go out to market. It's a tight labour market for a lot of the skills that we're looking for, so we actively work to retain our staff and to utilise their skills by redeployment. We haven't, for example, done any redundancy processes at scale. We look to redeploy our staff.

Senator BRAGG: Could you please provide on notice where the redeployments have happened from space.

Ms Quinn: I'm not sure I'd be able to answer that with a lot of precision, because people choose to go where they go. We do an expression-of-interest process for jobs. People apply. People flow. We have staff turnover as well. We have a very fluid labour market, like most people.

Senator BRAGG: The questions would be: How many people are working on the space initiative internally? How many people worked on model manufacturing? How many of those people are still in the department, and what are they now working on?

Ms Quinn: We can have a go at it, but I don't know that that's necessarily—

Senator BRAGG: I don't expect individual-level detail, but, if there are 10 people who are working on space that are now working on Future Made in Australia, that would be the sort of information that I think would be reasonable to provide.

Ms Quinn: Yes. It's not the case that their departure related to the ending of the program, though. People come and go for lots of reasons, and people move between areas, even if a program continues. The only way we would be able to assess that through the system is if someone at some stage was working on something and then at some stage isn't here. The gap between those two could have nothing to do with government decisions.

Mr Mason: Often work will be done by a team and there will be a range of programs within that team that that work's undertaken by. One part of that work might stop, but they might have a whole range of other programs they're continuing to administer and work on. That's certainly the case in the grants work.

Senator BRAGG: Do you have temporary staff on labour hire?

Mr Mason: We have staff that we've used under contract, contractors, yes.

Senator BRAGG: How many have you got?

Mr Mason: At the end of—

Senator BRAGG: Maybe you could take on notice what percentage of the workforce it is.

Ms Quinn: It's around 10 per cent.

Mr Mason: It's small.

CHAIR: Do you still have a little bit more?

Senator BRAGG: Yes. I want to ask one more line of questioning.

CHAIR: I'll come back to you if it's a whole new line.

Senator BRAGG: Understood.

CHAIR: Senator Cox?

Senator COX: I have some questions in relation to the Future Made in Australia. You're the right officials, I gather. I'm following on from Senator Bragg's questions. Was there a piece of work that informed the Future Made in Australia program?

Ms Quinn: There were many pieces of work that informed the Future Made in Australia.

Senator COX: Can you provide on notice to me what they were?

Ms Quinn: As I mentioned, it's not a very straightforward question. We were working, for example, on the National Battery Strategy over a 12-month period, and the government made decisions in this budget on what they would like to do on that strategy. That has formed part of the Future Made in Australia package.

Senator COX: Is it a combination of many pieces of work—that probably is the more simple answer—or was it a piece of work that informed that, not several pieces scattered across departments? I think that's what Senator Bragg's line of questioning went to. Was there one piece—a green paper, a white paper, an old coalition policy laying around—that this government picked up?

Senator Ayres: Given at this stage, for reasons best known to themselves, that the coalition appears to oppose the policy framework, it's pretty unlikely that the largest pro-manufacturing policy proposition in Australian history—\$22.7 billion worth of support for new industry both in meeting the twin challenges of climate and energy on one hand and in the national interest and national resilience frame on the other—is going to be

supported by one piece of work. In fact, this work was done over a long period of time by a range of government departments. It is, of course, ultimately a cabinet decision in terms of the scale, allocation and purpose of the Future Made in Australia package. I'm not sure how much detail would be able to be provided to you, but I can assure you that this piece of nation-building economic capability work here has been informed by many pieces of work across many agencies. They are the agencies that you would expect. This agency, Treasury and others have been engaged in this piece of work.

Senator COX: I do agree with that statement, Minister. On that point, is it a cabinet decision about the primary focus or the priorities?

Senator Ayres: Yes, absolutely. It's a budget decision.

Senator COX: Regarding the work that this department is responsible for, in the budget papers it talked about reviews being conducted regularly. Can you give us an outline of what that looks like, who will undertake the review, if you've already got a terms of reference for the review and what that looks like. Rather than a loose term like 'regularly', can we have a timeframe?

Ms Quinn: Can you direct me to what initiative you're talking about.

Senator COX: Any of the work that DISR is responsible for under the Future Made in Australia, whether it's battery storage, economic resilience security stream. In either the two different streams of net zero and economic resilience, what work your department is responsible for, how regularly you're going to review them, under what terms, who's going to conduct the review and is it an internal or external review, so we can see what that comment of doing a regular review looks like from your perspective.

Ms Quinn: I can talk to some of the things we're doing. I just want to get some guidance. This isn't in corporate, this is our industry policy area. I'm happy to answer—

Senator COX: When can I ask that question?

Ms Quinn: As soon as corporate is done.

CHAIR: In about 10 to 15 minutes.

Senator COX: Moving beyond that, on 13 December last year Minister King made a statement in parliament in relation to what's now been allocated in the budget, which is the \$6.8 million over two years for Australia's oil and gas decommissioning industry. In her statement she said, 'The Australian public can be assured that the cost of decommissioning must always be borne by the oil and gas industry, especially in light of the debacle around the Northern Endeavour under the previous government.' How and why is this government proposing to spend \$6.8 million on something that should be taken care of by the industry. That cost should not be borne by the Australian taxpayer?

Ms Quinn: This is a policy question under resources. I'm happy to give a very high level answer but our resources team will be here tomorrow. The decommissioning framework is looking at the opportunities for Australia from the decommissioning industry. There will be further work in Australia under decommissioning and there are a few different streams under decommissioning. One is about the industry opportunity in decommissioning and another is about the regulatory framework and how the regulated entities act within that regulatory framework. There are two different aspects. The decommissioning strategy is focused on the industry development opportunities, predominantly. I'll check with my colleague, Ms Urquhart, at a high level and we can have the officials here for more detail tomorrow in their session.

Senator COX: Thank you.

Ms Urquhart: You are correct that the minister has spoken about industry's responsibility, which is legislated, for meeting the cost of decommissioning. Our assessment is that industry needs to invest some \$60 billion over the next 30 to 50 years in decommissioning. This represents a big opportunity. Australian industry in some ways has many of the capabilities useful to decommissioning on that sort of scale over time. But there are barriers to Australian industry accessing the opportunities, so the minister has indicated she would have us do work on a road map around growing Australian capabilities to undertake that work. We've been doing that work and consulting around various issues. Some of the barriers that we've identified in doing that go to coordination and regulatory complexity and things like that. But the \$6.8 million over two years to which you refer very specifically is for the department to continue that work.

Senator COX: So to continue the road map?

Ms Urquhart: The examination of the work, yes.

CHAIR: Senator Cox—

Senator COX: I was just responding to that.

CHAIR: I do think we should deal with corporate and then come back for more detail on this in the appropriate place. Is that okay?

Senator COX: Yes; I'm happy to do that.

CHAIR: Thanks, Senator Cox. Senator Bragg.

Senator BRAGG: I want to ask you about one more matter in corporate. It's to do with the appointment of the Anti-Dumping Commissioner.

Ms Quinn: Yes. That is actually a matter for 1.1, and we have officials here if you want to move to 1.1. Once again, for appointments, there is a central coordination area and ours supports the technical process, but appointments are managed on a project basis in the area of policy.

Senator BRAGG: So what does corporate do then?

Ms Quinn: Corporate support the operation of the department. They provide the core services but, as is the case across most departments, the leadership and the management of particular issues are in the line areas—that's the colloquial term that people use—but they're managed on a project basis. That's an efficient system. There's capability that you need, but any particular matter is managed by the responsible area.

Senator BRAGG: I'll ask the minister then. Minister, what's the story? There was supposed to be an appointment of a new Anti-Dumping Commissioner—is that right, that the last one finished in February?

Ms Quinn: I am happy to take this one.

Senator BRAGG: Sure.

Ms Quinn: Yes; there is an acting Anti-Dumping Commissioner at the moment.

Senator BRAGG: Okay. So what's the story?

Senator Ayres: Senator, just for neatness—I think the chair is engaged in a discussion—this question about the Anti-Dumping Commissioner is in the very next item. If there are no other questions, then let's move to the next item and get into the issues around the Anti-Dumping Commission. I just want to test: are there other issues in corporate—I'm in the hands of the committee.

CHAIR: I feel like we were both getting some assistance from the minister there. All three of us.

Senator BRAGG: It's always good to work together!

Senator Ayres: I'm always here to help.

Senator BRAGG: Of course!

CHAIR: Do you have any more questions for corporate?

Senator BRAGG: No; I'm happy to move to 1.1.

CHAIR: Before I release corporate, we're releasing corporate except for the legal team—is that our understanding of who might be needed for the later discussion?

Ms Quinn: We will have the appropriate people here to answer anything to do with the PsiQuantum process from across corporate.

CHAIR: Other than those people, we're releasing corporate and proceeding now to outcome 1.1.

[14:05]

CHAIR: The committee resumes with the Department of Industry, Science and Resources in program 1.1, and we'll go to the deputy chair.

Senator BRAGG: Hello. Nice to see you all again. What's the story with the Anti-Dumping Commissioner? Why don't we have one at the moment?

Ms Quinn: As I mentioned, there is an Acting Anti-Dumping Commissioner. We are in the process of seeking a new permanent commissioner. I will pass to my colleague for further information.

Ms Pickworth: As the secretary has mentioned, we are in a process to identify a future Anti-Dumping Commissioner. We have a current Acting Anti-Dumping Commissioner, Isolde Lueckenhausen, who's acting until that permanent appointment is made.

Senator BRAGG: So what's the hold-up?

Ms Pickworth: We undertook a process which didn't identify a preferred candidate, and we will be readvertising the role shortly.

Senator BRAGG: Could you say that again, please?

Ms Pickworth: We undertook a recruitment process which didn't identify a preferred candidate, and we're—

Senator DEAN SMITH: Was no-one interested?

Ms Pickworth: It was that the process didn't identify a preferred candidate.

Senator DEAN SMITH: So you received applications?

Ms Pickworth: Yes, we did.

Senator DEAN SMITH: How many?

Ms Pickworth: It's a significant appointment process. I'd have to take on notice what further details I can provide.

Senator DEAN SMITH: No, I don't understand that. Could you explain that?

Senator Ayres: It's a significant appointment. It is a cabinet appointment—

Senator DEAN SMITH: Was it under 10 or over 10?

Senator Ayres: and so the official is, appropriately, taking the question on notice to see what information she may provide you.

Senator DEAN SMITH: Would you characterise it as a popular position or an unpopular position?

Senator Ayres: It's a highly specialised position that requires—

Senator DEAN SMITH: Urgent appointment.

Senator Ayres: It's a highly specialised position.

Senator DEAN SMITH: That's vacant.

Senator Ayres: There is an Acting Anti-Dumping Commissioner. The minister is satisfied that that is the appropriate position to take, but it is an appointment that is made for a period. It requires a highly specialised set of experience and capability, so, appropriately, time is being taken to make the right decision.

Senator BRAGG: How much does the job pay?

Ms Quinn: It is classified, broadly, in the SES band 2 category.

Senator BRAGG: What's that?

Ms Quinn: I'd have to go back and check, but it's somewhere in the high 200,000s.

Senator BRAGG: So it's over \$200,000. What do you have to be—an economist, yes?

Ms Quinn: That's one of the issues. The role actually requires a broad breadth of capabilities.

Senator BRAGG: What else have you got to be?

Ms Quinn: It is a decision-maker, so therefore legal administrative decision experience is probably the highest criterion in terms of understanding and operating within a legal framework that has quite specific and important guardrails, partly because it deals with issues of international trade and international engagement and is part of an ecosystem of legal frameworks. There is the legal understanding and operation. It obviously has economic components in terms of assessing the questions around whether someone is or isn't complying with the legislation. It requires high stakeholder management experience, given the complex nature of the exercise and the cross-currents, and having some familiarity with the international environment is also important. It has—

Senator BRAGG: It sounds like a perfect job for someone living in Canberra. It sounds like there would be lots of people in Canberra who could do that.

Senator Ayres: I don't think that you're taking the role as seriously as the government takes it. We are operating—

Senator BRAGG: You haven't even appointed someone.

Senator Ayres: There you go, you see. We are operating in an environment of rapidly evolving trade policy around the world, a rapidly changing competitive position for Australian industry trying to produce for our domestic market and export for international markets. You may not have caught up with these developments. This is a very significant appointment, and the government is going to take its time to appoint the right person.

Senator DEAN SMITH: But that doesn't make sense. A rapidly evolving trading situation and the government taking its time doesn't make sense.

Senator Ayres: As I said, the government is satisfied with the current acting arrangements, and we will make the right decision about the right person at the right time.

Senator BRAGG: My understanding is that the minister said in January that the appointment was imminent and that the appointment was going to happen very soon. Am I right in saying that you've conducted a recruitment process which collapsed because you didn't have the right candidate?

Ms Pickworth: As I outlined before, we undertook a process which didn't identify a preferred candidate. We'll be re-advertising shortly.

Senator BRAGG: What does that mean? Does it mean you couldn't find the right person?

Senator Ayres: It means what she just said it means.

Senator BRAGG: I don't understand what it actually means. I could deduce from that that you're saying that you recommended someone to government that they rejected, or maybe you couldn't find the right person through the executive search.

Ms Pickworth: As I outlined before, this is a significant appointment.

Senator BRAGG: I understand that.

Ms Pickworth: It does go through to cabinet, so there are limits on the further detail I can provide. I'm happy to take on notice anything further that I can provide.

Senator BRAGG: So basically, there was a process, it was concluded, no appointment was made and now there is a new process.

Ms Pickworth: Yes. As I've outlined, we'll be re-advertising shortly.

Senator BRAGG: Who's doing the executive search?

Ms Pickworth: That is being worked through at the moment, in terms of preparations for the re-advertisement of this role. I'd have to take on notice what further I can outline there.

Senator BRAGG: Who did the last search?

Ms Pickworth: We had a contract with Beaumont&Beaumont.

Senator BRAGG: Who are they?

Ms Pickworth: They're a search firm, a recruitment company. So they've reported the process but—

Senator BRAGG: So what was it? Were they looking just in Australia?

Ms Pickworth: To be clear, the process, as the Secretary has outlined—it's classified SES band 2 level. Therefore, there's a process that we undertake in terms of recruitment for such roles. We did have a recruitment company support us in that process.

Senator BRAGG: It was Thompson&Thompson, was it?

Ms Pickworth: No, it was Beaumont&Beaumont.

Senator BRAGG: Was their brief to find an Australian to do this job, or can anyone do the job?

Ms Quinn: They are appointed under the Public Service Act, so obligations of citizenship would be consistent with that act.

Senator BRAGG: How much did that process cost?

Ms Pickworth: I'd have to take that on notice. It was run in the normal way that we run recruitment processes for both significant appointments and SES processes, given it runs across both. I can take on notice the cost of that.

Senator BRAGG: Are you going to use Beaumont&Beaumont again?

Ms Quinn: We go to market on these issues each time. We don't necessarily go back to the same place, so we don't have an answer to that yet because I don't believe we've actually selected the support we'll have for this process. But, clearly, having done it once, to do it again we're re-evaluating the clarity, the strategy and the discussion. It is an important position and important to get right.

Senator BRAGG: Senator Smith's got some questions on antidumping as well. Just so I understand this correctly: this is a cabinet level appointment, right?

Ms Pickworth: Yes, it's considered a significant appointment, so the process—

Senator BRAGG: So cabinet makes a decision.

Ms Pickworth: The process runs in line with the *Cabinet Handbook*.

Senator BRAGG: So cabinet makes a decision, ultimately, and there will be a recommendation by the minister to cabinet.

Ms Pickworth: In line with the usual process for significant appointments.

Senator BRAGG: So we've had one crack at it and, basically, that has not led to an appointment. So now we're going back to do it again—perhaps this time, we imagine, without Beaumont&Beaumont.

Ms Pickworth: As is standard practice with recruitment processes, we will usually have a company provide us with support, but the process is run by the department and advice is considered and provided by the department.

Senator BRAGG: Would there usually be a shortlist?

Ms Pickworth: The usual recruitment and appointment processes would be that we would look at and assess candidates and provide advice through. This is a significant appointment, so that happens in line with the usual processes that we would do.

Senator BRAGG: That wasn't the answer I was expecting. I was expecting an answer like, 'We recommend one person,' or, 'We recommend three people on a list.'

Ms Quinn: It depends on each appointment. Often we provide advice on who we judged may be preferred, but there have certainly been many occasions where we say, 'Actually, a process has provided two, three or four people, with slightly different capabilities and mixes, who are all judged fully capable, and you can select from this.' So it depends a bit on the panel, what the opportunities are, the skill sets et cetera. We don't have a specific rule that one or three or four are provided in a shortlist, but we do provide advice to the minister on what our views are on candidates based on the information we have. So that's part of our role in supporting ministers and making decisions.

Senator BRAGG: Thanks.

CHAIR: Senator Smith.

Senator DEAN SMITH: Just staying on the same matter as Senator Bragg for a moment, did Beaumont&Beaumont identify a candidate or candidates?

Ms Pickworth: They supported the recruitment process that the department undertook, so then it was a matter for a panel and a process within the department, with us then putting our advice through. So they were a support to the panel in the department that was assessing.

Senator DEAN SMITH: So the panel did meet.

Ms Pickworth: Yes. We undertook a process for this position that the previous occupant had left. We undertook a process which the department led, supported by Beaumont&Beaumont.

Senator DEAN SMITH: So there were people being considered for the role. When it came to the identification of a person or a shortlist of people, it was decided that, with that pool of people, you didn't think it necessary to take it forward after that point.

Ms Pickworth: As I outlined, yes, we undertook a process. That process didn't identify a preferred candidate. Hence, we're re-advertising the role.

Senator DEAN SMITH: I just want to be sure that there were candidates.

Ms Pickworth: Yes, there were candidates.

Ms Quinn: There were candidates. None of them was judged to be preferred.

Senator DEAN SMITH: Thank you. Is Ms Lueckenhausen here?

Ms Quinn: Yes. Isolde Lueckenhausen is the acting Anti-Dumping Commissioner.

Senator DEAN SMITH: I have some questions about antidumping. Welcome, Ms Lueckenhausen, and thank you for your participation this afternoon. How long have you been in the role for?

Ms Lueckenhausen: In the role of acting commissioner, since February.

Senator DEAN SMITH: What was your role prior to February?

Ms Lueckenhausen: My substantive role is as Deputy Commissioner Investigations of the Anti-Dumping Commission.

Senator DEAN SMITH: Great. Thank you very much. Is it your observation that the workload of the commission has increased or decreased since your arrival into the acting role?

Ms Lueckenhausen: Thank you for the question. I haven't done a comparative analysis between the two—prior to my being in the role and while I've been in the role—so I'd have to take that question on notice.

Ms Quinn: I can assist a little bit. I have some information on that.

Senator DEAN SMITH: In a moment, Secretary.

Ms Quinn: You asked the question about whether the cases had changed. I have some information on cases from July 2023 versus March.

Senator DEAN SMITH: We'll come back to that in a moment.

Senator Ayres: In fact, the secretary is entitled to step in and answer a question, and I think for efficiency's sake, as well as form's sake, she should.

Senator DEAN SMITH: Except you don't know what my next question is but I'm happy to defer to the minister's direction.

Ms Quinn: You asked if the workload had gone up or down. In July 2023, cases on hand were 42. Cases on hand in March 2024 were 22. So cases on hand went down between July 2023 and March 2024.

Senator DEAN SMITH: My question to Ms Lueckenhausen was her observation about the workload since she has come into the acting role. Does that data in front of you provide any information in terms of what are the current cases between February 2024 and now?

Ms Quinn: It doesn't have new cases coming in since March, but the workload of the commission is driven by the stock of cases that they have, so it is a fairly straightforward extrapolation to say that the work on hand post March 2024 was less than the cases in a similar period.

Senator DEAN SMITH: I think the more relevant bit of information for me, if I may, is that there are no new cases since March.

Ms Quinn: I don't have data on that. We would have to check that. I have it as at 31 March.

Senator DEAN SMITH: Ms Lueckenhausen, are you able to provide any information on cases since March?

Ms Lueckenhausen: I can clarify that all of our workload is demand driven, so we are required under our legislation to address and investigate any applications made by industry over the course of the year in terms of what applications we're receiving, so our case numbers can go up and down at any one time. As the secretary said, as at 31 March, we had 42 existing cases and, of those, 23 were new cases within that period, and there have been new cases since 31 March, but I would have to check.

Senator DEAN SMITH: What was the last point?

Ms Lueckenhausen: There have been new cases since 31 March that have come in through the door, but I would need to confirm exactly how many. I think our current cases are around 32.

Senator DEAN SMITH: If you could take that on notice, that would be good. What are the factors that influence the demand?

Ms Lueckenhausen: There is a range of different case types, so it depends which type of cases they are. For example, some of our cases are duty assessments made by importers on existing measures. If they feel that they have duties that could be refunded to them, they are likely to make an application, so it is dependent on whether they will, if you like, if that is the case. Some of them are more regular when they are aware that they are liable to make that. We also have certain types of cases like continuations, which is a review of measures that happens every five years. We work in a cyclical approach there. Just before those measures are about to expire, about 18 months beforehand, we put a notice out that they are about to expire. If industry would like them to continue, they put in an application, then we undertake a type of review called the continuation review. There are also maybe new applications from industry and that varies depending on whether industry feels that a new application is necessary. At any time, various participants in the system can request a review of existing measures, so that is the next bundle of cases. There can also be requests for exemptions from certain measures. So it is a bundle of cases, depending on the applicants at the time.

Senator DEAN SMITH: On notice, unless you have it with you, of the existing cases, are you able to give the committee a sense of their particular—my word—categorisation?

Ms Lueckenhausen: Sure. I can give you them as at 31 March.

Senator DEAN SMITH: That would be helpful.

Ms Lueckenhausen: For example, at that time we had two investigations, no re-investigations—that is, when an investigation comes back to us from the merits review tribunal. We had six continuation inquiries, three reviews of measures, no circumvention inquiries at that time. We had three of those exemption inquiries, one accelerated review and seven duties assessments.

Senator DEAN SMITH: Thank you very much. When you assumed the role as acting commissioner, what was your expectation in terms of how long you would be in the role for?

Ms Lueckenhausen: I was appointed for—I would have to check—for approximately three months at the time but I would have to defer to my colleagues in relation to the process.

Senator DEAN SMITH: Have there been any discussions with you about extensions?

Ms Lueckenhausen: My acting has been extended once recently.

Senator DEAN SMITH: Extended to when?

Ms Lueckenhausen: I will have to check—

Ms Pickworth: I can help. The acting is through until November or until a permanent appointment is made.

Senator DEAN SMITH: So that is November 2024 or until a permanent appointment is made. If a permanent appointment is not made by November 2024, will Ms Lueckenhausen's role be extended?

Ms Pickworth: We would then look at that. There is a process undertaken around appointment of an acting commissioner and that process involves an across-government process, so, if needed, we would look at that again with our expectation being that we obviously are about to readvertise the position to fill it permanently.

Senator DEAN SMITH: What is the expected timeframe of the second process?

Ms Pickworth: We will be looking to readvertise in coming weeks and then we will work through the process from there.

Senator DEAN SMITH: You don't work to a timeframe or timetable?

Ms Pickworth: I will have to take that on notice. We do obviously have a project management approach to such processes, so we have that in train and we will look to support the government consideration of this role.

Senator DEAN SMITH: Is there a best practice timeframe?

Ms Pickworth: Given these sorts of roles vary and given this role is both a significant appointment and also an SES role within the department, we would work through it as efficiently and effectively as we can.

Senator DEAN SMITH: Ms Lueckenhausen, were you given any information as to when the recruitment process of the first process was expected to conclude?

Ms Lueckenhausen: My recollection is it was just around my acting period and, if I was prepared and happy to act for that period of 12 weeks at that first instance, or three months, which I was.

Senator DEAN SMITH: I just want to turn to the matter now of international dumping trends. Could you share with the committee your observations about international dumping trends.

Ms Lueckenhausen: Could I seek a little bit more clarity around what you are seeking from me?

Senator DEAN SMITH: What I'm curious about is you have given us a sense of the character of those dumping matters that come before you in your acting role. I'm just keen to understand how they might be similar or dissimilar to dumping trends in like nations to us.

Senator Ayres: Senator Smith, as always, I'm inclined to be helpful, particularly with questions from you. But I'm just a little bit cautious about this line of questioning because—

Senator DEAN SMITH: It has only just started, Minister! You have remarkable skills—

Senator Ayres: I know. I don't want to march you around the cul-de-sac. I want to tell you—

Senator DEAN SMITH: You have been looking over my shoulder.

Senator Ayres: the Anti-Dumping Commissioner and the acting Anti-Dumping Commissioner have an important statutory function and they make decisions around these questions. I am happy to be guided by her but what I don't want is a series of policy questions answered which then jeopardise—

Senator DEAN SMITH: Jeopardise what?

Senator Ayres: future decisions that would be made in relation to decisions of the Anti-Dumping Commissioner in tribunals here and overseas. It is really just from that standpoint—

Senator DEAN SMITH: I suggest—

Senator Ayres: Let me conclude.

Senator DEAN SMITH: No—

Senator Ayres: I get to conclude.

CHAIR: Senator Smith, the minister has the call.

Senator Ayres: There are questions here in relation to developments in trade trends, dumping and overcapacity issues in particular markets that—

Senator DEAN SMITH: That would make an interesting observation for senators like myself to hear. If you were offering me a private briefing on these sorts of matters, that might be a constructive way to proceed.

Senator Ayres: Let me conclude. I want to assist but I don't want to assist in a way that prejudices future work. It may be that we can do something here or of course in trade estimates, where those are also the questions that officials might be able to do it.

Senator DEAN SMITH: The way that I would like to proceed is that I'll ask my questions and then, if the acting commissioner or you or the secretary thinks that these matters are better shared with me in private forum, we can take them on notice or park them in a private briefing. But if they are matters that can be commented on in this forum, then we'll proceed.

Senator Ayres: Perfect.

Senator DEAN SMITH: Excellent. It's always good to come to a mutually agreeable position with you, Senator Ayres. Are there any particular countries that are more commonly or frequently engaged in dumping than others?

Senator Ayres: We'll take that on notice.

Senator DEAN SMITH: Local media reports suggest Chinese companies are the biggest offenders in this regard. Are those media reports accurate?

Ms Lueckenhausen: What I can do is give you an overview of the measures that are currently in place, the types of different goods they cover and the countries that they come from, because this is all available on our public record. As at 31 March, the majority of our measures were against steel products.

Senator DEAN SMITH: Against what products?

Ms Lueckenhausen: Steel products. Seventy per cent of our measures are steel products, nine per cent are chemical, nine per cent are aluminium, six per cent are electrical, two per cent are glass, two per cent are food and two per cent are plastic. In total, we have 66 dumping measures or subsidy measures in force covering 28 different goods from 17 different countries.

Senator DEAN SMITH: Of the 77 countries—

Ms Lueckenhausen: 17.

Senator DEAN SMITH: Seventeen—sorry. Of the 17 countries, are you able to give me a sense of the proportionality between those 17 countries?

Ms Lueckenhausen: I'd have to take that on notice. I only have those figures in relation to the steel measures.

Senator DEAN SMITH: Let's take them in regard to steel.

Ms Lueckenhausen: For steel, it's 37 per cent in relation to China, 13 per cent in relation to Korea, 11 per cent in relation to Taiwan, seven per cent in relation to Malaysia and 32 per cent relating to all the other countries.

Senator DEAN SMITH: Is the proportion that you've just shared in regard to steel similar to the proportion across those other items? Not necessarily?

Ms Lueckenhausen: My apologies, I don't have that before me, so I will have to take that on notice.

Senator DEAN SMITH: Thank you.

Ms Quinn: It would very much depend on the activity in the world, so it would vary, I imagine.

Senator DEAN SMITH: Ms Lueckenhausen, could you, at a high level, take me through the process which a dumping claim would typically follow? Also, in that process, if you can, identify for me those particular parts of the process that are more prone to delay or to waiting on information to be provided.

Ms Lueckenhausen: Yes. There are various aspects that can affect case length, and it can happen at various stages. But, in general, the stages are that a party makes an application; we consider whether the application meets the statutory requirements; if it does, we initiate an application; we then send questionnaires to relevant parties; we review the responses; we undertake in-general verification of the exporter, the importer and the Australian industry—'verification' is a term of art we use to refer to the reviewing and validation of data that is provided to us by those parties—then we produce a draft report, which is called a statement of essential facts; parties are entitled then to make submissions to that statement of essential facts; we consider those submissions and, in general, then proceed to make a final recommendation to the minister to consider in relation to the investigation. That's for an investigation.

Senator DEAN SMITH: Thank you very much for that. Which of those elements is most prone to delay?

Ms Lueckenhausen: I don't think I could say that there was one element that is prone to delay, because it's on a case-by-case basis.

Senator DEAN SMITH: Is there a particular best practice in terms of how long an investigation should take?

Ms Lueckenhausen: I think in all instances we're working to be as prompt as possible while making appropriate decisions and making sure we're making evidence based decisions. There can be various aspects that cause delay, but we're seeking to get the best evidence available in order to make the decision.

Senator DEAN SMITH: Is there an example of one in recent times that has been done most expeditiously and that you could point to as a way of giving—

Ms Lueckenhausen: I could say that certain cases have certain legislative timelines that require us to undertake them more quickly. We have a type of investigation called an accelerated review. That's when a new party comes into the market when there are already measures in place and, instead of getting the all-other-export rate that applies to anyone who is not involved in the original investigation, they can seek to have their own individual rate, and that is called an accelerated review. It's similar to a process that is set up under the World Trade Organization framework. In the Australian context, that's called an accelerated review, and they have to occur within 100 days of the application being made.

Senator DEAN SMITH: Of the applications before you, I think you said one was an accelerated review.

Ms Lueckenhausen: Yes, as at 31 March there was one before us.

Senator DEAN SMITH: How long have you been involved in this line of work?

Ms Lueckenhausen: I joined the Anti-Dumping Commission in December 2021.

Senator DEAN SMITH: Do you have any observations about the effectiveness or otherwise of our existing anti-dumping arrangements?

Senator Ayres: I think that you're really asking the acting commissioner for an opinion—

Senator DEAN SMITH: No, by your own admission, Senator Ayres. You said it's highly specialised and it's a very important role, so I'm very interested in understanding Ms Lueckenhausen's—

Senator Ayres: You're very interested. She's very expert. You are, nonetheless, asking for an opinion on a matter of policy.

Senator DEAN SMITH: I don't think that is an opinion.

CHAIR: Do you want to rephrase in any way, Senator Smith? That would also enable me to focus more on what you actually asked.

Senator DEAN SMITH: Ms Lueckenhausen, are there views about how Australia's existing arrangements could be improved, and are there views about how Australia's existing arrangements are actually internationally well regarded?

Ms Lueckenhausen: In terms of views personally, the department's responsible for the policy leads, but I think it's an opportune time to mention the International Trade Remedies Forum, which is a body constituted under the Customs Act and which has all of the various stakeholders in the trade remedy system. We're obliged to have two meetings of the ITRF every year, and that involves representatives from across the various types of stakeholders.

Senator DEAN SMITH: Is this a domestic forum?

Ms Lueckenhausen: Yes, it is. That's the mechanism under the act through which stakeholders in the system can provide views to the minister on how the system is working.

Senator DEAN SMITH: Does the legislation require it to be convened two or three times a year?

Ms Lueckenhausen: It's twice a year.

Senator DEAN SMITH: When was it last convened?

Ms Lueckenhausen: Just recently, a couple of weeks ago.

Ms Pickworth: On 23 May.

Senator DEAN SMITH: When was it convened prior to that? Was that the first meeting for this year?

Ms Lueckenhausen: Yes, the last meetings were held in 2023, in April and November, and the most recent one was on 23 May.

Senator DEAN SMITH: On notice, could you provide to the committee information about the matters that were considered at the three most recent ITRFs?

Ms Lueckenhausen: Yes.

Senator DEAN SMITH: Great. Thank you. That will satisfy my question about observations about strengths and weaknesses.

Senator Ayres: I'm delighted we were able to work it out.

Senator DEAN SMITH: Senator Ayres, would you consider Australia's antidumping arrangements weak and outdated?

Senator Ayres: There is, I think, an adequate antidumping regime in place. The government, of course, will be watching developments in international trade law and in international trade practice. I'm not aware of any consideration of these questions that's on foot at the moment.

Senator DEAN SMITH: My question was whether you considered them weak and outdated, which I think is a comment that the Australian Manufacturing Workers Union Victorian state secretary characterised them as. But, in your evidence, you've just said that they're adequate or inadequate?

Senator Ayres: I've said that the government regards the current arrangements as—they are the arrangements that are on foot at the moment. I'm not aware of any consideration of alternative arrangements.

Senator DEAN SMITH: So the existing arrangements are the arrangements?

Senator Ayres: I said what I said, yes.

Senator DEAN SMITH: Ms Lueckenhausen, how do the ITRF considerations get considered by government? Is it right to characterise the ITRF's considerations at the moment as characterising Australia's arrangements as adequate, or are there concerns or suggestions for improvements?

Ms Quinn: I might take that because the ITRF is part of the legislative framework for providing advice to government. The Anti-Dumping Commission is part of that system—the Anti-Dumping Commissioner is a component of the ITRF—but it is a legislated stakeholder forum to provide advice to the minister on the operations of the trade system. There are always a range of views around the trade system. It is a process that evaluates claims and counterclaims within the industry, so it's fair to say it's always a contested space.

Senator DEAN SMITH: That's why we have ministers.

Ms Quinn: It's also why we have a commissioner that works through the issues under a legislative framework—

Senator DEAN SMITH: Well, not at the moment, because we've got an acting commissioner.

Ms Quinn: and a resourced commission to undertake those duties within the statutory obligations. There are pressures in the trade system in relation to what's happening in international—

Senator DEAN SMITH: 'Rapidly evolving' is how, I think, Minister Ayres described them.

Ms Quinn: And so we in the department are always monitoring the situation, working with our Department of Foreign Affairs and Trade officials, working with the commission and working with industry to assess the need for change. The ITRF is an important body to support that work. They have from time to time suggested improvements. One of the questions is always what changes can be made within administrative arrangements within the existing legislation, in terms of the type of analysis et cetera, and how the commission goes about doing its assessments. That is something the commission looks at, and we support them on a regular basis. Then from time to time there are legislative processes. There's nothing currently in the public announcements et cetera around trade reform for the Anti-Dumping Commission. It is always under review, like all of our legislative frameworks.

Senator DEAN SMITH: Since May 2022, has the ITRF made any recommendations or suggestions to government, to the minister, about changes to or recalibration of our dumping arrangements?

Ms Lueckenhausen: No.

Senator DEAN SMITH: Not at all?

Ms Quinn: The minutes of the ITRF are available on the website, from the April and November meetings.

Senator DEAN SMITH: But my question was whether or not any recommendations have been forwarded to government, and Ms Lueckenhausen's answer was no.

Ms Pickworth: At the ITRF there are streams of work that are underway which are being worked through by the forum members, with the expectation that advice will be provided through to government. It has not yet come through from the ITRF.

Senator DEAN SMITH: When is it expected?

Ms Pickworth: One of the topics of conversation in May was around progress on that body of work and then what the next steps are. That's a matter for the ITRF to settle.

Senator DEAN SMITH: So there's no timeframe, again, for the work of those—

Ms Pickworth: The ITRF—the forum itself—is working through its next steps and timeframe for providing that advice through.

Senator DEAN SMITH: Is that advice hindered by the fact that there's no permanent appointment to the Anti-Dumping Commissioner role?

Ms Pickworth: No. It's the forum itself working through the finalisation of their advice and how it takes it forward.

Senator DEAN SMITH: But there's no timeline on that finalisation of the advice?

Ms Pickworth: It's a matter for the forum, and the forum is working that through.

Senator DEAN SMITH: So, despite the rapidly changing international trade environment, it doesn't seem like there's any urgency or any significant concern about Australia's antidumping arrangements.

Ms Pickworth: My sense from the forum is that there is significant energy and focus from the members of the forum on their consideration and advice coming through to government, but that is a matter for the forum.

Senator DEAN SMITH: Time's running out.

Ms Pickworth: It's a broad suite of members representing interests from various parts of Australian industry.

Senator DEAN SMITH: Yes. Minister Ayres stated that.

Ms Pickworth: That work is happening.

Senator DEAN SMITH: I'm not hearing any sense of urgency.

Ms Pickworth: Again, it's a matter for the forum about finalising their advice and providing that through.

Senator DEAN SMITH: Thank you very much.

CHAIR: We're aligned. I'll share the call. Senator Bragg.

Senator BRAGG: I'll ask you about corporate tax now. What's your view on the corporate tax rate in Australia?

Senator Ayres: You're asking me? Who do you want to ask?

Senator BRAGG: Yes, I'm interested in your view. You've got a lot of thoughts.

Senator Ayres: Do I?

CHAIR: You're representing a minister who had some, I think.

Senator BRAGG: Yes. I'm sure you have many thoughts. I hope you do!

Senator Ayres: I think this is a proper cabinet style government that has a busy agenda in tax policy. That includes delivering a tax cut to every single Australian PAYG tax earner—all 13.6 million of them. It's not too many days away, where 85 per cent of all taxpayers will get a bigger tax cut than they would have had under the previous government.

Senator BRAGG: The question was about corporate tax.

Senator Ayres: That includes 90 per cent of women. In terms of our other tax changes that we have on our agenda, we have nominated changes to the PRRT. In fact, in the Future Made in Australia package, which was announced in the budget, there are a series of tax policy changes that are very significant and will deliver a very significant amount of investment in Australian industrial capability. Those are the tax changes that are in front of the government, and you'll be unsurprised to learn that they are the ones that I support.

Senator BRAGG: That's fine.

Senator DEAN SMITH: You're a bigger thinker than that, Senator Ayres.

Senator BRAGG: I was just curious about any view you might have on the corporate tax rate.

Senator Ayres: I just told you.

Senator BRAGG: You talked about personal income tax and other tax levers. You don't have a view on the company tax rate of 30 per cent?

Senator Ayres: The government is not contemplating any changes that I'm aware of. That's what people can be confident in.

Senator BRAGG: Fair enough. Secretary, the minister recently spoke, I think, at an event where he talked about the corporate tax rate. I assume you're aware of this.

Ms Quinn: Yes, I'm aware of the public statements the minister made.

Senator BRAGG: I think in those statements he was talking about the corporate tax rate, wasn't he?

Ms Quinn: He was reported making those statements, yes, but that is not a matter that this department provides advice on.

Senator BRAGG: Isn't he your minister?

Ms Quinn: We don't have policy responsibility for taxation.

Senator BRAGG: I know that, but isn't he your minister?

Ms Quinn: He is one of my ministers, yes.

Senator BRAGG: He would be the senior minister in this portfolio.

Ms Quinn: The Minister for Resources is the senior minister in this portfolio.

Senator BRAGG: Is Minister Husic a cabinet minister?

Ms Quinn: Yes, he is.

Senator BRAGG: He has been making statements about the corporate tax rate. Is that right?

Ms Quinn: I am familiar with the public statements he made.

Senator BRAGG: I'm curious whether Minister Husic asked the department for any modelling or assessments about company tax rates.

Senator Ayres: That is a very, very long stretch, but of course the secretary may answer—

Senator BRAGG: How do you know what the answer is?

Senator Ayres: I'm saying the question's a stretch.

Senator BRAGG: It's quite logical, actually.

Ms Quinn: We provide advice to the minister in relation to his portfolio responsibilities, which cover industry policy and science policy. As part of that we do provide advice and information on the state of industry, in particular in relation to manufacturing, other business investment, R&D, expenditure, innovation, policy and all the rest. We do provide economic analysis and support to him in his duties in that way. We don't have policy responsibility for company tax.

Senator BRAGG: I understand you don't have policy responsibility.

Ms Quinn: I'm happy to take it on notice, but I'm not aware that we've provided specific advice on that matter. We've certainly provided advice on where business investment is, the state of capital stock and the full range of tools at his disposal to think about those issues.

Senator BRAGG: I think the comments are quite sensible, actually, about corporate tax. I've been troubled for a long time about our uncompetitive corporate tax rates, and I agree with the position that your minister is advancing. I was wondering whether you personally have been involved in the preparation of any materials on the company tax rate.

Ms Quinn: Me personally in this role?

Senator BRAGG: Yes. Well, you're the head of department.

Ms Quinn: Not in this role, no.

Senator BRAGG: Not in this role, but I know you have in the past. I'm only asking that because the minister has made public statements about the corporate tax rate. I was wondering whether those statements—which, as I said before were quite good statements—were made with the benefit of some analysis from your department?

CHAIR: I think we've established that it's outside of the consideration of the group that we have in front of us today.

Senator BRAGG: I'm not sure, Chair. I think this is—

CHAIR: You're requesting a spillover for the Revenue Group next week, where these questions might be pertinent.

Senator BRAGG: I appreciate your kind intervention there, but I will ask again whether the department provided any materials for those statements.

Ms Quinn: We certainly provide advice on the state of the industry portfolio and the need for continued investment to boost productivity. We provide general advice on what the state of the sector is, how it's going, how policy measures are impacting et cetera. We certainly will have made observations and provided support for the minister for him to form views.

Senator BRAGG: Did that include comments on the rate itself?

Ms Quinn: I'm happy to take it on notice. We don't typically go into the specific details of various things, but, if the minister would like to provide further information, I'm happy to take it on notice.

Senator BRAGG: There's one of two ways that this happened—either the department provided materials which included commentary on the very uncompetitive corporate tax arrangements in Australia in advance of the presentation, or the minister made these statements off the cuff and you read about them in the paper.

Ms Quinn: Or he's a member of a cabinet that discusses these issues.

Senator BRAGG: But that's not the policy of the government.

Ms Quinn: Cabinets often discuss many issues.

Senator BRAGG: Well, I'm not going to ask you this question, but I will ask the minister this question: what is the government's policy on corporate tax?

Senator Ayres: Well, I think you just heard it from me—

Senator BRAGG: Status quo?

Senator Ayres: I've outlined the changes that the government has implemented—

Senator BRAGG: You've made no changes to corporate tax.

Senator Ayres: and they are the extent of tax changes that are being contemplated by the government.

Senator BRAGG: But what is the change?

Senator Ayres: Well, we've made changes in relation to income tax, we've made changes in relation to—

Senator BRAGG: I said corporate tax.

Senator Ayres: yeah, that's right—we've made changes in relation to a series of tax measures in the broad. Those are the tax measures that the government is making changes in and that is the extent of the proposals that this government has in relation to all categories of tax. I have to say we've gotten a lot more questions about this in estimates than the zero there were last week, when the minister was available to answer questions from your colleagues in the House.

Senator BRAGG: So what's your position on the corporate tax rate? Is it 30 per cent or something else?

Senator Ayres: I just told you. We have a series of tax measures that we have implemented and discussed.

Senator BRAGG: This is clear as mud. I'm not sure whether you're committing to the 30 per cent tax rate or something else.

Senator Ayres: What I am saying to you is that we have a range of measures that we have committed to across the board on tax. We are not contemplating any other measures.

Senator BRAGG: So it stays at 30 per cent. That's very helpful; thanks for clearing that up. You've taken that on notice, Secretary.

CHAIR: Last question, Senator Bragg.

Senator BRAGG: You can move on. I'll come back.

CHAIR: Senator Pocock.

Senator BARBARA POCOCK: I want to go to the Entrepreneurs' Program, which was run by the department from July 2014 to June 2023, and in particular a contract that was awarded to i4Connect through a procurement process that the Australian National Audit Office found was biased and broke the Commonwealth Procurement Rules. As I understand the facts, i4Connect was paid \$31 million to deliver services on behalf of the department, even though it was the most expensive tenderer by \$10 million, which was 50 per cent higher than others, and it was a \$100 shell company set up only days before the tender closed. On top of this, it's been alleged that i4Connect paid a success fee of \$900,000 to another contractor working for the department of industry, on the same program, who worked on the i4Connect tender. This smells like corruption and looks like corruption. Have I gotten anything wrong in the facts that I have so far put? And why have you not referred this to the Federal Police for investigation?

Mr Mason: I might start, and then I'll ask Mr Luchetti to progress. In relation to the first points you made around the Entrepreneurs' Program audit findings and outcomes, I think that what you've described sounds to me to be exactly what was covered in the ANAO's report. The department agreed with the recommendations from that report and has been working progressively since that point to establish higher levels of procurement capability, delivering better and more transparent outcomes. Earlier, in corporate, we also canvassed a little bit about the establishment of our integrity functions.

In relation to the allegations of a success payment, I would say to you we are aware of those allegations. We have been given no evidence to support those allegations, beyond the allegation that someone had done that. We have pursued it and made some inquiries in regard to that, which we've canvassed in this committee. I wouldn't necessarily agree with, I think, the intention of the last point there around evidence of corruption, on the basis that we haven't received that evidence.

Senator BARBARA POCOCK: You haven't received that evidence; I'll come to that. My question was: why haven't you referred this to the Federal Police for investigation?

Mr Mason: When we receive allegations, we review those allegations. We did so in this case. We did not find additional evidence that would suggest, in accordance with the way in which we undertake fraud investigations, that further investigation was warranted, so at that point we ceased further work in relation to that. We didn't refer it on, because we didn't have sufficient evidence at that stage to warrant a referral, in accordance with what we would normally do for a fraud allegation.

Senator BARBARA POCOCK: In the last year, have you referred anything to the AFP for fraud investigation?

Mr Mason: Typically, we wouldn't talk about what we've referred to external bodies.

Senator BARBARA POCOCK: Any outcomes in relation to fraud in the last 12 months?

Mr Mason: I can certainly confirm that we do talk to bodies outside of the organisation. In terms of outcomes of investigations, obviously that would be a matter of public record once the investigations were completed. Generally, in these sorts of forums, we don't confirm or deny investigations that we might have referred, on the basis that they could be active.

Senator BARBARA POCOCK: I'm asking you whether there has been any outcome on the public record of any fraud that has been investigated by your department. I'm just curious—

Mr Mason: As in this year?

Senator BARBARA POCOCK: This is such an extraordinary case to me, the allegation of a \$900,000 payment. I'm curious about whether you've done any other investigation that has had an outcome.

Mr Mason: We have done fraud investigations. Let me just see whether Ms Chard or Mr Stiller are available.

Senator BARBARA POCOCK: Maybe you can take that on notice.

Mr Mason: We're happy to.

Senator BARBARA POCOCK: I'd like to know, on notice, exactly what outcomes you have pursued in the last 12 months and with what results. Surely, looking at the facts of this case, you'd have to agree that there is potential for a case of serious fraud here—Minister, I'm asking you that question.

Senator Ayres: Firstly, I'll make a couple of points on what I understand about this matter. It has occurred in the context of the Entrepreneurs Program, which is a program there was some criticism of in a broad sense. The government has closed that program and opened the Industry Growth Program, a \$392 million program of grants and direct industry assistance. It has built quite some capability inside the department to assist industry over what is going to be a consequential time for Australian manufacturing.

The matters that you referred to have been dealt with in previous estimates, which is not to suggest that you shouldn't ask questions about them again—you're very welcome to. Officials appeared to me to be suggesting that they have not been able to sustain the claims that have been made to you, and that you are advancing here, or that their assessment has been unable to support those allegations. You're free to ask more questions about that—

Senator BARBARA POCOCK: I will.

Senator Ayres: I'll obviously listen with interest, but this is a matter that has been handled in a careful way by the department.

Senator BARBARA POCOCK: So you're saying to me, and I'm hearing from Mr Mason, that you've been given no evidence and there's no need to refer this on. In the two years since the allegation, has the department gathered any relevant primary source information other than calling the person—I understand their name is Mr

Joe Barber—accused of receiving the payment and asking whether they were paid? It's a question for you, Mr Luchetti.

Mr Mason: Can I go back one step? I think it's important to remind the committee that there was an assessment done that looked at a range of factors within the department, prior to making the decision not to progress into a formal investigation. I wouldn't suggest that it's correct that the department did nothing; we did do an assessment. We then, as you've rightly stated, followed up with the individual that was alleged to have put this. It's also worth noting that, from my recollection—and I'm happy to be corrected—the person who was alleging the matter did so in a way that didn't necessarily imply that it had happened; they simply said, 'We're aware of this.' We have followed up to seek additional information, and we haven't received anything further in terms of specifics.

Senator BARBARA POCOCK: I'm really uncomfortable by that, because mostly, when someone does something really significant and wrong, they don't send the evidence to the place that's responsible for regulating the misdemeanour. You've used the language of 'given no evidence'.

Mr Mason: Sorry, I meant the person that provided the allegation to us has not been able to give us anything further than a comment that this happened.

Senator BARBARA POCOCK: It's not their job, is it? It's not their money. It's your money—the public sector's money—in your department, and it's a huge amount of it.

Mr Mason: It's alleged.

Ms Quinn: It's alleged.

Senator BARBARA POCOCK: It's alleged, absolutely.

Ms Quinn: And all we have is one person alleging it. We've asked for corroborational evidence. We've had an assessment internally in terms of the information we have, and we followed it up as we do in our usual process.

Senator BARBARA POCOCK: What actions have been taken?

Ms Quinn: We are open to further information. We've sought it, and we've not received any additional information.

Senator BARBARA POCOCK: You're waiting for a whistleblower—I'm sorry, that is not an investigation.

Mr Mason: Senator, can I also just make the point—which we have canvassed, but I think it's important—which is that, whilst we have not found any evidence of the allegation, the contractual arrangements that were in place at that time did not prevent an organisation making an arrangement for that type of payment.

Senator BARBARA POCOCK: Say that again?

Mr Mason: Essentially, there was nothing preventing, in the course of the arrangements under the EP, somebody seeking assistance to put together a tender in a commercial arrangement.

Senator BARBARA POCOCK: So there was nothing in that program—

Mr Mason: There was nothing at that time—

Senator BARBARA POCOCK: at that time—

Mr Mason: in that program.

Senator BARBARA POCOCK: There was no requirement or obligation on the person who was delivering the contract—this is delivering a program—preventing a person from receiving a payment from someone who was tendering for that work? There was no constraint?

Mr Mason: If somebody was tendering at that time and sought advice to support them with that tender, that would not have been prevented under that particular contract.

Senator BARBARA POCOCK: What do you think of that?

Mr Mason: I think that that was a gap, and we have since closed that gap in the procurement—

Senator Ayres: Senator, it appears to me that there are two—

Senator BARBARA POCOCK: This is appalling.

Senator Ayres: separate questions here. One is in relation to what is alleged to have occurred here, what can be substantiated as having occurred here and whether or not what occurred there was a breach of the rules that apply or the law that applies. That is one set of questions. The second set of questions are at policy level. While the ANAO found that this program was not fit for purpose and there were serious issues with it that had breached the Commonwealth Procurement Rules, it was a scheme set up by the previous government. That is why the

government has terminated the scheme and established new arrangements—a new scheme. That does not obviate the questions that you're asking in relation to the actions of individuals under the scheme, but let me make it very clear that at a policy level, following the ANAO's report, we paid very close attention to that report and we have terminated the scheme, or we've set up a new set of arrangements, and we're of course watching very closely—

Senator BARBARA POCOCK: I know my time is short, Minister—

CHAIR: You're over your 10 minutes. If you've got one—

Senator BARBARA POCOCK: Yes. Can I finish this little line here, because it's important to me.

CHAIR: How long? I can come back to you.

Senator BARBARA POCOCK: Let me just finish this piece, and I no doubt will need to come back. The Australian government investigations—

CHAIR: How long, Senator Pocock—like three minutes, or more?

Senator BARBARA POCOCK: More.

CHAIR: Okay. I'll come back to you.

Senator BARBARA POCOCK: Sure.

CHAIR: Senator Stewart.

Senator STEWART: I'd like to ask some questions about the National Battery Strategy.

Senator Bragg interjecting—

Senator STEWART: Thanks, Deputy Chair.

Senator BRAGG: You'll have the call, of course.

Senator STEWART: Yes. I'm just waiting for the officials.

Senator BRAGG: I look forward to your probing questions!

Senator STEWART: Always intriguing! We saw the Prime Minister and Minister Husic launch the National Battery Strategy a fortnight ago. The strategy talks about how Australia has natural strengths in this area, and I suppose it's a real opportunity to see us lean into what those strengths are. Could you please tell us what you see those strengths as being?

Ms Cooper: Yes, the Prime Minister and Minister Husic, on behalf of the government, released the National Battery Strategy on 23 May 2024, recently. The strategy is a really key part of the government's Future Made in Australia agenda, and it's about improving Australia's resilience and security and driving our economic growth across battery manufacturing capability here in Australia. The strategy draws out some key areas of opportunity and strength for Australia. So, really, what we see as the opportunity is to leverage our natural resources. Here in Australia, we mine, at the moment, a lot of really key minerals that go into batteries: things like lithium, nickel, copper, cobalt and manganese—things like that. We have very strong environmental, social and governance standards, we're a trusted trading partner internationally and we've also got a really rich history in battery and energy storage research as well. So, across the strategy, it draws out four key areas where we think Australia can particularly focus. These areas include—

Senator STEWART: Before you go into that, could I just ask about what our history is in the battery space. I think lots of people would be interested to know what that looks like. There might be lots of Australians who are surprised to hear that we're a pioneer in battery research.

Ms Cooper: Yes. We have a long history from Century Batteries up in Queensland—with lead-acid batteries starting in that space—and now we're really pioneering research in things like sodium-ion batteries and vanadium-flow batteries. On sodium, there's work out of Deakin University at the moment. Across Australia and over a period of time, we've really pioneered, particularly, non-lithium chemistry for battery applications. So, yes, those are the areas.

Senator STEWART: Cool. That does paint a bit of a picture about where we've been. Where are the opportunities? You can see that we're well overdue to have a national battery strategy to really place us in a really strong position not only in the global world but also at home, here in Australia. And the National Battery Strategy has five priority areas, doesn't it? Can you give us some details of what those priorities are and how we came about those priorities? Who did you chat to? How did we get to that position, I suppose, with these five priorities?

Ms Cooper: Of course. As you mentioned, the Battery Strategy focuses on five key areas. This includes, firstly, building battery manufacturing capabilities in ways that strengthen Australia's economic resilience and build on our areas of comparative advantage. The second area is around building knowledge and the skills to

create secure Australian jobs. The third is around securing Australia's place in global battery supply chains and diversification. The fourth is around leading the world on sustainability standards and the circular economy. Finally, the fifth area is bringing all levels of government together, acknowledging that there's a richness of activity happening around Australia that the strategy is encompassing.

In terms of your question about how we came to those areas, over the last almost 18 months now, we've been conducting consultation with industry, with Australia's research community and with state and territory governments as well. So that kicked off formally at the start of last year, in February. We did, in 2023, a public consultation paper and we had over 100 written submissions to that. We've engaged bilaterally with Australia's industry and, as I mentioned, had a series of interactions with state and territory governments. I know that the minister hosted a round table, I think, in March last year as well, and, similarly, we've held some round tables with our state government colleagues as well.

Ms Quinn: I might just add something. One of the chapters of the Battery Strategy goes into our skills and knowledge, and, if our people are interested, there's a more detailed exposition of our capabilities, the organisations across the research community and the innovative companies who are developing battery technology in Australia. It is a sort of unsung area of capability, but we've got cutting edge technology companies such as Sicon Battery Technologies, Energy Renaissance, FELINE and Gelion—just to name four—all in different types of chemistry and capabilities that draw on not only our natural resources but also our know-how. The strategy does go into that, as one of the second priority areas. So the government's strategy adds on top of that existing capability to take us to the next step, to be able to do more in Australia.

Senator STEWART: So there's been a lot of thought and planning on how we make sure that our workforce here is really positioned, that we've got the technology and skills to be able to do that—

Ms Quinn: And thinking about how universities and research institutions, such as CSIRO, can build that capability—and then to support companies. The particular focus of the strategy is on them taking that knowledge and making sure that we capture the manufacturing advantages in Australia. But it's not just manufacturing; it's also data analysis and the capability to integrate batteries into our system. There's a great deal of activity in the use of energy systems, which is in the IT and data space. So it's not just manufacturing; it's across the broad ecosystem.

Ms Pickworth: Senator, you asked before about high-value opportunities for Australia. One of the things that the strategy does is talk about where Australia's uniquely placed. That includes energy storage systems for renewable grids. It looks at our active battery materials going to the world. It looks at transport manufacturing and linking batteries in with that, and also leveraging our current good standing about making sure we've got safe and secure batteries. It brings all of that together to target where we think there are high-value opportunities for Australia.

Senator STEWART: Incredible. I suppose with all the bits and pieces in the strategy you need to make sure that there's a budget that aligns with that work. Can you talk me through some of the measures in the budget that go towards supporting the things that are in this strategy.

Ms Quinn: Funding is important in terms of the role for government to support some of the initiatives. It is part of the Future Made in Australia agenda. The high-level one is the battery breakthrough initiative—which has \$523.2 million allocated to it—which is focusing on transforming the battery industry by helping manufacturers move up the value-added chain. This will provide a targeted production incentive to support Australian battery manufacturers to build capability. It will be similar to other measures: paid on production and focused on high-value battery products that align with our areas of advantage. We will be working with industry to design the specifics of that program. It's really important to make sure that the money supports our comparative advantage and our ability to move up the value chain. But it's not just about supporting it at that production level; it's also making sure we've got capabilities and innovation to continue for the next wave. In some ways batteries will be with us for the next 30, 40 years as we move to different types of energy systems. I'll pass to my colleagues if they want to talk about this.

Senator STEWART: Before I get into details of the budget—you might not be up to this bit yet in terms of the planning bit—are there particular ways that you're thinking about industry and how we position ourselves? Are there particular cohorts? I suppose my interest is in First Nations people and how we're making sure that First Nations people are part of the Future Made in Australia, particularly in the battery strategies place. You might not be there yet, but I'm keen to understand what that looks like.

Ms Quinn: In general, in the department, we are very focused on making sure there are opportunities for First Nations, where we can, in all our programs. We comply with the whole-of-government focus, but for us it's also

about thinking about how we engage with different opportunities. For individuals, a lot of this will be through their employment opportunities, in terms of their capability and skills base. There are great opportunities for anyone interested in chemical engineering and other advanced manufacturing skills to be able to be part of not just batteries but solar and renewable energy opportunities in the future. So it's incumbent on organisations such as the CSIRO and our universities to lean in and support First Nations to take on those capabilities. We'll get to this a bit later in estimates, but the government's had a focus in this budget on increasing diversity of the science, technology, engineering, and mathematics cohort, continuing a focus on gender but expanding that to First Nations and people with cultural and linguistically different backgrounds and others. There is a need to make sure that these opportunities are open to as many Australians as possible. We need people to build their skills and capability and supporting them to do so.

Senator STEWART: There's lots of value to be added to the workforce.

Ms Quinn: There's a Building Future Battery Capabilities measure, which looks at how to bring together the disparate parts of the system as well. One of the issues sometimes in industries is connecting better different parts of the system. We are a geographically dispersed nation, and we have centres of excellence and different capabilities in different states. It's important that we at the Commonwealth level support the states to connect the capability across the economy. It's things as simple as a supply chain navigation tool which tells people where things work and how things connect. It can make a big difference to small businesses in particular to leverage up and have access to collaboration and market opportunities.

Senator STEWART: Those indicators from the federal government are really important.

Ms Quinn: There's a whole set of opportunities that we're looking at supporting in that space.

Senator STEWART: I feel like that definitely took us off track.

Ms Cooper: That's okay. The secretary has done an excellent job in talking through those measures. I might just add, in addition to the new measure around building future capabilities from this budget, there's also the Powering Australia Industry Growth Centre establishment, which was part of the budget last year. I would particularly draw attention to the aims of this Powering Australia Industry Growth Centre, which is really going to that support of Australian businesses in developing and adopting renewable technologies, including batteries. There are three main parts to their services. One is helping businesses to manufacture renewable energy tech and to commercialise local ideas. The second part is around encouraging those connections between the critical mineral producers and the renewable tech manufacturers, so it's really ecosystem driven. Finally, there's a third objective around delivering a specific First Nations advisory service to build First Nations business management capabilities in this space as well. That's a core objective of that Powering Australia Industry Growth Centre that has now been announced by the government.

Senator STEWART: I'd like to touch on something in your answer just then about all the different pieces that we've got to be able to achieve this strategy and the opportunities. There are lots of conversation about value-adding in resources. Can you tell me what that means? It would be really useful to understand what that means and what it is in practical terms that we'll be doing at home instead of sending it off to have done overseas.

Ms Quinn: It might be useful for me to start at a very high level, the level that I'm expert at, and then I will pass to the team, who will use more technical terms. When we think about the value added chain, in this case it's thinking about the raw materials. The first stage is finding the raw materials that Australia has. That is about the geospatial information. We have a comparative advantage in that. We are very well mapped in Australia and the government has invested in future mapping. So it's finding where the materials are and supporting mining industries to be able to extract them.

In this case, if you take lithium, for example, a large amount of it is used in current battery technologies. You need to refine the raw material and move it up the value chain to turn it into something that eventually ends up in a battery pack. One of the things the battery strategy has done really well is map out all of those steps in the chain. We do export a lot of lithium at the moment. The desire is to move up the value chain for critical minerals, which is critical minerals policy, which we can talk about in more detail tomorrow, through the production tax incentive the government is supporting.

So it's refining it and then combining all the battery technology chemistries. You need to add things together. It's fascinating to see them being mixed in together, because one of the elements of batteries is that you need to refine and improve the quality of the raw materials, because when you add things together if they are slightly different you will get a slightly different chemical reaction. So there's a great deal of value added labour and intensive capital involved in making batteries.

Senator STEWART: All of it sounds very high risk as well. You don't want to stuff that up.

Ms Quinn: There are safety issues. You have to have very good environmental standards to manage the environmental consequences for some of these refineries which involve use of acids and other chemical compositions. So it's important that you have really strong safety standards. It's important that you have high-value labour that can work in such environments in a safe way and also adapt technologies. I will throw to the team who can go through it. It's a fascinating journey.

One point that I spend a fair bit of time making is that batteries are not just the batteries that you see in your home appliances or in electric vehicles. There is a huge diversity of battery technologies that we need to be thinking about. We have some of the leading technologies in storage battery technology, cutting-edge technology that we need to think about how we capture going forward. I get very disappointed when the public discourse always defaults to car batteries. That is an important element, and we provide materials into that, but there is a diversity and an opportunity for Australia that's much broader than just car batteries.

Senator STEWART: Before we go to the details, maybe you're going to talk about the details of the types of batteries.

Ms Cooper: As the secretary has indicated, when we're talking about the battery value chain and adding into that value chain, it really starts with mining, digging the minerals out of the ground, then the refining, which is the processing and turning them into materials. They are subject more to critical minerals policy interventions and things like that.

Senator STEWART: The machinery, the skills—

Ms Cooper: Exactly—the extracting, the processing. Then we have what we call the active materials stage. In a battery typically you have a cathode and an anode and an electrolyser around it. The active material stage is around the development of the precursor cathode active materials and the cathode active materials—PCAM and CAM. These materials are core components in a battery cell. We think that is an area for Australia to do more of onshore. It's quite connected to that mineral processing step, so moving down the value chain into that next step and doing more here in Australia.

Senator STEWART: The cathode stuff, the processing of that, what does that entail? It might be too technical. Maybe I'm asking too much science in estimates. Maybe I'm the only one interested.

Ms Quinn: It is very much a manufacturing activity requiring capital to build facilities. You need scientists and engineers to be able to engineer the equipment to do the activity. It very much modern manufacturing using modern manufacturing capabilities such very clean, efficient manufacturing. Robotics are involved where it's more dangerous activities, to make it safe. There's very active monitoring of air quality and those sorts of things. When you see these in operation, it brings to mind a very different manufacturing concept than some Australians might have. As Ms Cooper was saying, there's active material, then there's putting it together in the cell, so building the initial cell, then putting the cells together to create battery packs. From there you get to the integrated services about how those are integrated into energy systems or into other uses. For example, how do you design transport systems that rely on batteries? How do you monitor the battery life? Then ultimately, how do you reuse and recycle?

One of the points that I learned on this journey of the battery strategy is that the more capability we've got in active materials and cell manufacturing, the easier it will be for us to recycle batteries. In order to be able to recycle you need to have the skill set and the capability to be able to handle materials, to break them back down and then repackage them into a use mechanism. Sometimes I've seen debates where people say, 'We'll just make them and then recycle them,' but we will be doing this over and over again, so it's important to think about our capabilities. It's not a done and forget. We'll have buildings left empty, but there is a significant demand for battery materials and then there will be recycling. Australia's got an opportunity to be part of both of the elements in that process.

Senator STEWART: It's interesting that you can do the entire life cycle, from the processing to the building to the recycling.

Ms Quinn: There's a very nice chart on page 11 of the national battery strategy booklet.

Senator STEWART: Great. I will check that out. My eight-year-old will be very excited to hear that there's a job in the battery strategy for him. He's interested in becoming a scientist to get into making robots. I don't know that I quite thought about the robots that would be required in this space. There'll be a job in the future for him if he chooses to go down the path.

Ms Quinn: There's a robotic strategy that explains the use of robots. Certainly there's a synergy between the critical minerals strategy, the battery strategy, the robotics strategy, the use of AI—artificial intelligence—and the

importance of strong labour capabilities and skills to have high value added jobs. Australia does have comparative advantage in the areas of interest here, and the government is putting a focus on developing those opportunities.

Senator STEWART: Excellent.

CHAIR: It's genuinely fascinating. Senator Smith you have the call.

Senator DEAN SMITH: Just capturing what we talked about briefly. Is the ITRF the forum that brings forward suggested improvement or recalibrations to Australia's anti-dumping regime?

Ms Quinn: It is the legislative body for stakeholder engagement with the system.

Senator DEAN SMITH: At the moment is there a timeframe or timetable for bringing forward any future ideas for improvement or recalibration?

Ms Pickworth: Can I just add to that? As I mentioned before, at the last forum meeting, the forum members themselves were focused on the next steps to bring forward their advice to government. There's been significant bodies of work done within the forum and by the forum members. The next steps are in their hands around how quickly that advice comes through to government.

Senator DEAN SMITH: But there are no next steps yet, are there?

Ms Pickworth: The forum themselves have got a series of next steps that they are taking to bring together that advice and provide it to government.

Senator DEAN SMITH: But there's no timetable or timeframe for when you OR the government or the department are expecting those reforms or recalibrations?

Ms Lueckenhausen: It's with the members themselves to determine the timeframe.

Senator DEAN SMITH: That was my understanding. Senator Ayres, you shared that the government has no proposals before it to recalibrate or change our existing anti-dumping regime?

Senator Ayres: The government is listening carefully and will listen carefully to that work when it's brought forward. It's watching developments and listening to stakeholders about these questions all of the time.

Senator DEAN SMITH: When we think about the Future Made in Australia strategy, is it not necessary also to think about that in the context of the suitability of Australia's anti-dumping regime?

Senator Ayres: Australia's industrial policy, more broadly, is not the same as our anti-dumping—

Senator DEAN SMITH: Are they not related? There's no interconnection.

Senator Ayres: I'm saying that one is not the same as the other. It is important to—

Senator DEAN SMITH: But there are points of interconnection?

Senator Ayres: Yes. The point I'm trying to make is that the anti-dumping regime has a particular purpose and a narrow purpose to deal with the kinds of behaviours or practices of our trading partners where they fall foul of our anti-dumping laws and of international trade arrangements. So it's important that there is a fit-for-purpose antidumping regime in place, but it is not the same thing as the Future Made in Australia strategy.

Senator DEAN SMITH: Is the antidumping regime, as it currently is, fit for purpose for the government's Future Made in Australia ambitions?

Senator Ayres: I think I indicated to you before that the government is constantly watching these developments and will listen to the advice of the Trade Remedies Forum—

Senator DEAN SMITH: Which has no timetable.

Senator Ayres: and to the advice of the stakeholders, including the ones that you've referred to.

Senator DEAN SMITH: So status quo is the modus operandi for Australia's antidumping regime, despite the fact that you have mentioned that there are points of interconnection with the Future Made in Australia ambition. Are the Future Made in Australia ambitions going to fit around our existing antidumping regime?

Senator Ayres: The government makes decisions from time to time. I'm not in a position to advise you of any decisions in relation to our antidumping arrangements or to advise you of any consideration of those.

Senator DEAN SMITH: To what extent have the Future Made in Australia ambitions considered or put its mind to—how has it considered and put its mind to Australia's antidumping regime?

Senator Ayres: I'm happy to take that question on notice in terms of whether there's been specific consideration of the antidumping regime. But, as I said earlier in response to your questions, it has its own narrow purpose.

Senator DEAN SMITH: Which interconnects, you said yourself.

Senator Ayres: There are points where it, of course, touches these questions of the economic competitiveness of Australian industry, but I'm not aware of any specific consideration of changes to the antidumping regime.

Senator DEAN SMITH: Given that you're not in a position, perhaps Ms Lueckenhausen might assist. To what extent have you been informed or advised or involved in the Future Made in Australia ambitions through the lens of having to perhaps review or consider whether or not our antidumping regime is suitable?

Ms Pickworth: I will begin, and then I'll pass to Ms Lueckenhausen.

Senator DEAN SMITH: I'd like to go to the expert first, if that's—

Ms Pickworth: I was just going to frame it in terms of the—

Senator DEAN SMITH: But I'd like to go to the expert first. Ms Lueckenhausen?

Ms Quinn: You have asked a policy question, and a policy question is a matter for the department policy officers, so I think it's appropriate that they provide—

Senator DEAN SMITH: But Ms Lueckenhausen is also available to ask a question of after Ms Mason.

CHAIR: Ms Pickworth.

Ms Pickworth: The department's responsible for the antidumping policy, legislation and oversight of the antidumping system. I was just going to provide that framing prior to passing across to Ms Lueckenhausen.

Senator DEAN SMITH: Thank you.

Ms Lueckenhausen: My responsibility is in relation to the Customs Act and making sure that we are undertaking the particular administrative duties there. In particular, our focus is on remedying injury to Australian industries caused by unfair trade. In practice, that means we address the injurious impacts of dumping and subsidisation and allow Australian industries to compete on a level playing field. We conduct the independent objective and robust investigations in line with Australia's domestic legislation based on the applications made by industry.

Senator DEAN SMITH: To what extent may our antidumping regime have to evolve to accommodate the Future Made in Australia ambitions?

Ms Quinn: That is a question about policy advice and policy input, on which we typically advise the government of the day. So we're happy to take it on notice to see whether the minister would like to provide additional information.

Senator DEAN SMITH: Just to be clear, Secretary, it's not within the rules of Senate estimates to take information on notice that is known to officials. You're familiar with that, aren't you?

Ms Quinn: I am indeed. But it's also appropriate for officials to take on notice if you're being asked for a government policy opinion.

Senator DEAN SMITH: Perhaps the minister might take the question.

Senator Ayres: Well, he would if he had been listening. What was it?

Senator DEAN SMITH: We were talking—Ms Lueckenhausen and myself—about whether or not Australia's antidumping regime would have to evolve to accommodate the Future Made in Australia ambitions. Is it reasonable to expect that that part of our policy framework would have to evolve to incorporate what is a very ambitious new agenda by the government.

Senator Ayres: I'm not sure that one follows the other.

Senator DEAN SMITH: Does one lead the other?

Senator Ayres: Whether they lead or follow, I think the point is the same. One doesn't automatically require the other.

Senator DEAN SMITH: Perhaps not. But—

Senator Ayres: And there is, as far as I'm aware, as I said earlier, no consideration of change to the antidumping framework.

Senator DEAN SMITH: In the context of the Future Made in Australia?

Senator Ayres: Correct. Yes.

Senator DEAN SMITH: Thank you.

Senator Ayres: But we are listening. We have two ears and we're applying both of them to all of these issues.

Senator DEAN SMITH: I don't think the listening question had been contested. From my perspective, it is the progress and the urgency with which these matters might be addressed or not addressed through the RTIF. But we can pursue that in the future. Thank you.

CHAIR: Thank you. Senator Bragg.

Senator BRAGG: I want to ask some questions about solar panel manufacturing. How much of the solar panel supply chain does Australia currently take part in and which components do we currently import?

Ms Quinn: The solar panel policy work relating to the Solar Sunshot program et cetera was undertaken by the Department of Energy. So it is probably more appropriate that those questions go to them.

Senator BRAGG: When are they in? Tomorrow, is it?

Ms Quinn: They are in a different committee.

CHAIR: Not in our committee.

Senator BRAGG: It's E and C, isn't it? Yep.

CHAIR: So the manufacturing part of it doesn't sit with you, Ms Quinn?

Ms Quinn: They have taken carriage. Mr Bowen has taken carriage under the energy component. So they are looking at that work.

Senator BRAGG: So Solar Sunshot is Energy?

Ms Quinn: Yes.

Senator BRAGG: Okay. That's a different committee. What else have I got for you? I've got some other things here, written down. I write it down so I don't have to remember it. What about battery manufacturing? Can we talk about that?

Ms Quinn: Yes.

Senator BRAGG: Why is it do you think that less than one per cent of global batteries or components are made in Australia?

Ms Quinn: In terms of Australia's battery capability, we have world-leading science and research in different components of battery manufacturing, as we just canvassed. The needs of batteries going forward will be different than they have been in the past. At the moment, the batteries that are largely produced are for home electronics and electric vehicles. When we look forward there will be a greater diversity of battery technologies required for energy systems such as renewable energy systems, but also as we translate into other energy storage options, such as different types of transport. So when we look forward we can see a different battery landscape than currently is the case. At the moment, China is the largest producer of batteries. They have invested in capabilities that other countries haven't. I note that many countries around the world are investing significantly in battery capability, to allow for diversity of supply chains but also to take account of additional technologies.

Senator BRAGG: I think you mentioned China there. I think there is some Bloomberg analysis that suggests that China is currently producing enough batteries now to meet the worldwide demand.

Ms Quinn: I'm not familiar with that particular piece of work. Often there is a singular focus on electric vehicle battery discussions. That is a different supply chain and different capability than energy storage supply chains.

Senator BRAGG: You're not concerned about oversupply?

Ms Quinn: Not in energy storage supply chains at this point, no.

Senator BRAGG: Are there subsidies in the US for manufacturing of batteries?

Ms Quinn: For certain types of batteries but not all types of batteries. They have a particular focus on electric vehicles, given their car manufacturing.

Senator BRAGG: Electric vehicle batteries?

Ms Quinn: They have specific subsidies, through their Inflation Reduction Act, that focus on electric vehicle manufacturing.

Senator BRAGG: Yes. But not on [inaudible] batteries.

Ms Quinn: But there are different types of batteries. I'm just checking; I think they have some support for particular types of energy storage, but it's not the headline measure that most people talk about.

Senator BRAGG: What about Canada?

Ms Quinn: Canada is focused on supporting their critical minerals industry. They are supporting electric vehicle manufacturing through support for individual companies. I know they have a gigaplant, for example, that they are subsidising, supporting a private company in building a facility in Canada. So are France, Germany and many other countries. All of that is in electric vehicle battery manufacturing.

Senator BRAGG: India?

Ms Quinn: India has certainly focused very significantly on their incredible transition to renewables. They've got very high targets for moving to renewables. I'm not sure about their focus on batteries though. Jocelyn, do you have more?

Ms Cooper: Nothing at my fingertips to add to that.

Senator BRAGG: So what is the subsidy that Australia is putting in place for batteries?

Ms Quinn: The government has announced as part of the Future Made in Australia and the budget process the Battery Breakthrough Initiative, which we will design with industry. It is targeted at ensuring Australian manufacturers to build capability that is critical to our economic resilience. It will be a production incentive and it will focus on our areas of comparative advantage to support the energy transition. The exact design, we will work through with industry. The focus will be on what our comparative advantages are and what our capabilities are. Most of that is in the energy storage system, but also particular targeted parts of the supply chain where we have particular comparative advantage or technological edge through our world-leading research.

Senator BRAGG: Do you have any concerns that all these subsidies that these countries are putting in place are going to have a perverse outcome?

Ms Quinn: It is the case that we would need to look very carefully at our comparative advantage and appropriate use of taxpayers money. That is part of the Future Made in Australia framework that the government has talked about. So we need to look carefully at the propositions and extract information from the private sector in terms of what their opportunities are. We have world-leading technology companies that have in the past chosen to move offshore for different reasons. The question would be: what are those reasons? And does that mean we're not making the most of our capability and our IP?

Senator BRAGG: I just wonder whether we've sort of seen this film before, and whether the subsidisation of industry, protection of industry, is all going to end in tears.

Senator Ayres: I think that there are two ways of approaching that question. One is: it's an interesting question if you see the world as you wish it were and could write think-tank papers about what the arrangements that other countries undertake in these areas are, but the truth is that there are significant developments in other jurisdictions in terms of their approach to these questions. For example, the Inflation Reduction Act in the United States context is going to have a very significant impact not only on American industrial development but also on the speed of the world's transition and the speed of the uptake of renewable energy technology—fuels like hydrogen and the uptake of technologies like the various forms of battery and storage technology that have been the source of discussions this afternoon. Australia has a choice to make with our comparative advantages below the ground, in terms of our mineral capabilities, our very significant solar and wind resources above the ground, and our existing capability in this area, particularly in the research, development and early stage commercialisation of battery technology.

Ninety-seven per cent of our trading partners have net zero targets. We live on the edge of the fastest-growing region of the world in human history. There is a choice to make—and the government has made it—in terms of these specific areas of activity, and batteries are very central to that. That is why the government set out the Future Made in Australia agenda, and, in places like Western Australia, that's why people across the political spectrum support it. People, businesses and the investment community recognise that this is the right step for Australian economic development, resilience and capability into the future.

Senator BRAGG: I'm not sure that I accept the view that everyone doing subsidisation is necessarily going to deliver a great economic output, but that is your position and it is your right as the government to have that position. We're in Senate estimates and we're critiquing your policies, and that's part of the process, so time will tell.

Senator Ayres: The question at the end of the day is, is he going to vote for it? Are you going to vote for—

Senator BRAGG: Vote for what?

Senator Ayres: economic development in Australia when the act—

Senator BRAGG: We don't support subsidisation.

Senator Ayres: Well, there you go.

Senator BRAGG: You know the answer. That was a rhetorical question.

Senator Ayres: There you go.

Senator BRAGG: You know the answer.

Senator Ayres: The party responsible for 40,000 jobs being lost in the auto sector is consistently going to take—

Senator BRAGG: I'm not sure how this is an answer to any of the questions.

Senator Ayres: the approach of denying future economic development in our suburbs and regions.

Senator BRAGG: This is just more politics.

Senator Ayres: It is in the national interest—

Senator BRAGG: More politics.

Senator Ayres: It is in the national interest—

CHAIR: I think what I'm feeling is a break coming on.

Senator BRAGG: Spin, spin, spin.

CHAIR: And I call a break, as scheduled. We will return with outcome 1 program 1.1.

Proceedings suspended from 15:53 to 16:09

CHAIR: The committee resumes with DISR program 1, outcome 1.1. I will remind all participating senators of our hard marker of 10 pm. Senator Pocock.

Senator BARBARA POCOCK: I'm very conscious of that, thank you, Chair. Thanks everyone for struggling onwards. I'm going back to the salt mines of the Entrepreneurs' Program. I just want to begin by acknowledging your point, Senator Ayres, that this program was run by a previous government, and that it's suspended and doesn't operate now. It was run by a different government and a different minister. Can you remind me of who the minister was when these events in relation to i4Connect unfolded?

Senator Ayres: I'm not sure whether this is one of those portfolio areas that the Prime Minister secretly appointed himself to or not. I might ask the officials if they can—

Senator DEAN SMITH: [inaudible] habit of doing that?

CHAIR: The former Prime Minister, Mr Morrison.

Senator Ayres: Mr Morrison. We don't hear him spoken of as much as before, even by his protege, Mr Dutton.

Senator DEAN SMITH: That's not fair or true.

Senator BARBARA POCOCK: Does someone know who gave birth to this?

Senator Ayres: I actually don't know.

Senator BARBARA POCOCK: And who was the minister throughout?

Ms Quinn: Unfortunately, I don't know either. I've got the date of when we had the audit, which was in 2022, so it was earlier than that. We might do some digging and see whether we can come back to you.

Senator Ayres: The minister's office will try and get that for us now. It is a difficult question to answer because there was a rotating door of ministers through this portfolio and some of them weren't often seen in the department, so they were hard to recognise. But we will do our best.

Senator BARBARA POCOCK: I didn't want to create an opportunity for slugging.

Senator Ayres: We will do our best to uncover who the actual minister was over this period.

Senator BARBARA POCOCK: Could you also provide any advice that went to that minister about i4Connect and any problems that arose in relation to it, so that I can be properly informed about what the minister knew and when about this aspect of the program.

CHAIR: If that was a response there, it wouldn't have been recorded by *Hansard*, Mr Mason.

Mr Mason: We'll certainly take it on notice.

Senator BARBARA POCOCK: Thanks for that. I want to come back to the success fee and the lack of a contract element that prohibited the payment of a success fee, which you were reflecting on, I think, Mr Mason. I think you were referring to the Northgate contract when you made that comment, because there was, I understand, a clause in the i4Connect contract that prohibited the engagement of former or current government contractors to get improper assistance. Surely a \$900,000 payment would meet the test of improper assistance?

Mr Mason: I don't have that contract with me, but we can certainly go back and confirm that for you.

Senator BARBARA POCOCK: That then opens a gateway—does it not?—to action. I want to hear it again: in the two years since the allegation, has the department gathered any relevant primary source information about the improper use of assistance, other than calling the person accused of receiving the payment and asking whether they were paid?

Mr Mason: We did do that. As I mentioned in my evidence earlier, we also undertook an initial assessment of the activity. That was undertaken by a third party, and they approached that process in accordance with their expertise.

Senator BARBARA POCOCK: Who was that third party?

Mr Mason: I will need to take that on notice. We employed a contractor, essentially, to do that work for us—a firm.

Senator BARBARA POCOCK: What exactly did they do?

Mr Mason: I'll see if Ms Chard wants to add anything.

Ms Chard: I had responsibility for the integrity branch at the time of the fraud assessment. Under 3.3.2 of the Australian Government Investigations Standard, departments have the capacity to undertake an initial assessment prior to determining whether or not a fulsome fraud investigation is necessary. We undertook that assessment internally and then also with the assistance of a third-party contractor. We've released a redacted version of that assessment, under FOI, and we've deliberately redacted the name of the contractor, at the contractor's request, for privacy reasons. That assessment looked at all of the available information that had been provided to us, including the phone conversation that was had with the person who it was claimed had received the payment. The principal consideration that formed our view that a further assessment wasn't necessary was the fact that providing a payment of that nature was not prohibited under the contracts at that time.

Senator BARBARA POCOCK: I'm asking you to clarify this. I understand that that contract included clause 9.5(d), which prohibited the engagement of former or current government contractors to get improper assistance.

Ms Chard: I'll take that on notice and look at that again.

Senator BARBARA POCOCK: You have already taken that on notice. A payment by someone who already was under a contract of \$900,000, receiving it, being paid by i4 Connect, to another government contractor, past or present, would constitute a problem.

Mr Mason: Just to check, you're referring to a contract that was put in place post the tender for the services that were then going to be taken forward?

Senator BARBARA POCOCK: For the i4 Connect contract—that's what I'm talking about. The Australian Government Investigations Standards, which you've just mentioned, Ms Chard, at the time of the complaint required the department to have 'processes for maximising the attainment of accessible relevant information'. That would include the capability to inspect i4 Connect's books, wouldn't it?

Ms Chard: Senator, that power would be open to us if we pursued an investigation, but, as I previously stated, we didn't pursue a more fulsome investigation because our preliminary assessment identified that, even if a payment had been made, it would not have been an unlawful activity. But I appreciate that you've asked us to relook at the clause of that contract.

Senator BARBARA POCOCK: I understand that you didn't look and the person you contracted, the third party, did not look at i4 Connect's books. This is a company that was set up a few days before it was suddenly tendering for and subsequently received a very significant contract. Am I right in saying that you have never looked at and your third-party investigator has never looked at the books of i4 Connect?

Ms Chard: I'd need to take that on notice to ensure that we never investigated the books in any other capacity. But we did not investigate the books in making that initial assessment because, as I stated, at the time our conclusion was that making such a payment would not have been unlawful.

Senator BARBARA POCOCK: Did you advise the minister that such a payment had been made—was alleged to have been made?

Ms Chard: I would need to take that on notice.

Senator BARBARA POCOCK: In your previous answer to a question on notice, which is AI-149, question 15, the department cited a conflict for its refusal to disclose why it would not inspect i4 Connect's books in respect of the corruption allegation, saying that that disclosure would 'compromise the Commonwealth's ability to manage potential claims of processes'. The first thing is that that's a very different response to the one you just

gave me. You've just told me that you thought there was nothing against the possibility or the practice of a success payment. But these words, in response to an earlier question on notice, say that there was some kind of compromise issue in relation to the Commonwealth's ability to manage potential claims or processes.

Ms Chard: If I could clarify my previous response. My response was in relation to the scope of a fraud investigation. If we determined that it was appropriate to undertake a fraud investigation, my understanding is that it would be within our power to investigate documents. I do, though, in the context of the previous evidence that you've just read, note that there may be a conflict between that power and the other considerations that were being given to the complaint process at that time.

Senator BARBARA POCOCK: I'm quite puzzled about this. How has the department managed its conflict of interest between managing claims and investigating corruption?

Ms Chard: The conflict never arose, because we came to the conclusion that an investigation wasn't warranted.

Senator BARBARA POCOCK: Who exactly came to that conclusion and when?

Ms Chard: That conclusion was reached by our independent integrity adviser, who undertook that fraud assessment. That assessment was then further supported both by the branch head and by me as the head of division responsible for integrity at that time.

Senator BARBARA POCOCK: Can I have the correspondence and documentation in relation to that consideration. You've already made the independent report public, redacting the name of the investigator, but you have subsequently made considerations, in your own capacity and with others in the department, in response to that report. I'd like that documentation.

Ms Chard: I'm happy to take that on notice, but it was an acceptance of the report. There may not be any explicit correspondence other than an acceptance of the findings of the report.

Senator BARBARA POCOCK: I think it is very important to know who did the report and when they reported. I'm asking you to reconsider your redaction of their name. It is a very serious matter. You have taken on faith what they gave to you as a department in a review of an investigation, and the public deserve to know. In a rather clouded space with a lot of absence of transparency about who was doing what, I think it's important the public know who did that review and when they did it. I'm asking you to reconsider your redaction of their name. They have asked for it as a contractor, but you as a department need to consider your obligations of transparency to the public. Thank you for taking that on notice. Is that clear?

Ms Quinn: We're happy to relook at the issue. We have obligations always to investigate under the arrangements and to do appropriate actions there. We also have other obligations on taxpayers' money. The reason why we have a triaging regime is to protect taxpayers' money. I'm very happy to take your question on notice for us to review it. Also, once again, we've set this out in response to various questions, but it might help the committee if we set out the steps that we have taken and the actions that we've taken to the extent we can, to provide clarity. Rather than having different questions on notice in different places, we can go through it step-by-step for you.

Senator BARBARA POCOCK: I'm happy to have a timeline on it—who, when and how much they were paid. Can you add that to the list. I'm very curious that someone who has done a review informing the department about whether a serious misdemeanour was committed does not want to put their name to that evaluation. What the reason is that someone would do that is something that is of interest to me. I look forward to your response about whether you're willing—and I hope you are—to give us the name of the person who did a report on public money.

Is there any reason you can tell us that would explain why you didn't conduct this examination yourselves? This would otherwise have been a very straightforward way to determine whether a payment of \$900,000 had been made and to whom it had been made and when. It's a very puzzling payment, and it is really important, I think, to understand why you didn't proceed with that investigation yourselves.

Mr Mason: It might be worth reflecting—and Ms Chard can add as she needs to—that, obviously, we have a range of capabilities in house and we deploy those capabilities as demand comes in, but you might appreciate that sometimes you've got more demand than capability, so we do make judgements about when we pursue things with our own capabilities, the capacity to do that in a timely fashion and whether we need to bring on expertise to supplement that. We are growing our internal capabilities in that regard, and we've touched on that with the committee already. I expect in the future we will do more in-house fraud activity ourselves. But, at that time, we were in the very early stages of building the new capability.

Senator BARBARA POCOCK: I'm very conscious that this was some time ago under a previous government and that the program has been ended. But this is a \$31 million program and a very substantial payment alleged to have been made, so I think it deserves a closer examination. I want to come to the question of tax certificates. In questions on notice I asked for the dates on which two tenderers delivered their black-market-economy tax certificates. You declined to answer but said 'Everyone shortlisted complied with mandatory conditions for participation.' Can you reconcile your answer with the ANAO finding that the department progressed 11 tenderers that didn't meet the mandatory conditions for participation? What happened there?

Mr Mason: Do you have the question on notice number? There were a number of questions on notice from the last committee hearing, so I'm keen to make sure—

Senator BARBARA POCOCK: I don't have the number with me. I'm sorry. I'm happy for you to take it on notice if it's going to be tricky to do right now.

Mr Mason: I obviously want to assist the committee, but I'm conscious that if we don't know exactly what you're looking at, it's difficult for us to be able to come up with something.

Senator BARBARA POCOCK: It's my question on notice in relation to the two tenderers and the delivery of their black-market-economy tax certificates.

Mr Mason: There were a number of questions you had on this matter.

Senator BARBARA POCOCK: Yes. I'm sure you will find it, though, if you go back.

Mr Mason: We'll absolutely look at it.

Senator BARBARA POCOCK: I'm asking for that reconciliation with what the ANAO came up with. In taking that on notice, can I also ask a question about the entrepreneurs' program contract with i4 Connect, which had a clause in it requiring i4 Connect to maintain:

for seven years following the expiry or termination of this ... Contract, valid and enforceable insurance policies for either professional indemnity or errors and omissions ...

Does i4 Connect currently have insurance?

Mr Luchetti: We've spoken to i4 Connect. They currently meet the requirements, which include the need to have insurance to the value of \$20 million.

Senator BARBARA POCOCK: Thank you very much.

CHAIR: Deputy chair?

Senator BRAGG: Before the break, we were talking about batteries. We talked about subsidies. We had a political style discussion. Now if we could go back to policy, that would be great. I have something I want to table, which is a report called *Barriers to collaboration and commercialisation*, with your good will, Chair. This is a report that's been commissioned by the Industry Innovation and Science Australia.

CHAIR: The committee will table the report.

Senator BRAGG: Thanks, Chair. Is this known to you, Ms Quinn?

Ms Quinn: Yes, it is.

Senator BRAGG: Who did the report?

Ms Quinn: It was commissioned of the IISA, which is a statutory body that provides advice to the government on the innovation system. There are statutory appointments to that body, and they have a statement of expectations and a work program that is commissioned of them by the minister. The minister asked for them to do work on this. The way the IISA committee operates is that they often allocate a particular member of the committee as a sponsor to be the guiding force behind their work, but they draw on expertise both inside and outside the department. In this case, there were two committee members that were sponsors of this work, and they worked with the secretariat to do the analysis. The secretariat are departmental officials. They draw on others as needs be. I'll pass to my team. That's the overview of how they do everything.

Senator BRAGG: Before you pass over, who commissioned the report?

Ms Quinn: The IISA have a process where the minister provides them with a statement of expectations, which sets out their work program and highlights any particular areas of focus that the minister may wish to do.

Senator BRAGG: Which minister was this?

Ms Quinn: Minister Husic was responsible for asking the IISA to look at barriers to collaboration and commercialisation. The IISA also have the ability to do their own research to provide advice if they want to.

Senator BRAGG: Yes. It sounds like the PC, right? They can do their own self-referred work, or they can be asked to do a piece of work by a minister.

Ms Quinn: That's right, and they are responsible for some statutory elements where they're required to evaluate and implement parts of the program for industry assistance.

Senator BRAGG: And these are all experts in this field?

Ms Quinn: They're all experts in various elements of industry policy and innovation. There is a diversity of capabilities and backgrounds. They are appointments of the minister, and they go through a fairly rigorous process of evaluating them.

Senator BRAGG: Have you been given the piece of paper?

Ms Quinn: No, but I do know the report.

Senator BRAGG: Basically, when you receive it, there's a chart on—I'd better wait for you to get the report.

Ms Quinn: I have an electronic version of the report.

Senator BRAGG: Great. If you go to page 21, there's chart 4. On this chart it appears to be the case that quadrant IV items include electrical equipment—for example, batteries. It is sitting in that quadrant, which I assume means that, as the report says, 'Businesses that operate in industries that are not internationally competitive face significant import competition.' Do you agree with this report's characterisation of batteries as being part of quadrant IV?

Ms Quinn: It's not just batteries; it's other electrical equipment—for example, batteries. This is a historical evaluation of historical data. We've had this conversation already. There is a predominance at the moment on electrical items and electric vehicles. The opportunities for batteries going forward are much more diverse and expansive than that. We can double check. There's a historical perspective and a future perspective.

Senator BRAGG: I understand that. I don't think it's a complicated question. I guess I'm asking: is there a government report here that's been commissioned by a minister that's saying that batteries and these sorts of things are not things that Australia is going to be able to do well or competitively, while there's a policy that is proposing to significantly subsidise and ramp up these things that we're not good at? That's the question.

Ms Pickworth: To add to what the secretary was talking through, the revealed comparative advantage is one of the axes of that chart, and then there's the import accreditation. As the secretary was saying, depending on how you group those categories, it is an accurate reflection of what is happening across some of those sectors. But, in some ways, that supports the government's strategy, particularly in the case of the batteries, where it's targeting particular high-value opportunities for the Australian industry. It's not attempting to be all things to all people across the entire battery chain, whereas that grouping there is a much broader categorisation than where the battery strategy is positioning itself.

Senator BRAGG: It says EV batteries.

Ms Quinn: Sure, but—

Senator Ayres: Which means that, in that category of other electronic equipment, they have provided an example. AAA batteries and AA batteries—it's all very interesting, but if the coalition critique of the battery strategy is going to be—

Senator BRAGG: This is your report.

Senator Ayres: focused on a chart on page 21 of a report which obliquely refers to a category of electronic equipment—

Senator BRAGG: Well, that's not the case. As you know—

Senator Ayres: That is okay with me. That is fine. As you know, government gets advice from all sorts of places, including this advice. If you read the whole thing—I'm sure you haven't, but someone in your staff team will have given you this, I assume—it makes it very clear that these sectors would require disruptive innovations to support capability, that there is support required—

Senator BRAGG: What are you quoting from there? Is that the report you're quoting from?

Senator Ayres: No. This is the overall position in the report. You are selectively quoting. What this report does is to back in precisely the government's approach: targeted support in sectors that can make a difference, and commercialisation support, which is exactly what the Industry Growth Program and National Reconstruction Fund do.

Senator BRAGG: You obviously don't agree with this report's findings, and thematically—

Senator Ayres: I don't agree with your characterisation of a table. I think it is a very big stretch—

Senator BRAGG: The idea that this is the whole argument is ridiculous. As you know, if this were going to be a strong industry—

Senator Ayres: It is a very big stretch to say that—

Senator BRAGG: we'd already be building batteries and panels in this country. Everyone knows there's no comparative advantage for us here.

CHAIR: Deputy Chair, we'll let the minister conclude his answer.

Senator BRAGG: Back to politics, are we?

Senator Ayres: The choice for Australia is whether or not we act with our partners to deliver supply chain security and economic resilience in what is a new and very challenging global environment.

Senator BRAGG: It's unconvincing. You know that. Even your own report doesn't support your proposition. This is just politics now.

Senator Ayres: This is one of dozens—

CHAIR: Would you like me to share the call?

Senator Ayres: or scores of different pieces of material that are provided to government.

Senator BRAGG: Well, how long is this filibuster going to go for?

CHAIR: I'll share the call with Senator Pocock if you don't have further questions, Deputy Chair. Do you have further questions?

Senator BRAGG: I will have more, but please rotate the call.

CHAIR: Okay. Senator Pocock.

Senator Ayres: I should say that what I just said is a direct quote from the report, and it's their explanation of quadrant IV.

CHAIR: Thank you, Minister.

Senator BRAGG: Very helpful.

CHAIR: Senator Pocock.

Senator BARBARA POCOCK: Can I clarify what I said in my earlier questions: the clauses that ban improper assistance in relation to i4 Connect are clauses in the tender submission form, not the contract. I'm sorry; this is my error. I am hanging on by my fingernails here. It was the tender submission form which prohibited tenderers from receiving improper assistance. That's the pointer that I was trying to draw attention to, and that's improper assistance from former Commonwealth contractors. I'm asking you to confirm whether that is the case. But I want to go to the question of financial viability of i4 Connect now, and then I've got one other set of questions, so there may be an opportunity for my colleague Senator Hodgins-May to follow.

I want to get an understanding of how the department came to the position that it was satisfied with the financial viability of i4 Connect, given they had a capitalisation of only \$100 and a very short existence before submitting their tender. In answer to a previous question, you said that you've asked i4 Connect to provide information which you then passed on to the pricing analyst and the probity adviser, who both indicated that they were satisfied. I recognise this was under a previous minister. Did they or the tender assessment panel give any clue as to what it was about this two-week-old shell company with \$100 in the bank that gave them the courage to award it a \$31 million contract?

Mr Luchetti: As you mentioned, this was under a previous government, and other people were involved in the process at this time. My understanding is that, as part of the tender assessment process, i4 Connect was asked to provide some financial evidence, some financial guarantees. That evidence was obtained and considered by the assessment panel and deemed acceptable.

Senator BARBARA POCOCK: Could you provide me with a copy of that evidence and the assessment on notice?

Mr Luchetti: I'll take it on notice

Senator BARBARA POCOCK: Finally on iConnect, I want to go to some of the legal cost issues. The department has previously said it expected the collective total compensation for 11 unsuccessful tenderers for the Entrepreneurs Program to be less than \$1 million for their tender preparation costs. Given that estimate was public and now that there are no more active claims remaining, why is the department continuing to refuse to disclose the total compensation actually paid?

Mr Mason: We still have a couple of active claims under the GPJR. I'm happy to give a range, if that's helpful.

Senator BARBARA POCOCK: Yes.

Mr Mason: Of the claims that we've settled under the GPJR Act, they've been somewhere in the vicinity of \$10,000 at the lower end and upwards of \$70,000 at the top end. We have one claim currently under the CDDA where the claim is for orders of magnitude higher, in the tens of millions. That is still not settled.

Senator BARBARA POCOCK: You have one claim that is still outstanding or two?

Mr Mason: One in the CDDA and two—

Mr Luchetti: We had two in the GPJR.

Senator BARBARA POCOCK: Three claims outstanding? How many have been settled?

Mr Luchetti: We have settled 12 claims. A 13th has been agreed but we haven't signed the final documents and made the final payment.

Senator BARBARA POCOCK: You've given me a range of between \$10,000 and \$70,000. Can you give the figure for the total 12 that are finalised already so I can know that number?

Mr Mason: I'll think for a moment about that. The reason I'm pausing briefly is because we're still settling the other two. I don't want to prejudice.

Senator BARBARA POCOCK: You've told me the range. If they're listening, they're aiming for \$70,000.

Mr Mason: Yes, but if I give you a total—

Senator BARBARA POCOCK: That gives me an average. Do you undertake, when all the claims are done, which hopefully will be soon, I imagine, that you'll make public the total sum of the settlements?

Mr Mason: Yes. I committed to do that with the JCPAA already. I'd note that obviously we've got two buckets, as I mentioned—GPJR claims and the CDDA claim. The CDDA claim obviously is not in that range. That claim is for tens of millions of dollars.

Senator BARBARA POCOCK: Where is that claim up to?

Mr Mason: That claim is currently paused on the request of the claimant.

Senator BARBARA POCOCK: Is it the case that the legal fees paid to Minter Ellison to defend the department were larger in total than the payouts that you're heading for?

Mr Mason: I'll have to double check. I'd say two things about legal costs to date. Part of those costs have gone to working through a settlement with those who have claimed. But that has also included supporting organisations to understand how to provide evidence in such that we require to be able to settle it. The vast majority of the spend to date, proportionately has been on the one CDDA claim rather than the others, on the basis on the order of magnitude.

Senator BARBARA POCOCK: So the payment is for a range of things, assisting claimants, doing settlements, actually doing legal work, and now this particular claim which has taken considerable work. I understand the fees of Minter Ellison have expanded by 400 per cent along the road. Is that right?

Mr Mason: Certainly we have had to vary the contract over the period we've been working with them to be able to cover for the things I've just explained to you.

Senator BARBARA POCOCK: What's the total value of that contract now?

Mr Mason: Mr Luchetti will have the total.

Mr Luchetti: I don't have the figure in front of me at the moment. I'll take it on notice, but I think it's in the order of about \$700,000.

Senator BARBARA POCOCK: Thank you. When choosing a law firm, why didn't the department give preference to a firm that, unlike Minter Ellison, had not been contemporaneously and adversely named in corruption proceedings relating to government procurement in Western Australia on 21 September 2022? How come Minter Ellison ended up with that contract at that moment?

Mr Mason: We'll have to take on notice the specifics of the procurement activity, but we would have procured their services through the legal services panel that we would normally secure legal services through. I'm fairly confident of that. I'll have to take it on notice.

Senator BARBARA POCOCK: Thank you for taking it on notice.

Senator ROBERTS: Thank you for appearing tonight. Recommendation 2 of the Rural and Regional Affairs and Transport Committee inquiry report into the project known as Iron Boomerang reads:

The committee recommends the Australian Government commissions and publishes a scoping study on the establishment of a steel plant/s located in Northern Australia.

This relates to the proposal for steel plants at Abbot Point near Townsville and Port Hedland in Western Australia with a railway line or ships being used to exchange iron ore and coal backwards and forwards to make the world's highest quality steel prices that undercut China by at least 10 per cent. This project will generate hundreds of billions of dollars per year in steel and associated products, many fine by-products, and create tens of thousands of breadwinner jobs. The project proponents have advised they have the funding to build this project from leading infrastructure world funds already. This project does not need public money. The land at Abbot Point is already zoned for a steel mill. Minister, my question is, will you call this inquiry and ensure our future really is made in Australia?

Senator Ayres: I'm advised that the government is considering its response to this inquiry. I can say further that of course iron ore is one of Australia's largest commodity exports. We have a very capable mining sector, and we also have adjacent to our mining sector vast solar and wind reserves. The Future Made in Australia agenda is looking at value adding in iron and steel, across a range of our critical mineral categories. It offers very significant opportunities for investment in precisely the kind of industrial capability that you are referring to here. I don't know anything about the actual proponents of these particular facilities, but in the broad, in metals processing Australia has a significant future comparative advantage. This government wants to make sure that we secure that comparative advantage and that investment, I'm sure.

Senator ROBERTS: Minister, I'm not sure if you're aware of it, but this project as it stands will significantly—I don't believe it's necessary to reduce carbon dioxide from human activity, but you do and the government does. This project as it stands, with the use of conventional rail, conventional ships, will dramatically reduce the carbon dioxide from human activity because there will be no empty backloading. There will be no one-way transport of coal or iron ore, which are currently exported in massive quantities from this country. Instead, they'll just be shuffled across the country in a very limited transport regime and back load so that there will always be a load.

Senator Ayres: Much broader than that is our advantage in solar and wind with 97 per cent of our trading partners, including our trading partners in energy and steel production. Think of markets in Korea and Japan. There are very significant opportunities for Australia in both economic development terms and also, as you point to, in emissions reductions terms, to make a significant contribution to the emissions reductions by our partners by producing onshore in a cleaner way than our trading partners do. This is a very significant national interest question for Australia, and the government is working hard to secure future investments in this area.

Senator DEAN SMITH: I might ask Ms Lueckenhausen to come to the table, if I may. I want to turn to a matter that has received some public interest thus far, and that is the decision to lift the tariff on Chinese wind turbines. There have been suggestions that the government may have influenced your decisions on this matter. Is that true?

Ms Lueckenhausen: No. I can confirm that the commission made that decision independently. The commissioner, or the acting commissioner in this instance, is an independent statutory officer, and all of the recommendations made are based on analysis of the facts and the evidence available at the time.

Senator DEAN SMITH: Did you make one decision or two decisions in regard to the issue?

Ms Lueckenhausen: There was one recommendation to the minister.

Senator DEAN SMITH: Was there only ever one recommendation, or was there one recommendation followed up by another recommendation?

Ms Lueckenhausen: Only one recommendation.

Senator DEAN SMITH: I thought I might explore a couple of documents that have been made available on FOI, and the first I want to turn to is the actual decision document—that is my terminology. I'll ask for it to be tabled. The document that I've just asked to be tabled is headed, '621—Wind towers from China: continuation—dumping'.

CHAIR: What's the source for it, Senator Smith?

Senator DEAN SMITH: FOI.

CHAIR: But what's the document?

Senator DEAN SMITH: This is a document that details the timeframe for decision-making around the decision.

CHAIR: It's an Anti-Dumping Commission document?

Senator DEAN SMITH: Yes. I'll ask Ms Lueckenhausen to—

CHAIR: Is this a public document?

Senator DEAN SMITH: Yes, it is a public document. It was made available on FOI.

Ms Lueckenhausen: Sorry, I'm not aware of that particular document. All of our—

Senator DEAN SMITH: You wouldn't have seen it yet, because it's not yet been drawn to your attention.

CHAIR: I might not table it until I've had some advice about what the status of the document is, but I'll give it to the officials to have a look at.

Senator DEAN SMITH: It's a document that's been released by FOI.

Ms Pickworth: Was the FOI with the Anti-Dumping Commission or the department?

Senator DEAN SMITH: The FOI number is LEX 74775. Do you have that document in front of you, Ms Lueckenhausen?

Ms Lueckenhausen: I'm not saying it's not part of the FOI, but it looks like a printout from our public electronic register. This is the material that's publicly available. All through the case, we publish information about the status of the investigation, such as the statement of essential facts I was talking about earlier. Once the decision is made by the minister, we also publish the decision of the minister on the website. My record is that the minister's final report was published on our website on 15 March 2024.

Senator DEAN SMITH: Thank you very much. Is it necessary to table that? I think you said it's a public document.

Ms Lueckenhausen: It looks like a printout, but I'd have to check to see if it matches exactly. I can take that that on notice. The font at the top looks like our website.

Senator DEAN SMITH: Just to confirm, you signed off on the recommendation to the minister?

Ms Lueckenhausen: No, sorry. I should clarify that generally our decisions are independent, but I was not acting commissioner at the time.

Senator DEAN SMITH: Aha. Who was the acting commissioner at the time?

Ms Lueckenhausen: I just need to confirm—

Ms Pickworth: We'll check it, but Brad Armstrong was the previous Anti-Dumping Commissioner, and from my recollection it was when he was still in the role, so it would have been Mr Armstrong.

Ms Lueckenhausen: I'm just checking with my colleague to make sure it wasn't somebody else acting during that period in January.

Mr Jeyarajah: Brad Armstrong was still in the commissioner chair at the time the recommendation went up to the minister for this case. We will take it on notice just to confirm that he wasn't on leave in that particular week or around that time the decision went up.

Senator DEAN SMITH: Ms Lueckenhausen has said the decision was made on 15 March.

Ms Lueckenhausen: The decision was published on 15 March.

Senator DEAN SMITH: And the decision was made on what date?

Ms Lueckenhausen: It is generally on or around the time that we publish it. We try and publish it as soon as the decision comes to us, so it's generally on the day that we receive it or, if it arrives in the afternoon, the next available possible opportunity.

Senator DEAN SMITH: So the decision was made on or around 15 March, with high consideration or proximity to—Ms Lueckenhausen, you would have been in the deputy commissioner's role, looking after enforcement matters, at the time?

Ms Lueckenhausen: I was on leave in January, so that's why I couldn't answer that question with certainty; otherwise, I would have remembered. My apologies for that. But, no, that's why we need to check that.

Senator DEAN SMITH: Did the brief from the Anti-Dumping Commission go directly to the minister's office or did it go via the department?

Ms Lueckenhausen: No, it went directly to the minister's office.

Senator DEAN SMITH: So it would not have been seen by departmental officials?

Ms Lueckenhausen: They get visibility at the point at which we make the recommendation to the minister.

Senator DEAN SMITH: I'm keen to establish a timeframe here, so what would that date have been?

Ms Lueckenhausen: My notes have that the final report was provided to the minister on 19 January.

Senator DEAN SMITH: And the department would have got sight of it around 19 January?

Ms Lueckenhausen: Yes.

Senator DEAN SMITH: Who in the department would have had sight of it?

Ms Pickworth: That would have been my group—in particular, the Industry & Manufacturing Division that has lead on antidumping policy matters.

Senator DEAN SMITH: Ms Talbot, can you confirm that you saw the brief from the Anti-Dumping Commission on or around 19 January?

Ms Talbot: I can confirm that that would be usual process, yes.

Senator DEAN SMITH: What is the usual process, for those of us that aren't familiar?

Ms Talbot: When the commission makes a decision and provides that recommendation to the minister, the department gets visibility of that at that time.

Senator DEAN SMITH: What does 'getting visibility' mean?

Ms Talbot: It means we get to see the brief.

Senator DEAN SMITH: Having had sight of the brief, do you then prepare a complementary or supplementary brief for the minister?

Ms Talbot: No, we don't.

Senator DEAN SMITH: So you just—

Ms Quinn: To be clear, there's nothing preventing us from doing so if we so choose to do so.

Senator DEAN SMITH: In this particular case, did you choose to do anything with the brief, having had visibility of it?

Ms Talbot: It's my recollection that we didn't, but I would like to take that on notice to be doubly sure.

Senator DEAN SMITH: Great. Thank you very much. Did the minister's office themselves make any inquiries of the department after they received the brief?

Ms Talbot: Again, I'd have to take that on notice just to be sure. We may have spoken to them. They may have spoken to us. They may have asked questions. I'm not 100 per cent sure.

Senator DEAN SMITH: Is it common for the department to prepare briefs, whether formal or informal, or information briefs on Anti-Dumping Commission submissions or briefs to the minister's office? Is that a common or uncommon occurrence?

Ms Quinn: I'm certainly aware that we have provided additional context or advice, particularly at the start of a ministerial appointment, in terms of obligations to provide clarity on how the process works, historical information and things like that. It is absolutely the case that it's our role to support the minister in making decisions in terms of his legal obligations and things like that. I'd say there's more of a cycle of us providing more advice when there's a new minister with new ministerial responsibilities, explaining the system and things like that. We also follow up with facts and figures, checking and context et cetera, and it is also the case that, from time to time, ministers engage with proponents within the system who may ask questions. We may provide meeting briefs and the like that go to some of the matters that are in the process.

Senator DEAN SMITH: Mr Husic has been in the role since May 2022. I'm assuming—please correct me if I'm wrong—that the contextual brief on how to perform his various ministerial functions would have been sent to him shortly after his appointment to the ministry.

Ms Quinn: There's certainly a process of providing incoming government ministers briefing on their statutory obligations, and we often follow up as needed, depending on the different types of activities they undertake. We also provide any information or answers to questions that are asked along the way.

Senator DEAN SMITH: You can take this on notice unless it's known to you, Ms Talbot: how many briefs have been sent from the Anti-Dumping Commission to Minister Husic requiring a decision while he has been in the role, since May 2022?

Ms Talbot: That would be a question for Ms Lueckenhausen, but we'll probably have to take that on notice. I'm sure we can get back to you.

Senator DEAN SMITH: But would you have had visibility of all of them?

Ms Talbot: I believe so, yes.

Ms Lueckenhausen: We use the same IT system.

Senator DEAN SMITH: If it's not known to you, can you advise the committee on notice which of those Anti-Dumping Commission briefs the minister's office has sought additional information on, or the department has sent additional information on? Do you have that information in front of you?

Ms Talbot: I don't have that, but I'm happy to take it on notice.

Senator DEAN SMITH: In regard to this particular Anti-Dumping Commission brief, Ms Talbot, did your particular section—and I understand that you're in sector development?

Ms Talbot: Yes. My usual role is the General Manager of the Sector Development Branch. I'm currently acting head of the industry and manufacturing division.

Senator DEAN SMITH: In regard to this particular matter, did the department provide any additional briefing information to Minister Husic's office?

Ms Quinn: We've already taken that on notice.

Ms Talbot: As I said, I'd have to check that just to be double-sure.

Senator DEAN SMITH: Could you also take on notice whether or not that additional information was provided at the initiation of the department or at the request of the minister's office?

Ms Talbot: Okay.

Ms Quinn: I note that we may not always know. We don't always know about the initiation. We know the fact of things; we don't always know, after the fact, whether it has been department-initiated or requested by ministers.

Senator DEAN SMITH: Would those things be made by telephone call or email?

Ms Quinn: Possibly, or in meetings. The team have regular engagements with the minister's advisers, for example, to exchange information.

Senator DEAN SMITH: On notice, could you provide for the committee details of any meetings, by video conference or in person, that were held in the period between 19 January, when the submission was sent to Minister Husic's office, and 15 March, when Minister Husic made the decision?

Senator Ayres: We'll provide you with the information that we can. It is, as I understand it, normal for the minister's office to engage with the Anti-Dumping Commission given the highly technical nature of these decisions. The Anti-Dumping Commission is an independent function. But we will take on notice your questions. I think I understand the gravamen of the questions and we'll assist you in any way we can.

Senator DEAN SMITH: I'm not yet finished. Ms Talbot, I'd like to table a second document, if I may. This is also from the FOI LEX74775.

CHAIR: So this is an extract of an FOI that you've received from the—

Senator DEAN SMITH: From the department.

CHAIR: I'll just get the department to confirm that's what it is.

Senator DEAN SMITH: It is suitably redacted in certain places—section 22 here, redactions on official—

CHAIR: Sure.

Senator DEAN SMITH: It goes to the matter of a Microsoft Teams meeting identified or headed as 'anti-dumping chat' that happened on 11 March 2024. The schedule's start time was 11 am. The scheduled end time was 11.30. The email chain, or the Microsoft appointment chain, on the first page—there are two tables but we are talking about the first one at the moment—says, 'If you feel like talking wind towers! The minister has some questions.' Ms Lueckenhausen, were you a participant in this Teams meeting?

Ms Lueckenhausen: Yes.

Senator DEAN SMITH: Who else was a participant in this Teams meeting from the Anti-Dumping Commission?

Ms Lueckenhausen: My recollection was deputy commissioner of strategy and legal, Jessica Casben. I can't recall if there were others from the Anti-Dumping Commission there as well.

Senator DEAN SMITH: Who from your recollection participated in the meeting from the department?

Ms Talbot: I can answer that. It was me.

Senator DEAN SMITH: Thank you, Ms Talbot. Who participated in the meeting from Minister Husic's office?

Ms Lueckenhausen: I recall it was the minister and a couple of his advisors. I'd need to check the record. I don't have that before me, but I can clarify there was another person from the Anti-Dumping Commission, Justin Wicks, the director of one of our investigations team. I was checking if he was acting in the deputy commissioner role at that time.

Ms Pickworth: Can I just add, with the FOI redactions, the standard practice is that for officers under SES level, their names are redacted. Under the FOI, the SES officers are in that.

Senator DEAN SMITH: That is true.

Senator Ayres: I think in terms of ministerial staff, the practice is, unless it's somehow important—

Senator DEAN SMITH: Yes, that is correct. I'm going to proceed on the basis that there were three representatives of the Anti-Dumping Commission—Ms Lueckenhausen and two others, and a representative of the department, Ms Talbot. Were there no other departmental representatives?

Ms Talbot: No.

Senator DEAN SMITH: so there was the minister himself, the honourable Ed Husic, and one or two of Minister Husic's ministerial staff housed in his ministerial office?

Ms Lueckenhausen: I recall one or two but I'm not sure if there wasn't a third. Sometimes people don't have their screens on, but I remember there being one or two on screen.

Senator DEAN SMITH: Minister, are you able to take that on notice?

Senator Ayres: Yes.

Senator DEAN SMITH: Thank you very much. As I said, in the document that's tabled, it is said, 'The Minister had some questions.' Secretary, did the minister or his office raise any concerns with you, the departmental secretary, about the activities of the Anti-Dumping Commission in the weeks prior to the decision to lift tariffs on Chinese wind turbines? The period I'm particularly interested in is the period between 19 January and 15 March.

Ms Quinn: I would have to check my recollection on this. I have no strong recollection of having had a detailed discussion about antidumping matters in that period but I am happy to take it on notice if there were passing references that I don't recall.

Senator DEAN SMITH: Ms Talbot, would you have told the secretary you were participating in a meeting with Minister Husic himself?

Ms Talbot: It's possible but not always. It depends on the nature of the topic.

Senator DEAN SMITH: Do you regularly attend meetings with the minister?

Ms Talbot: Yes.

Senator DEAN SMITH: How regularly?

Ms Talbot: It depends. I couldn't say. It does depend on the week and on what particular work we have on at that time that requires a discussion with the minister.

Senator DEAN SMITH: So in regard to this particular meeting on the matter of wind turbines, where it's clear in the email exchange the minister had some questions, you didn't share with the secretary the fact that you were having a meeting with the minister on wind turbines?

Ms Quinn: We can take it on notice because I usually know but I don't always 100 per cent know. For part of that time I was also out of the country with another minister.

Senator DEAN SMITH: You were also—?

Ms Quinn: For part of that period I was travelling with Minister King.

Senator DEAN SMITH: What date was that?

Ms Quinn: I would have to check. I was in Canada.

Senator DEAN SMITH: Secretary, you did mention previously that in the general advice that's provided to the minister on anti-dumping matters on how he is to exercise his authority, you briefly mentioned part of that goes to engagement with other stakeholders or departments and how that is to be handled. What other

departments or ministers' offices were engaged on this particular matter, the matter of the Anti-Dumping Commission brief to Minister Husic on the wind turbines? Ms Talbot, did you speak to any other departments?

Ms Talbot: About this particular investigation?

Senator DEAN SMITH: Yes.

Ms Quinn: I will have to check that. The departments that we would normally speak to, particularly in this case, would be within our own department but I would have to check that.

CHAIR: Senator Smith, we're between 20 and 25 minutes for you at the moment. I believe Senator Canavan has questions in this section.

Senator DEAN SMITH: I think Senator Canavan said he might cede his time for me.

Senator CANAVAN: I am happy for him to continue.

Senator DEAN SMITH: This does not go on. This is not an epic.

CHAIR: It was starting to have that tone and that flavour, and the NRFC is waiting patiently.

Senator DEAN SMITH: I understand your point and I won't take up the committee's time unnecessarily. Ms Talbot, in the anti-dumping chat, were there representatives of other ministerial offices or other departments?

Ms Talbot: No.

Senator DEAN SMITH: Ms Lueckenhausen, is that your recollection also?

Ms Lueckenhausen: That is my recollection also.

Senator DEAN SMITH: Thank you very much.

Ms Quinn: I can confirm I was overseas between the second and the 10th of March.

Senator DEAN SMITH: Ms Lueckenhausen, what can you share with the committee about the Microsoft Teams chat that began at 11 am on 11 March? How long did the meeting go for?

Ms Lueckenhausen: I'm not sure, from recollection. I probably would estimate about 20 minutes or half an hour, but I'd have to check. What is standard practice in all of our briefs to the minister is an offer to talk to us about any of the technical matters and to speak to the department on matters of any policy. That's pretty much included in all of our briefs that go at the start of recommendations.

Senator DEAN SMITH: On notice, can you share with the committee how many other anti-dumping briefs have been sent to the minister's office and whether the minister has had a Microsoft Teams discussion with you, including with other members of the department? Was Minister Husic there for the entirety of that discussion, or did he leave the discussion at a particular point to his advisers?

Ms Lueckenhausen: My recollection is that he was there the entire time.

Senator DEAN SMITH: Is that your recollection, Ms Talbot?

Ms Talbot: That's also my recollection, yes.

Senator DEAN SMITH: How long did the meeting go for approximately?

Ms Talbot: I believe half an hour, but, again, I can't quite remember back to 11 March.

Senator DEAN SMITH: Ms Lueckenhausen, did it appear to you that the minister was speaking from some pre-prepared notes?

Ms Lueckenhausen: From my recollection, no.

Senator DEAN SMITH: Ms Talbot?

Ms Talbot: No.

Senator DEAN SMITH: Are you able to share with the committee what questions the minister raised, Ms Lueckenhausen?

Ms Lueckenhausen: My role is to explain the technical nature of the decisions, so I remember us together explaining how we'd come to the particular finding and the steps we had undertaken—particularly the finding that we thought the measures should not continue because we weren't satisfied that there would be a continuance of the injury that the measures were intended to prevent. So we were just clarifying the steps that we had taken in reaching that decision.

Senator DEAN SMITH: I've tabled a second document. It was stapled to the first, but I'd like to formally table the second document now.

CHAIR: I will just clarify that I haven't tabled the first document you were speaking about yet. I just wanted to confirm with the department: is it as described, which is publicly available FOI material—both parts that just went to you?

Ms Lueckenhausen: Can I clarify: is it the email from me? Is that what we're referring to?

Senator DEAN SMITH: This is the second one. The first one, which I think the chair is talking about, is the Microsoft Teams meeting request.

CHAIR: If it's a publicly available FOI document—

Ms Quinn: It is an FOI response from the minister's office.

CHAIR: So it's publicly available. So the first document is tabled. The second one is—

Ms Quinn: They're both contained in the same FOI application.

CHAIR: So they are both tabled.

Senator DEAN SMITH: Thank you very much. We know that the minister made a decision on 15 March or thereabouts. Ms Lueckenhausen, on 12 March, which follows the Microsoft Teams meeting in which Minister Husic was a participant, you wrote to advise members of Minister Husic's office and departmental officials via email. This is now being tabled. I'm quoting from your email now. The email is dated 12 March 2024, timed 3.34 pm. You say: 'Dear'—the adviser's name has been retracted—'and'—and the second adviser's name has been retracted—'We have resubmitted the recommendation on continuation 621 with a new ministerial brief this afternoon as requested.' How did the second brief differ from the first brief?

Senator Ayres: Just to clarify, so I'm set in my mind, do you mean the brief or the recommendation?

Senator DEAN SMITH: 'The ministerial brief'—that is how it's described in the email.

Ms Lueckenhausen: I'd need to compare them. I can't recollect that off the top of my head, so I'll have to take that on notice. My apologies. I just need to compare them.

Senator DEAN SMITH: In that email, you also share with the minister's advisers, and I'm quoting now: 'I wanted to provide some clarity regarding what could occur if the current measures are allowed to expire that may assist the minister.' That's just for additional information. Then you made the offer that any further questions about the process could be raised with you. How common is it—and it might be common—for second ministerial briefs to have to be sent up to the minister's office on Anti-Dumping Commission decisions?

Ms Lueckenhausen: I don't think it's that common. I'll have to look at this particular scenario to work out if it was a technical element that needed more clarification. That's what I anticipate it would be. But I'm happy to look into that.

Senator DEAN SMITH: What would one of those technical elements be?

Ms Lueckenhausen: I would be speculating, but it can be just an explanation of the process. What we try and do is condense a very complicated decision into around two pages, so that's what I imagine it might be—just clarifying some points.

Senator DEAN SMITH: I don't want to discredit Minister Husic's suitability for the role, but, if it was a technical matter, surely that advice would have come through the department.

Ms Quinn: It could come from either. The commission can provide information on its processes, particularly in a follow-up for a meeting. We—

Senator DEAN SMITH: I doubt the commission's articulation of the process in the first ministerial brief would have been inaccurate.

Senator Ayres: As I indicated 20 minutes ago, it is quite normal for the minister's office to engage with the Anti-Dumping Commission on these technical kinds of questions. That is where—

Senator DEAN SMITH: No, Senator Ayres. I asked that question, and Ms Lueckenhausen said it is not common.

Senator Ayres: You don't need to interrupt me.

CHAIR: Senator Smith will let the minister finish.

Senator Ayres: I listened to her evidence carefully. What I said 20 minutes ago was that it's quite normal for the minister's office to engage with the Anti-Dumping Commission. Your question to the acting Anti-Dumping Commissioner was about second goes round at engagements. I'm advised that it is quite a regular occurrence for minister's officers to engage with the Anti-Dumping Commission, and that is where the technical expertise on these questions lies.

Senator DEAN SMITH: My question is: how common is it for the minister to make his precious time available to meet with the Anti-Dumping Commission to talk about a specific Anti-Dumping Commission decision. That's my question. My point here is: to what extent has the Anti-Dumping Commission's submission brief been amended, subtracted from or added to as a result of that 11 am conversation with Minister Husic and other departmental representatives on 11 March? And my question is, because many questions remain unanswered: what other departments and ministerial offices had visibility and were aware of this in the period where it went from the Anti-Dumping Commission to Minister Husic making a decision? We still don't know that.

Senator Ayres: Of course, officials have taken some of those questions on notice.

Senator DEAN SMITH: Did Senator Farrell's office know? Did the minister for trade's office have visibility on this?

CHAIR: Senators.

Senator Ayres: Officials have taken on notice the extent to which they engaged with other parts of the department or other parts of government.

Senator DEAN SMITH: Minister Ayres, were you involved?

Senator Ayres: I am not a decision-maker, nor was I engaged.

Senator DEAN SMITH: And you had no visibility?

Senator Ayres: I'll check my records about the extent to which, at the various junctures along the timetable that the Acting Anti-Dumping Commissioner has outlined, I had any knowledge of what was going on. But it seems to me this is a totally normal engagement over a highly complex and technical set of issues.

Senator DEAN SMITH: That's not true. The involvement of a minister directly with the Anti-Dumping Commission representatives, with departmental staff, with or without the visibility and perhaps interference of other departments and ministerial officers is a very, very sensitive issue, not just from a trade perspective. Is this sort of conduct, Secretary, outlined in those contextual briefs that are provided to ministers when they take up their antidumping responsibilities? Earlier you talked about ministers—you talked about Minister Husic, but there will be other ministers—coming into these roles being provided with a contextual brief about how to exercise their authorities and, I would imagine, also some clear lines about what is appropriate and not appropriate behaviour.

Ms Quinn: It is entirely appropriate for a minister that has got a decision to be made to get briefs, written and oral, and to have follow-up questions to both the people who perform the technical advice and people from a policy perspective. It's entirely normal and usual to have discussions and follow-ups. I don't have the specifics, but I am certainly aware of the minister meeting with other parts of the portfolio around decision-making et cetera. So it's not at all a surprise that there was a meeting and that, particularly around the decision-making, a minister would seek clarification to make sure it was understood.

Senator DEAN SMITH: How many Anti-Dumping Commission decisions has Minister Husic made since his appointment to the role? Can you take that on notice?

Ms Pickworth: We'll take that on notice.

Senator DEAN SMITH: Secondly, how many meetings has Minister Husic taken with the Anti-Dumping Commission on each of those decisions he has taken? Minister, you're very, very comfortable that this course of action taken by Minister Husic—where Ms Lueckenhausen makes it very, very clear that she resubmitted a ministerial brief following those discussions—doesn't in any way undermine the integrity and independence of the Anti-Dumping Commission?

Senator Ayres: No, far from it. In fact, it would be strange in these sorts of circumstances for a minister not to seek advice and to seek assurance about, first of all, the technical aspects of this kind of decision—what technical consequences might flow from it—

Senator DEAN SMITH: No, no, no—

Senator Ayres: Don't interrupt me.

Senator DEAN SMITH: That's not what was said.

Senator Ayres: Don't interrupt me.

Senator DEAN SMITH: It may be a technical consideration.

CHAIR: Order! Senator Smith.

Senator DEAN SMITH: It was not that it was a technical consideration.

Senator Ayres: That's why it's best—

CHAIR: Alright. Senator Smith, you chose to direct your question to the minister, so you're getting a response from the minister.

Senator DEAN SMITH: He didn't properly characterise Ms Lueckenhausen's—

CHAIR: The minister has the call.

Senator Ayres: That's why it's always best not to jump the gun, Senator Smith. You've got to listen to the whole answer, and it is generally best to lead with the evidentiary basis for a claim before you lead with the inference. In this case, you've got neither of those things. I'm very satisfied that this minister, as always, has sought to satisfy himself, and, on the basis of what I can see, the evidence that's been provided thus far, there are a series of sets of issues that he would want to know more about. He would want to know more about the technical context for the decision but also the technical consequences of the decision in terms of what applicants might decide to do, what opponents of the decision might decide to do, what future applications might be made. He'd also want to understand what the practical outcomes in economic and industry terms were.

Senator DEAN SMITH: A ministerial brief was resubmitted.

Senator Ayres: There's nothing sinister about that at all.

Senator DEAN SMITH: We don't know that.

Senator Ayres: There's nothing sinister about that at all. I understand—

Senator DEAN SMITH: I have two questions on notice.

Senator Ayres: I understand the nature of the political attack, but it's got to have firmer foundations before you—

Senator DEAN SMITH: In the court of public opinion, I think the foundations are very firm.

CHAIR: I'm hoping Senator Smith will assist the committee by putting a couple of questions on notice.

Senator DEAN SMITH: I'll put some questions on notice, if I may. Secretary, you talked about that briefing material or submission being available to the new minister when he took on the role. Can you make that available to the committee on notice, please?

Ms Quinn: I'm happy to look at it. I'm not aware of a specific document. I'm aware of the process we go through to onboard ministers et cetera. I'm happy to take it on notice.

Senator DEAN SMITH: Two years later, is Minister Husic flying blind in terms of his responsibilities? Let me rephrase that?

Ms Quinn: I'm not sure how you can get that from me saying, 'I'm not sure if there's a specific single document.' We have a process, as all departments do, to onboard ministers.

Senator DEAN SMITH: That's not my question. What we're talking about here is very specific and you know this. The specific question is the document or the documents that you referenced in your opening remarks, which go to educating and informing the minister about how to carry out his responsibilities as they relate to anti-dumping matters. These are sensitive, legal, litigious and very serious matters—Ms Lueckenhausen is nodding her head in agreement—and I'm very sure that there would have been some clear formal advice. It might have been a document or a series of documents. That's not important. On notice, I would like to see what those documents are and what the advice is.

Senator Ayres: The department took it on notice quite a few minutes ago, I think, and they will undertake to provide you with what information they can within the normal limitations.

Senator DEAN SMITH: The clerk has some views about the provision of these sorts of documents.

Ms Lueckenhausen: I want to clarify that the recommendation that was made in the report that was provided to the minister on the 19th remained the same.

CHAIR: Thanks. We'll go to Senator Canavan.

Senator CANAVAN: I have questions on the National Battery Strategy. I first wanted to ask about the announcement, or a description at least, of an initial investment of \$5.6 million for an Australian made battery precinct, which is outlined on page 42 of the strategy. I want to understand what that was for.

Ms Looney: That \$5.6 million was allocated to do due diligence work with regard to the up to \$100 million commitment to establish an Australian battery manufacturing precinct in Queensland with the Queensland government.

Senator CANAVAN: What does due diligence mean? Are you talking to prospective investors or doing an EOI or a request for proposals or something like that?

Ms Looney: We're still in the process of that work. Those types of things you've mentioned may be considered as we progress through the development of the detailed business case. At the moment we've had some advice and information provided in relation to technical matters to do with the commercial proposals that might be considered in relation to what the precinct might look like. We're also intending to get some other advice of a technical nature that would go potentially to site selection and environmental considerations around site selection—should a facility be constructed at a point—through the consideration by government of how the make-up will come together for what the precinct will look like and deliver, and how it will be structured within the Queensland and national ecosystem.

Senator CANAVAN: Is all of that work being done by the Queensland government or are there contracts for consultants or others to advise on this strategy?

Ms Looney: We are undertaking some of that work through the Commonwealth but also the Queensland government. We're working very closely with them, and they're undertaking some of that work as well. It's work we're undertaking that will help to put together the detailed business case that will consider what options will be able to be considered for—

Senator CANAVAN: There are no outside parties? You're not contracting any consultants or others?

Ms Looney: We have contracted a consultant.

Senator CANAVAN: Who is that?

Ms Looney: We've contracted Paxon consulting to get some advice on financing models and commercial considerations.

Senator CANAVAN: How much is that contract worth?

Ms Looney: My colleague will answer that.

Ms Cooper: The amount of the contract is \$89,457.50—available on AusTender.

Senator CANAVAN: Is that paid for by the Commonwealth or is there a shared—

Ms Cooper: That's a Commonwealth contract.

Ms Quinn: Just to be clear, the \$5.6 million is for the Commonwealth work. Queensland's doing their own work, but we are working cooperatively with them so we're not repeating questions. So it's a collaborative endeavour, in that sense, but we have independent decision-making around ministerial decisions.

Senator CANAVAN: Are we funding any of their work?

Ms Quinn: No.

Senator CANAVAN: Is that \$5.6 million is solely funding the Commonwealth government's work?

Ms Quinn: That's right. But we'll be sharing information as appropriate.

Senator CANAVAN: Have any decisions been made on the location of the precinct?

Ms Looney: Not at this stage.

Senator CANAVAN: Are you looking at any particular towns, cities or areas?

Ms Looney: I think, in the initial announcement of the precinct, there was consideration given to the Gladstone and Central Queensland area. That's been looked at in terms of what an ecosystem in Queensland looks like for battery development, particularly for things around testing and those types of activities that are needed for the sector to develop at this point in its—

Senator CANAVAN: Obviously the precinct will be in Queensland. Will it?

Ms Looney: It will.

Senator CANAVAN: It will have to be because Queensland is funding it—or part funding it.

Ms Looney: I would say that while it will be in Queensland, it will have a national coordinating purpose.

Senator CANAVAN: Does it have to be in regional Queensland?

Ms Looney: We're looking at that, through the detailed business case, at the moment and what would be the best way to structure a precinct.

Senator CANAVAN: I suppose my question is: are your instructions, as you develop this business case, to only look at regional Queensland sites or can you look at sites in South-East Queensland?

Ms Looney: We have been considering sites throughout Queensland. We've been undertaking, as I said, some due diligence to understand where the capability exists within Queensland and how it's best to join up the ecosystem in Queensland. We've been looking at numerous sites. There are niche capabilities in the sector that exist throughout Queensland, both in regional areas and in central areas, and so we're looking at how we can best join up that capability to deliver development of the industry.

Senator CANAVAN: Chair, I just wanted to table some documents, if possible.

CHAIR: I'll have a look.

Senator CANAVAN: So I'm going to lose them too. There's a transcript of an interview done by former shadow minister Husic at the election and a Facebook post from Senator Murray Watt at the last election. Both of those mention that the battery precinct will be in Gladstone. So I'm just wondering what's happened since the election. Now you're saying this battery precinct could even be in Brisbane. The government hasn't told you: 'Our commitment is to the people of Gladstone. It has to be in Gladstone.' It could be anywhere.

Ms Looney: When we talk about a precinct, at the moment we're looking at what it means for the ecosystem, and so a part of the precinct may be best placed outside of Gladstone so that we can join it up like a hub-and-spoke model because the capability exists, as I've said, throughout regional Queensland and throughout the central areas. At the moment, yes, there will be a presence in Gladstone.

Senator CANAVAN: Okay.

Ms Looney: It's still to be determined exactly what that—

Senator CANAVAN: Maybe take a step back. I thought when I asked earlier there wasn't a particular restriction on sites. So you have been given a direction that there has to be something in Gladstone.

Ms Looney: We have been looking at Gladstone and assessing the capability that would be best placed to be in Gladstone.

Senator CANAVAN: That's a different issue. You're looking at Gladstone. Have you been given a direction by the government that there must be something from this \$100 million battery precinct in Gladstone?

Ms Looney: Yes, we will be considering something in Gladstone. That also goes to the considerations that are happening across government on development and transition within the Gladstone region.

Senator CANAVAN: I'm sorry for my frustration. I'm happy for the minister to intervene here. You answered my question, 'Have you been given a direction to have something in Gladstone?' with, 'Yes, we are considering Gladstone.'

Ms Looney: Yes.

Senator CANAVAN: I'm not asking whether you're considering Gladstone. I'm asking, and maybe the minister can help me out here—hang on; let me finish—is there a 100 per cent commitment that some of this battery precinct will be in Gladstone consistent with the election commitments the government provided to the people of Gladstone?

Senator Ayres: The answer is yes.

Senator CANAVAN: Great. It's not very clear from that.

Senator Ayres: Let me elaborate on this point. The answer on Gladstone is yes. There's a budget allocation there to do this due diligence exercise to make sure, as the official said—this hub and spoke exercise with the Queensland government. It'll be working with private sector proponents in terms of the investments that they make, with a university and research and development capabilities about the investments they make, and the Queensland government in terms of the contribution that it makes to make sure that this is in the best shape for future investment as it possibly can be. There will be development in Gladstone as a consequence of this, and it's very promising indeed for Gladstone and Central Queensland in terms of its industrial capability.

Senator CANAVAN: I'm just wondering—you've got a National Battery Strategy. I think it was released two weeks ago or something like that. It's a fairly extensive document with about 44 pages. I can't find a single mention of the fact that there will be something in Gladstone. Can someone correct me?

Senator Ayres: You just got your answer.

Senator CANAVAN: First of all, is there a mention in the National Battery Strategy of this \$100 million fund delivering something in Gladstone? Is there a mention of that?

Ms Looney: I haven't got that information in front of me at the moment, but I can take that on notice and come back. I know that there is reference to the precinct being established as a core part of the strategy. It complements the other core parts of the strategy, including the Battery Breakthrough initiative and Building

Future Battery Capabilities, and it builds on the Powering Australia Industry Growth Centre, and all of those announcements have been made. The final determination of how the precinct will be constituted is still under consideration, as I said earlier, to make sure that the investment that's made in that precinct is done in a way that makes best use of the existing capability within the sector and builds on it to help the sector grow.

Senator CANAVAN: If what the minister says is true, and you've been given a direction that there has to be something in Gladstone, why isn't that mentioned in the strategy? I'll just do a search here. There's not a single mention. I don't have a physical copy; I just downloaded the electronic copy, and there's not a single mention of the word 'Gladstone' in the 44-page document.

Ms Looney: There is confirmation of the precinct being in Queensland, as I've mentioned. What will be finalised in terms of options for how that is established and in what locations different capability is established, is still a matter of consideration. We're still undertaking due diligence, as I said, to make sure that that investment is made in a way that takes into account capability. I can tell you that I was recently in Gladstone, and I did travel around with the Queensland government and with academia. I met with industry in the Gladstone region. As the minister has said, there is a lot happening in Gladstone, and a lot of things will potentially link into that decision on how the precinct comes together. We definitely are engaging at the moment, as I said, with industry, academia and the Queensland government in that region of Central Queensland and Gladstone.

Senator CANAVAN: You might take this on notice. How and when did the government communicate to you its commitment that something had to be in Gladstone from the \$100 million Australian-made battery precinct?

Ms Looney: We've taken that. As you said, you've got public documents; it was an election commitment.

Senator CANAVAN: Okay. Was that categorised in the blue book when the government came to office? That's the incoming government brief that every minister gets when they come to government. Usually, that outlines election commitments that the government has made, and the government says, 'Okay, this is what we want to do.' Was that included in that document?

Ms Quinn: We can—

Senator CANAVAN: You can come back to us. I was just saying you can probably take that on notice.

Senator Ayres: I should say: I'm advised that the battery strategy is a national strategy. There is a commitment in terms of Gladstone. I understand page 39 of the document—

Senator CANAVAN: It hasn't been mentioned. Have you got that document [inaudible] the election? There's nothing in writing.

Senator Ayres: I've not interrupted you, Senator Canavan.

Senator CANAVAN: You have been.

Senator Ayres: We're trying to work our way through it carefully, putting aside the obvious hostilities around a football game that's about to start that none of us will get to see. Page 39 of the document does set out what's happening in batteries across the country. It does build upon some of the work in critical minerals, for example. That means there are processing opportunities in Western Australia, for example, and battery capability around the country. There is a commitment around Gladstone.

Senator CANAVAN: I have one more question—just on notice.

Senator Ayres: It makes economic and industrial sense for a location like Gladstone, with all of the capability and engineering capacity it has, particularly in the energy sector, to be where that investment occurs.

Senator CANAVAN: On notice, could you come back to me with any emails or documents communicating with the minister's office about the commitment to have the precinct in Gladstone that have been provided to you since the election.

Ms Quinn: I can confirm—there has never been any doubt in my mind that we're doing work. Some component of this battery precinct will be in Gladstone. I wasn't in the role at the start of the government's process. But from the time I joined to now, it's always been clear—

Senator CANAVAN: With all respect, it didn't seem particularly prominent when I first started asking questions. It was only when I raised the actual commitments that people suddenly started to recall these—

Ms Quinn: It's always been an election commitment, and it hasn't been lacking in clarity.

Senator Ayres: I wouldn't talk Gladstone down. We are absolutely determined to—

Senator CANAVAN: I want it delivered—

CHAIR: Honestly! That concludes the questions that the committee has for outcome 1, program 1.1. Thank you to the officials.

National Reconstruction Fund Corporation

[17:49]

CHAIR: We're joined by Ms Manen, who's the Chief Operating Officer of the National Reconstruction Fund Corporation. The committee's been advised that Mr Power is, very reluctantly, unable to join us today, and that's been communicated to participating senators. Ms Manen, thank you for being here. Do you have any opening remarks that you wish to give?

Ms Manen: Only to offer, on behalf of Mr Power, his apologies for not being here today. He's taken a leave of absence for health reasons and, as provided for under the NRFC Act, the board has appointed me as acting CEO for the duration.

CHAIR: Thank you for that explanation. Are you happy to proceed now straight to questions?

Ms Manen: Yes, I am.

Senator CANAVAN: Has the NRF made an investment?

Ms Manen: The corporation's been working really hard to develop a pipeline of potential projects, and we've been talking to individual proponents, potential co-investors and the like to develop that pipeline. But as yet we've not finalised an investment, but we expect to be able to announce our initial investments and potential partnerships in the coming months.

Senator CANAVAN: 'The coming months'—does that mean by the end of the year, or next quarter? Can you give me something else? I mean, 'coming months' could be next year even.

Ms Manen: We're working very hard to be able to finalise investments as soon as possible.

Senator CANAVAN: Okay. Will that be a group of investments announced at once, or is it just selectively, when they're ready, announced individually?

Ms Manen: As you might appreciate, investments and considerations of particular proposals are dependent on a range of factors, including how conversations progress with relevant counterparties. We have obligations under the NRFC Act to report investments in line with our legislation once they're made, and we will do that.

Senator CANAVAN: I've not followed this closely—sorry; excuse my ignorance—but it's not a funding round, so to speak? It's a case-by-case basis?

Ms Manen: That's right.

Ms Quinn: It's designed to be open, and evaluations happen continuously, and disclosures will happen continuously as well.

Senator CANAVAN: I have looked at it, and I've seen lots of commentary about how it's up and running. It was meant to be up and running this financial year. Are you going to make an investment this financial year or is that off the table now?

Ms Manen: The corporation commenced operation on 18 September 2023. Since then, the board and the staff in the corporation, as I said, have been undertaking and working quite hard not only to set up the corporation but also to develop an active pipeline of proposals. I can inform the committee that as at 31 May 2024 there have been 218 investment proposals received by the corporation. We're actively managing over 140 of those investment proposals. In addition, we've met with over 70 potential co-investment partners and are actively working with 30 of those, and we've met with over 300 interested stakeholders, presented at a range of events and visited almost all jurisdictions, with the exception of Tasmania, to talk to potential co-investors, potential project proponents, and state and territory governments et cetera to really understand the landscape and, as I said, to actively develop a pipeline of projects for consideration.

Senator CANAVAN: We're only weeks away now from the end of financial year. Is there any possibility you'll make an investment before the end of the financial year?

Ms Manen: As I said, the team is working extremely hard with potential project proponents and co-investors to allow us to make those investments as soon as possible.

Senator CANAVAN: Okay. Hopefully, we'll get moving soon.

In Budget Paper No. 2, I believe, it's outlined that there's a further \$18 million 'to continue to build the capacity of the National Reconstruction Fund Corporation to undertake investments and deliver on its policy outcomes'. What's that for?

Ms Manen: There was funding provided by government as initial operating funding for the corporation to support our operations until the corporation is in a position to be self-sustaining, and that funding is a contribution to those operating expenses.

Senator CANAVAN: How much have you been funded for operations before this \$18 million?

Ms Manen: There was \$39 million provided in the previous budget.

Senator CANAVAN: And \$18 is just for the next financial year?

Ms Manen: Yes.

Senator CANAVAN: Is it going to expand your staff or your resources, or is it to fund the existing resources which you can't fund through—

Ms Manen: We're in the process of building a national financial institution and, as such, we're rapidly expanding our staffing capability and setting in place a range of other things that are required to support an institution like the NRF. The operating funding is to support the initial operations of the agency.

Senator CANAVAN: I come back to my question. It is quite a significant objection given that you said \$39 million to date? Is the 18 to employ more people or otherwise take on more—

Ms Manen: Yes. We are growing our capability quite significantly and putting in place a range of other things that you might expect to support the entity, like IT systems, office space and those sorts of things.

Ms Quinn: From a government perspective of the consideration of the budget, in work done by the department, when the NRF legislation was developed, there was consideration of indicative budgets. The NRF will be self-sustaining through its investment income and be able to sort itself just as Export Finance Australia does. In last's year's budget, there was an estimate of what was required to support the institution. This was prior to the appointment of the actual NRF chair and committee. Additional funds were put into the contingency reserve with the intention of coming back in this budget with more information based on legislation passing the appointment of the board, the appointment of the CEO, the working through of corporate plans—all of the appropriate things that you need for a new institution to be set up.

Senator CANAVAN: So this \$18 million was from the contingency reserve?

Ms Quinn: Correct. There was always a process to come back and do further work, as you would expect in a phased approach to setting up a new institution. The first lot in last year's budget top up out of the contingency reserve was less than potentially anticipated. Going forward, the NRF will manage itself out of its investment income stream.

Senator CANAVAN: Okay. With the request for 18, did the board and the CEO communicate to the department that they needed this money released?

Ms Quinn: There was a detailed process, as there is with all portfolio bodies, where they provided information and went through the budget process as with other portfolio bodies managed by the department.

Senator CANAVAN: How much was put in a contingency reserve for this back when it was set up?

Ms Quinn: I would have to check. I haven't got the exact amount.

Senator CANAVAN: So it wasn't exactly 18?

Ms Quinn: It wasn't exactly 18, no.

Senator CANAVAN: Do you still have elements in the contingency reserve?

Ms Quinn: I don't believe so. I believe we extinguished it.

Senator CANAVAN: Was it in any way needed because of a delay in making investments and therefore receiving income from those investments?

Ms Quinn: There is always uncertainty about exactly when any new institution would make its first investment and also receive income off that, because it depends on the nature of the investment and whether it is debt and equity. As a department, we made an indicative guess. Not all the arrangements were put in place, as is usually the case when a new institution is set up, and those plans have been refined by the board going forward, so it's hard to say whether it was our calculations being off, the remit being clearer through the finalisation of the government's arrangements or plans, or more information about property markets, salaries and those sorts of things.

Senator CANAVAN: Of the \$57 million you have been budgeted for, how much of you spent to date, or how much do you expect to have spent by the end of the financial year, if that figure is available?

Ms Manen: As of the end of April, the NRF has spent \$7.04 million.

Senator CANAVAN: You've spent only \$7 million and you were initially allocated \$39 million. Why did you need another 18 next financial year?

Ms Manen: The operating budget and expenses were considered by the board, including in light of the expected returns from investments. It takes account of the significant scale-up that needs to occur as an organisation over the course of the coming year, including in relation to salaries and things like office space, IT spend et cetera. There is going to be a very rapid growth in the organisation.

Senator CANAVAN: What are your budget expenses for this financial year? Presumably you have the budget on a financial year basis—or the department would, I suppose.

Ms Quinn: The portfolio budget statement contains the accounts for the NRF. The estimate contained on page 202 of the Department of Industry, Science and Resources portfolio statement has an estimate of annual appropriation from the government of \$53 million.

Senator CANAVAN: For this financial year? I'm just trying to understand.

Ms Quinn: The estimated actual expense for 2023-24 is 14.488.

Senator CANAVAN: And the 39 you initially got was over multiple years? It wasn't provided for one year?

Ms Quinn: I'd have to—

Senator CANAVAN: What's your budget next year? Given what you've been provided, it sounds like next year—

Ms Quinn: The appropriation was 39 for this year and 18 for next year.

Senator CANAVAN: Right, but they will have spent 14. What do you expect to spend next year?

Ms Manen: The 2024-25 budget is 51.047.

Senator CANAVAN: So it is \$51 million. How many staff are you going to have?

Ms Manen: We have a target of over 100 staff.

Ms Quinn: It is 104 on the same table on page 202.

Senator CANAVAN: You mentioned office space. Have you signed a lease?

Ms Manen: We haven't yet signed a lease, but we are in negotiations for office space in both Canberra and Sydney.

Senator CANAVAN: So what are you doing at the moment? Are you working from Industry?

Ms Manen: Yes, we have an arrangement with the department of industry and currently have space there.

Senator CANAVAN: You're aiming to go to 104 staff. How many do you have at the moment?

Ms Manen: The total number of staff currently is 45.

Senator CANAVAN: So far, by the end of financial year, we're going to spend \$14 million and are yet to provide an investment to any manufacturers. Okay. Thank you.

CHAIR: Thank you, Senator Canavan.

Proceedings suspended from 18:04 to 18:59

CHAIR: The committee will resume with the Department of Industry, Science and Resources and the National Reconstruction Fund Corporation.

Senator HODGINS-MAY: Thanks for being here this evening. One of the major logistical problems of the energy transition globally but also in Australia is the shortage of transmission infrastructure. I'm interested to know if the NRF is prioritising the making of transmission cables or transmission towers. Or is it an area that you have concluded that Australia simply can't be competitive in?

Ms Manen: The approach we're taking to investing is entirely consistent with the legislative framework that has been set for us by the government. That includes specifying the areas of the economy in which we can invest, and renewable and low-emissions technologies is one of those areas. So we are looking right across all of the priority areas that have been specified for investment and working with project proponents and co-investors to identify a pipeline of investments with which we can work.

Senator HODGINS-MAY: Thank you. Are there any leads in that particular area?

Ms Manen: We have potential projects right across all of our priority areas and we are actively pursuing those in consultation with potential co-investors and also directly with project proponents.

Senator HODGINS-MAY: The shortage of transmission is creating—as I'm sure you know—massive bottlenecks in renewables rollout, to the point where the government's 82 per cent renewables target is on track for 64 per cent by 2030 according to Rystad Energy. We don't want to see such a poor outcome occur. So I'm interested to know how the NRF can help fix that.

Ms Manen: One of the areas the board must have regard to when making investments in our legislation is Australia's decarbonisation goals and targets, so that is certainly something that is front of mind when we're looking at project proposals within our legislative mandate to make investments.

Senator HODGINS-MAY: My next question is in relation to quantum computing emissions. Quantum computing clearly uses a lot of energy. Can you provide information on how much energy will be consumed by this project, what the emissions profile of the project is, and whether any power purchase agreements will be in place to source clean energy for the project?

Senator Ayres: Ms Manen is here on behalf of the National Reconstruction Fund. The quantum arrangements don't fall under that fund. It is an important question because it is true that these are very energy intensive projects. We can't really make a stab at it here, can we?

CHAIR: We are coming to quantum in 1.2, next.

Senator Ayres: Yes.

Senator HODGINS-MAY: Alright. There appears to be quite a bit of overlap between various government investment corporations. Maybe I'm in the wrong area for this actually—Future Made in Australia?

CHAIR: Yes. We are just in National Reconstruction Fund

Senator HODGINS-MAY: Yes. Sorry. I've finished my questions.

CHAIR: Senator Pocock.

Senator DAVID POCOCK: Thank you very much for your time. I heard earlier that you have 300 or so prospective investments. Is that—

Ms Manen: We have received 218 investment proposals and we are actively managing over 140.

Senator DAVID POCOCK: Great. I was looking at the guidelines on your website, guidelines on 'solely or mainly' Australian based investments. I am interested in how you weight them. We have seen in procurement a lot of multinationals setting up companies here in Australia that have an ABN and have Australian staff, but in too many cases they are minimising tax. There is a long list of considerations. Is there a weighting on investing in Australian companies. What does that look like?

Ms Manen: The guidance on our website that you're referring to lists a number of factors that the board will have regard to when considering the nature of the investment and the extent to which it is wholly, solely or mainly Australian based. There isn't a particular weighting on any one of those factors over another. But there is the list there, which the board needs to have regard to. The obligation is on the board to make sure those investments meet that criteria in the legislation. So it would be a combination of those factors that would be considered.

Senator DAVID POCOCK: How will you weight the Australian based element versus return on investment, policy outcomes and investment readiness?

Ms Manen: The solely or mainly Australian based aspect for the investments is one of our minimum legislative requirements that need to be met. That is an important consideration of any project proposal; in the same way the board will also have regard to a number of policy objectives. Some of those may be more relevant than others for particular transactions. But the requirement for solely or mainly Australian based investments is right across all of the investments that we make.

Senator DAVID POCOCK: Will you be looking at sort of tax returns and tax paid here in Australia and those sorts of structures?

Ms Manen: The guidelines that are on the website list the sorts of things that would be considered by the board in forming that view.

Senator DAVID POCOCK: I'm concerned that there is a huge amount of wiggle room in the guidelines. I'm interested in how you are going to weigh all of these things. It's a long list of things and I can see how a number of companies could probably tick a lot of these boxes and we could potentially be putting Australian taxpayer money into investing in them. In the defence space, one of my concerns is you've got companies hoovering up billions of taxpayer dollars in procurement, and in many cases offering good services, but some of those

companies are paying zero per cent tax, and they are using our roads, they are using investment environment stability and all those things and I think they should be contributing back.

Ms Manen: Certainly, the intent behind the National Reconstruction Fund is to build Australia's industrial capability. That is that overarching premise of what we are trying to do. So that element of projects being solely or mainly Australian based is quite important. As I said, it is one of our minimum legislative requirements that must be met for all of our investments.

Senator DAVID POCOCK: Senator Hodgins-May mentioned quantum, and I want to use that as an example in relation to IP. How do you factor in whether or not the IP will remain within the Australian company or Australian subsidiary versus being licensed from, say, an American company?

Ms Manen: All of those things are considered on a case-by-case basis for particular investments. I wouldn't want to engage in a hypothetical in that way. But I just bring you back to the sorts of activities in the guidelines that would be considered as part of a range of investment considerations that would be made in relation to individual investments.

Senator DAVID POCOCK: So you're going to weigh all of these dot points on an individual basis?

Ms Manen: Every investment is considered on a case-by-case basis.

Senator DAVID POCOCK: What is that process? I imagine there is a huge amount of due diligence for even 140 projects. Who does the legwork? Are there then recommendations to the board? How do you get to final investment decisions?

Ms Manen: All of our processes are handled in the same way. There is a staged process that would be typical of many financial institutions. There is the initial screen against our minimum legislative requirements to establish whether we can make a particular investment. Then there is an initial assessment of commercial and other impacts, so policy impacts, of the particular investment. Along the way, there are checkpoints, where decisions are made to proceed, and then investments go through more formal due diligence processes which would include—depending on the investment—seeking advice from experts, understanding market conditions and those sorts of things. Then they would go through to the formal structure in process and approval. The corporation has established governance processes. An executive investment committee has been formed within the corporation. The board has established a board investment committee, which is a subcommittee of the board, and then the board has oversight as well. And decisions are made in accordance with the delegations that have been given to each of those governance structures.

Senator DAVID POCOCK: Finally, in terms of probity, what's in place? I imagine that when you start to look at some more specialised industries it's a fairly small pool of people. If you are getting expert advice—or, indeed, if you have a board that has expertise—what is the probity around people excusing themselves from decision-making? Do those conflicts of interest then get publicised or declared? How do we find out what's happening there?

Ms Manen: We have a board endorsed conflict-of-interest policy. That requires both staff and board members to declare potential conflicts on a regular basis. Where potential conflicts are identified, we put processes in place to manage those. This might include removing particular individuals from the assessment of investment proposals, redacting particular pieces of information et cetera, depending on the case. Those conflict declarations, as I said, are updated regularly. At the start of each meeting, people are reminded to identify any new conflicts. The information is managed appropriately.

Senator DAVID POCOCK: Is that publicly available? Are you able to table that?

Ms Manen: I can certainly take that on notice.

Senator BRAGG: Before we broke for dinner, we were talking about not being in the business of picking winners. Mr Power said on 22 April: 'The fund is not in the business of picking winners.' Is that the position of the organisation?

Ms Manen: The government has identified areas of the economy in which the NRFC can invest. That is clearly outlined in our legislative framework. That is a clear direction from government about where we should focus our efforts. Our investment mandate directs us to operate commercially; we are required to target a specific rate of return, and we are working within the financial system and co-investing with others responding to demand signals from the market. As I just outlined, for individual investments we have rigorous investment processes and due diligence requirements for each investment.

Senator BRAGG: I understand what the legislation says. I'm asking whether that is the position of the NRF.

CHAIR: I think that is a difficult question for a witness to answer in a different way. She's being asked to—

Senator BRAGG: Why don't you take it on notice, then?

CHAIR: She's being asked for an opinion on something that Mr Power said.

Senator BRAGG: It's not an opinion. This is Senate estimates, and we're—

CHAIR: She's answered in an appropriate way.

Senator BRAGG: I don't agree with that, because what she said is actually a filibuster. She has said what is in the legislation. Mr Power said on 22 April 2024: 'The fund is not in the business of picking winners'. I'm checking whether that is the position of the fund.

Senator Ayres: Senator Bragg, she gave you an answer.

Senator BRAGG: She didn't give an answer.

Senator Ayres: Without being picky about what 'filibuster' actually means, her answer was short, it was to the point and it went to the organisation's responsibilities. I don't think she can be asked to do any more. She certainly can't be asked to offer an opinion about what somebody else might have said and what meaning she might divine from that.

Senator BRAGG: Who is the spokesperson for the NRF?

CHAIR: You could answer that—

Senator BRAGG: Sorry. This is Senate estimates and I'm asking the witness a question.

CHAIR: I have said—

Senator BRAGG: The level of interference on this is ridiculous.

CHAIR: No. I said at the beginning of the proceedings that Mr Power is unable to be with us, and Ms Manen has identified that she is the acting CEO.

Senator BRAGG: I understand that, but this is Senate estimate and we need to ask questions to the witnesses that we have. So, who is the spokesperson for the NRF?

Ms Manen: I am appearing at the hearing today.

Senator BRAGG: I understand that. But, in a general sense, is it usually the chief executive?

Ms Manen: The chief executive would make a number of statements around the operation and the work of the NRFC, as would a range of other people in the organisation.

Senator BRAGG: How many spokespeople are there?

Senator Ayres: I would think, Senator Bragg, that the National Reconstruction Fund has a—

Senator BRAGG: I wasn't asking you.

Senator Ayres: This is the way senate estimates works—if we're schooling each other on how it works. I get to jump in from time to time.

Senator BRAGG: I'm not interested in your opinion; I'm interested in the opinion of the official. You're belittling the official.

Senator Ayres: The National Reconstruction Fund has a CEO and it has a Chair. They may both, from time to time—

Senator BRAGG: It's a very paternalistic approach here that you're taking. You're not letting the official answer the question. Why?

Senator Ayres: I've just answered the question.

Senator BRAGG: But I asked the official.

Senator Ayres: And I have just answered the question.

CHAIR: Do you want to put the question—

Senator BRAGG: I can't, because I'm being obstructed.

Senator Ayres: I'm entitled to answer the question, and I just have.

Senator BRAGG: I'm always happy to talk to you, and it's nice to hear your opinion. But this is Senate estimates, and I'm trying to get an answer from the official who is at the table and who is in an executive position.

CHAIR: I heard her answer the question. I've heard two answers to the question. If you want to put the question again, put the question again.

Senator BRAGG: Thank you very much. Given the range of issues we traverse at committee, we wouldn't have this level of interference usually. So I'm not sure what the problem is. How many spokespeople are there for the fund?

Ms Manen: Senator, as I said previously, I'm attending the hearing today. The CEO makes comments on behalf of the corporation, as would the chair and a range of other individuals in the corporation.

Senator BRAGG: So there are a range of people who could speak on behalf of the fund?

Ms Manen: Yes, Senator.

Senator BRAGG: How many?

Ms Manen: I'm not sure I can put a particular number on it.

Senator BRAGG: What is your day-to-day role?

Ms Manen: I'm the chief operating officer.

Senator BRAGG: Do you make comments in the media about the fund?

Ms Manen: I've not given an interview to the media.

Senator BRAGG: Who else has given media comments?

Ms Manen: There have been comments provided in response to media inquiries by the corporation. The CEO has participated in a number of interviews, as has our chair.

Senator BRAGG: Okay. So there's the CEO. Is he the main spokesperson for the fund?

Ms Manen: I'm not sure what you mean by "main spokesperson".

Senator BRAGG: Is it the chair or the CEO making comments on behalf—is this an independent agency?

Ms Manen: Yes.

Senator BRAGG: The comments an independent agency of government makes can be important. So I'm trying to ascertain who exactly speaks on behalf of the body. You've said the CEO. The chair as well?

Ms Manen: Yes.

Senator BRAGG: That sounds like that might be it?

Ms Manen: There are other board members who have made statements. As I said, the corporation has responded to inquiries that it's received from media outlets and others.

Senator BRAGG: So they all give comments, potentially?

Ms Manen: I'm not sure what else you want me to add.

Senator BRAGG: Mr Power's comments are the position of the board, are they not?

Ms Manen: Mr Power, as I said, has made comments in a range of fora—not just in media interviews—about the activities of the NRFC.

Senator BRAGG: The point about picking winners—that's the position of the board and management?

Ms Manen: I didn't say that.

Senator Ayres: Senator Bragg, I'm not sure how you could possibly infer that.

Senator BRAGG: I'm asking a question. I'm not inferring; I'm asking.

Senator Ayres: Mr Power was presumably asked a question by a journalist, and he's answered the question.

Senator BRAGG: Do you agree with him?

Senator Ayres: I'd be surprised if there was a board meeting about what it might be that Mr Power might say to some journalist about some question about the future direction of industry policy. I'm not quite sure why that would be the case.

Senator BRAGG: It sounds like you agree with Mr Power that the fund is not in the business of picking winners?

Senator Ayres: It's not in the business of picking losers, Senator Bragg, that's for sure. This picking winners debate is a sterile, old-fashioned, dinosaur debate from the 1980s. It is not a surprise, as your show clutches at straws over its position in relation to the Future Made in Australia and the industry policy direction of the government, that—

Senator BRAGG: You spend a lot of time talking about us, don't you? Are we living rent free in your head?

Senator Ayres: there's still all this stuff going on. I'm interested to hear what inference there is about what Mr Power might have said in relation to some question he was asked by some journo. You get to work out how you spend your time in here.

Senator BRAGG: We do. We appreciate your ongoing commentary on our position.

Senator Ayres: I'm trying to be helpful.

Senator BRAGG: You are. You're being very helpful. My role here is to apply scrutiny to the government and your expenditure of public funds.

Senator Ayres: That will start at some juncture, I suppose.

Senator BRAGG: Your expenditure of public funds and the administration of government agencies.

Senator Ayres: At the moment we're chatting about what the CEO of an independent organisation said in response to a journalist's question. Honestly.

Senator BRAGG: We will take then that you generally agree and the government agrees with what Mr Power has said. What has the chair said? Did you want to say something?

CHAIR: Ms Manen has answered that question.

Senator BRAGG: I'm happy with that.

CHAIR: The transcript can be checked on what she has said.

Senator BRAGG: I have to say, given all the very controversial and difficult issues we have traversed over many years in these committees, I don't understand why you're being so interfering on this.

CHAIR: Because you just put words in the witness's mouth about what you say she said.

Senator BRAGG: I put words in the mouth of the minister.

Senator Ayres: That is precisely what at least Senator Bragg and I agree on that.

Senator BRAGG: What we have on the record is statements from Mr Power. What does the chair think about this picking winners debate? Does the chair make his position known to the board or to the senior executives inside the fund?

Senator Ayres: What does the receptionist think? What are you talking about?

Senator BRAGG: He's the chairman of the fund.

Senator Ayres: How would anyone know what the chair thinks about—

Senator BRAGG: You set up this boondoggle fund with all this money and people—

Senator Ayres: what a journalist said to a CEO about something. Honestly.

Senator BRAGG: It matters. I understand it matters to you.

CHAIR: This is questions about opinions about opinions. It's not in order. The witness is answering your questions in an appropriate way. We've spent 10 minutes on the same question.

Senator BRAGG: It's a \$15 billion fund.

Senator Ayres: Ask about that.

CHAIR: It's not appropriate to ask questions about opinion, let alone opinion on opinion. So I'd ask you to rethink your line of questioning.

Senator BRAGG: I appreciate the ongoing advice. We have the official here who is standing in the shoes of the CEO. I understand it's unfortunate the CEO isn't here, but that's okay. I'm going to ask you some more questions about what the opinions are about the expenditure of \$15 billion of public money. Because we've spent a lot of time on governance today. Can I just check with Ms Manen: who decides how that \$15 billion will be spent? Is it the board or the executive? Who decides?

Ms Manen: The board is the decision-making authority. As I mentioned in my previous comment, there is a range of governance that's been established to support the investment assessment process.

Senator BRAGG: It's the board. We know what the CEO thinks. What does the chair think? Has the chair made any statements in relation to this issue of picking winners?

Ms Manen: The board and the NRFC are working to fulfil the investment mandate that has been directed to us by the government to facilitate flows of finance into priority areas of the economy.

Senator BRAGG: I've found something he said. The chair, Mr Wilder, said on 22 April this year, 'Of course we should be picking winners.' That's what the chair says. Is the chair the person that's going to make the judgement, or is it the chief executive, who has the opposite opinion?

Senator Ayres: I'm having some sort of cognitive dissonance here. What is the relationship between you trawling through a phrase that people have used and the governance of the board of the National Reconstruction Fund in terms of the way—

Senator BRAGG: What a mess. How embarrassing.

Senator Ayres: that this fund builds the capability to make good decisions about the future investments in the national interest.

Senator BRAGG: Another boondoggle fund doing nothing, with massive differences between the management and the board. They can't even agree on the basic premise of what the fund is supposed to be doing. One says picking winners, and the other says no picking winners. Which one is it?

Senator Ayres: Neither of those propositions is at all germane to the job that the board has in front of it, which is set out in its investment mandate and set out in [inaudible]

Senator BRAGG: Who do you agree with: the chair or the CEO?

Senator Ayres: I'm sure that I could find a lot to agree with in what each of them says in the context in which they said it. I have no idea what that was in relation to those issues.

Senator BRAGG: Does the fund pick winners or not?

Senator Ayres: The job of the National Reconstruction Fund is to assess within the scope that is set out in the act projects—

Senator BRAGG: Does it pick winners or not?

Senator Ayres: that meet the criteria of the fund.

Senator BRAGG: Yes or no?

Senator Ayres: And its job—

Senator BRAGG: You don't seem to know.

CHAIR: It's been going for 15 minutes.

Senator Ayres: If you're going to do badgering the minister at the table, do a good job of it.

Senator BRAGG: What's the answer?

Senator Ayres: It's not possible to answer with this sort of—

CHAIR: I'm done. I'm sharing the call. We're going to Senator O'Neill.

Senator O'NEILL: Could I just ask about the time? I'm sure it takes some time to ensure you're seizing the right opportunities. I know the imagination of the Australian people is very much waiting to hear good news about this program really getting up and running. So on behalf of the Australian taxpayers, ensuring that the investments are commercially sound, especially a mandate to deliver return on investment, what are you doing to make sure that that is operating properly?

Ms Manen: We are working within the legislative framework that's been set for us by government to identify an active pipeline of proposals that fit our mandate. That includes not only the financial return to the taxpayer as specified in our investment mandate, but also delivering on the range of policy objectives the government has set for us. You're right: careful consideration of these investment proposals does take time. We are working with urgency because we are very aware of the importance of the work that we're doing, but also with extraordinary amounts of discipline to ensure that we are undertaking those assessment processes in an appropriate manner and we have the relevant information for decision-makers to make those decisions.

Senator O'NEILL: I've got the sense that there's a very clear set of protocols that you're applying and they are transparent and available for people to see. Could you take me through in a way that I would understand if I don't have the protocol at hand? What happens? You get into a discussion with a potential proponent. What do they have to do to interact? What does the board ask of them to actually get to a point where they can make an informed decision in the interest of the nation with confidence that it's going to deliver the sort of outcomes that this fund is designed to deliver for the nation?

Ms Manen: As I mentioned before, it's a staged process that we're working through, with checkpoints along the way. The first part of that process is really to understand whether the project proposal meets our legislative requirements. That includes the matters that Senator Pocock raised earlier in terms of investments being solely or

mainly Australian based. We talk to project proponents about their project to understand what it is that they're seeking to achieve and what they need from the NRFC. One of our other key areas of focus is to be crowding in private sector investment, so we're really interested to understand from them who else they're working with and who else is supporting their project proposal. We'll explore a range of other commercial aspects of the deal, including the financial health of the entity, the skills that you might expect on their management team, and a range of other market analysis and due diligence. If there are technical aspects of a project we'll understand technical risk, and a range of other factors are incorporated into the conversations and the information that we request from project proponents. It's important to distinguish that this isn't a situation where we ask for that information once, go away and assess it and then come back with an answer; it is an ongoing process where we work quite closely with the counterparties to understand what their project is and what role the NRFC can play, alongside others in the financial sector. We then work through the appropriate structure of the deals and those sorts of things. We're really keen to understand how those projects would provide the policy outcomes that have been set for us in our legislation, in addition to the commercial aspects of the deal.

Senator O'NEILL: So there's a clear pathway to ensure all sorts of due diligence and it's an iterative process to meet a number of bars before you get through—it's a series of gates you have to get through to meet, transparently, all of those particular requirements.

Ms Manen: That's right.

Senator O'NEILL: I guess one of the problems with due diligence is there can be a degree of performativity about it. People often see it, in its lowest form, in checklists. You have clear criteria. For these sophisticated proposals, how is the board going to assure itself that it has the expertise, in addition to the documentation, before it makes a decision for investment?

Ms Manen: Do you mean expertise within the corporation?

Senator O'NEILL: Yes, because it's going to be different for each of these project. There's quite a range. How is that differentiation going to meet with the transparency of a clear and equitable process?

Ms Manen: Where it's required to do so—as you point out, each deal will be different, and the scope of activity for the NRFC is quite broad. We have our own internal capability, which we're building. We are looking at partnerships with others, collaborating with other experts and other co-investors. We're working with them to draw on due diligence—not only that which we're undertaking ourselves but also that which has been undertaken by others—on particular projects. Where necessary, we'll seek expertise from a range of different places so that we really understand the nature of the projects that we're looking at.

Senator O'NEILL: Thank you.

CHAIR: I'll go back to the deputy chair.

Senator BRAGG: I want to move on from that last exchange and ask about some board issues. Who can take those questions?

Ms Quinn: It depends on the nature of the questions.

Senator BRAGG: Who goes to the board meetings?

Ms Manen: The board meetings are attended by board members, obviously, and members of the NRFC executive team.

Senator BRAGG: How many members of the executive go to the board?

Ms Manen: That would depend on the board meeting.

Senator BRAGG: Do you go?

Ms Manen: I do go, yes.

Senator BRAGG: That's good. How many times has the board met?

Ms Manen: The board has met 10 times since it was established, in September last year.

Senator BRAGG: Ten times. Have all members been present for these meetings?

Ms Manen: I'd need to take that question on notice.

Senator BRAGG: Okay. Do any external people come to the board meetings?

Ms Manen: There are instances where external members have been invited to come and either provide a presentation to the board or address the board.

Senator BRAGG: Has the minister been to a board meeting?

Ms Manen: Yes, the minister has.

Senator BRAGG: And members of his office?

Ms Manen: The minister was accompanied by members of his staff when he attended the board meeting.

Senator BRAGG: How many times?

Ms Manen: The minister attended the first board meeting.

Senator BRAGG: One meeting, with members of staff? Okay. Why were there two meetings on 18 September last year?

Ms Manen: The board meeting schedule was determined to allow the corporation to meet the legislative requirements of the act.

Senator BRAGG: The *Australian Financial Review* had a story about this. Do you know about that?

Ms Manen: If we're referring to the same story—I'm aware there has been some commentary.

Senator BRAGG: About the 18 September meeting.

Ms Manen: There has been some commentary, yes.

Senator BRAGG: It was described as a strange meeting. Why was it strange?

Ms Manen: I wouldn't agree with that statement.

Senator BRAGG: Why were there two meetings on the same day?

Ms Manen: As I just said, the meetings of the board have been scheduled to allow the corporation to meet its legislative obligations.

Senator BRAGG: I don't understand what that means. I can't think of any legislative obligation that would require one board to meet twice on the same day. What's the obligation you're referring to?

Ms Manen: The legislation requires the board to meet six times in one calendar year.

Senator BRAGG: So you have one meeting and then a sham meeting to make up the numbers? I'll take that as a yes. That's disappointing.

CHAIR: I'll just use the chair's prerogative, which I very rarely do.

Senator BRAGG: More interference—wow! Very sensitive!

CHAIR: I so rarely do it. So that's a calendar-year requirement and the board was fully constituted in around November or January—something like that?

Ms Manen: The board was officially established on 18 September 2023. The legislation, as I said, requires six board meetings per calendar year, and there is no provision in the legislation for a pro-rataed amount depending on when the act commenced.

CHAIR: Thank you.

Senator BRAGG: So you've had two sham meetings.

Senator Ayres: They were not sham meetings, Senator Bragg.

Senator BRAGG: Here we go—interference again. I've never seen you so defensive.

Senator DEAN SMITH: What was the duration of each meeting?

Senator BRAGG: How long did the sham meeting go for?

Senator Ayres: The official has explained that there's a requirement for the board to meet a certain number of times, on establishment. That seems to me like a reasonable thing to do.

Senator BRAGG: When was the corporation established?

Ms Manen: The corporation was established on 18 September 2023.

Senator BRAGG: How many board meetings did you need to have in that year?

Ms Manen: The legislation requires six board meetings per calendar year.

Senator BRAGG: September, October, November, December—you've got four months and you've had two meetings on the same day, so you've only really had four meetings.

Ms Manen: Between 18 September 2023 and the end of that calendar year, in December 2023, the board met on seven occasions.

Senator BRAGG: Are the directors remunerated?

Ms Manen: Yes.

Senator BRAGG: How much do the directors receive?

Ms Manen: The remuneration is in line with the determination by the Remuneration Tribunal. I don't have that information in front of me. I'll need to take that on notice.

Senator BRAGG: If you could take that on notice I'd be grateful. It seems peculiar to me that we'd be remunerating directors to have fake meetings to meet an obligation that they could have met anyway by having the sufficient number of meetings in the time. You can't argue that it would have been impossible to have six meetings between September and December.

Ms Manen: The board meeting schedule was determined to meet our legislative obligations and also to accommodate board member availability. Board members met on a number of other occasions, outside the formal board meetings, to progress a number of matters related to the establishment of the corporation—in particular, the search for the appointment of the CEO.

Senator BRAGG: Let me ask you this: does the fund have a constitution, or does it operate under its legislation only?

Ms Manen: It operates under its legislative framework, and there is a board charter.

Senator BRAGG: Can directors dial in to board meetings, or do they have to be in person?

Ms Manen: Board members have attended board meetings both in person and virtually.

Senator BRAGG: So you could have had a meeting any time to satisfy the requirement.

Ms Manen: I'm not sure what I can add to my previous remarks.

Senator BRAGG: I understand you're in a difficult position. I don't wish to make it uncomfortable, but these are obviously very disappointing developments. There have been these sham meetings held—

Senator Ayres: They're not sham meetings.

Senator BRAGG: for a fund that hasn't even spent a cent.

Senator Ayres: Honestly!

Senator BRAGG: No wonder it hasn't spent any money. It doesn't have any meetings. It has no real—

Senator Ayres: The board was established in September or whenever it was. It has a requirement to meet a certain number of times over the calendar year. The calendar year begins on 1 January. It ends on 31 December.

Senator BRAGG: They could have had six meetings. They could do them online.

Senator Ayres: There is a much shorter amount of time, and it is an entirely sensible thing for the board, in a precautionary way, to make sure that it meets its statutory requirement. It might be open to the board to argue that it should have a requirement to meet fewer times, given when it was established, but in order to do that it has done it the way it has done it. It appears to me, on the basis of what I've heard the officials say, that the board met in excess of what it is statutorily required to do in any case.

Senator BRAGG: We know you're embarrassed.

Senator Ayres: The pejorative university Liberal club sort of assault on this stuff—

Senator BRAGG: It's embarrassing. I understand it's embarrassing. You've wasted all this time—

Senator Ayres: is so transparent.

Senator BRAGG: trying to defend it, because you're obviously embarrassed by it.

Senator Ayres: Because it's in the national interest, Senator Bragg.

Senator BRAGG: Why has there been no money, then?

CHAIR: I'm looking for a question at the moment.

Senator Ayres: Because it's all about building Australian industrial capability, which deteriorated so significantly over the nine sordid years of the previous administration.

Senator BRAGG: Back to politics, eh?

Senator Ayres: Back to the national interest.

Senator BRAGG: My next question is—

CHAIR: There is a question.

Senator BRAGG: We need to move along, because I'm conscious the chair doesn't want to dwell on these matters for too long. Are you able to provide on notice the agenda for each meeting?

Ms Manen: I can take that on notice.

Senator BRAGG: I'd like to see the agenda of each meeting, thanks. I think it's important. How many applications have now been received for funding?

Ms Manen: As I said previously, 218 investment proposals have been received by the corporation.

Senator BRAGG: When you think the organisation will start spending money?

Ms Manen: As I said previously, the corporation is working with urgency but also with discipline to make sure that we are in a position to make investments as soon as possible.

Senator BRAGG: Okay. In the interests of time, I think Senator Smith has a couple of questions, and then we can probably dispense with this item.

CHAIR: Senator Smith.

Senator DEAN SMITH: I want to turn to the matter of manufacturing insolvencies.

Ms Quinn: Is this a question for the NRF—

Senator DEAN SMITH: No.

Ms Quinn: or a question for the department?

Senator DEAN SMITH: Yes.

Ms Quinn: I might be able to help you, but we've dismissed that section of the department in a previous session.

Senator DEAN SMITH: My apologies.

Ms Quinn: But I might be able to help you.

Senator DEAN SMITH: Okay. My questions are at a high level. To what extent does the department monitor manufacturing insolvencies?

Ms Quinn: We do monitor what's happening in the manufacturing industry, including insolvencies. We also monitor particular elements of the ecosystem that might have flow-on effects from insolvencies.

Senator DEAN SMITH: How does the monitoring happen? Is it the monitoring of the ASIC data, or is there—

Ms Quinn: We do use the ASIC data as a substantial body of evidence, but we also have our own intensive regional network of advisers that map the country and might capture more nuanced statistics. We also talk to associations. We have a lot of stakeholder engagement that adds colour and movement to the ASIC numbers themselves, but the ASIC numbers are the ones that most people rely on in terms of the consistency of the data in the application, because there are different stages of insolvency, as you would be familiar with.

Senator DEAN SMITH: In regard to the regional network of advisers, is that what they're called?

Ms Quinn: We have a regional network, as we call it. It's an AusIndustry regional network. We have a set of people whose job is to understand what's happening in the regions. They provide information and advice on government programs or government support, not just from our department but from across government. They also receive information in their discussions and connections, and they report that information back into the system. We operate a kind of collection and we provide that information about what's happening to industry across the government.

Senator DEAN SMITH: Is there a frequency with which it's collected and disseminated?

Ms Quinn: We do have a process called the 'SAGE book', which captures information on an annual basis. Otherwise, we do a weekly report—an email that provides intelligence on what they receive. Sometimes it contains information about insolvencies, but it covers a range of matters, though, such as regulations, employment conditions and demand conditions.

Senator DEAN SMITH: What was the annual report called?

Ms Quinn: It's called the *SAGE report*.

Senator DEAN SMITH: Thank you.

Ms Quinn: I'm not sure what it stands for.

Senator DEAN SMITH: So it's an acronym?

Ms Quinn: I think so.

Senator DEAN SMITH: Okay. ASIC data demonstrates that there is, or has been, a rise in manufacturing insolvencies over the last few years. What's the department's attitude in terms of some of those contributing factors? And, secondly, are there any regional differences to be observed or noted?

Ms Quinn: One of the factors that we've been monitoring is that we had a significant drop in insolvencies as a result of some legislative change during COVID. We had a change in the regime and the stance, and we also had a change in the administrative arrangement for insolvency where companies were given a greater ability to work things out. We had changes in the system; we had the COVID situation; and we had government assistance—federal and state. We've been monitoring that but it's a bit hard to know what the baseline is—what the normal is.

Senator DEAN SMITH: So it's hard to be clear about the baseline because of the interruption of the pandemic and then the change in the regulatory or legal arrangements?

Ms Quinn: Yes, correct—and also the change in the stance of the Australian Taxation Office, because they stopped collecting debts or administering their books. They're often the majority partner in most non-voluntary insolvency processes.

Senator DEAN SMITH: Bruce Billson made a similar point last night.

Ms Quinn: It's been a little hard to know what the baseline is relative to before, but we're monitoring it. We're concerned that it's affecting our supply chains, particularly if there's capability. We have a responsibility to monitor supply chains, and we do spend a fair bit of effort on those mid-sized and larger companies to make sure we understand what the implications are—and also to see if we can facilitate other arrangements with states or other companies where we can. We have a facilitative role, so it's important that we understand what's happening. We provide that advice to government for it to consider any actions.

Senator DEAN SMITH: Thinking about the insolvency experience over the last couple of years, are there any factors worthy of note outside the pandemic and the regulatory change?

Ms Quinn: We've seen quite a lot of insolvencies in the building and construction sector.

Senator DEAN SMITH: Of course, yes.

Ms Quinn: That's because of some of the administrative arrangements—the business practices where they had fixed-term contracts with consumers and then they faced the knock-on impact of closures and supply chains, and price increases in their costs. A lot of construction companies got stuck between fixed prices and rising input costs. That's an area of concern. In the manufacturing space, we're also interested in some of the supply chain factors. Interest rates have increased and those will impact on those who rely on borrowed money. We're monitoring all those elements. On the other side, there's a surge in demand in some parts of the system. Anything to do with renewable energy, for example, is facing strong demand, so we're monitoring that.

Senator DEAN SMITH: The existence of insolvencies in certain parts of a supply chain would be an early warning of vulnerabilities in that supply chain?

Ms Quinn: We do try to understand the trends—is it a macroeconomic trend because of interest rates and supply costs, or is it a structural issue in the industry because of the way the industry is constituted? Or are there early warning indicators of other kind of factors? We monitor all of that. For example, with energy prices rising as a result of Ukraine's war and the government's focus on making sure that we understood the implications for energy, we did have a lot of focus on the energy inputs and how the companies get assistance. A lot of that fed into the demands and actions of government to reduce energy prices to support manufacturing. They're the sorts of things we do.

Senator DEAN SMITH: Does the department go out and speak to manufacturers who have become insolvent to get a deeper understanding of their business failing?

Ms Quinn: Yes; we do. If companies come to us in a situation where they feel like they may be facing that, sometimes they do approach government. We do engage with them to understand their situation and we see whether there is other assistance or support that might be available for them through the system.

Senator DEAN SMITH: So a manufacturer that has failed and then comes and shares their experience with the department, is that a formalised process?

Ms Quinn: It depends. We do have a formalised process within the government in the sense that we have a playbook. It depends a bit on why they're coming. Some come just to share information so that we've got visibility; some come seeking assistance. If they come seeking assistance, we have a triage approach where we evaluate and then work with others in the system to see whether there's anything that can be done through any of the programs. We obviously inform the government. Often these parties are also going to state governments at the same time, so we work cooperatively with our state colleagues who have similar playbooks.

Senator DEAN SMITH: Is the *SAGE report* public?

Ms Quinn: I believe so.

Senator DEAN SMITH: I'm just quickly trying to find it. It is S-A-G-E? No, don't you worry about it, Daniel; we'll do that. So at the moment it's fair to say that industrial relations changes are consequential, are changing the operating environment?

Ms Quinn: We haven't seen a significant amount in the cohort from our direct cohort. That's not in the top list of things people raise. A shortage of labour is the one that they raise. Sometimes it's accommodation in regional areas for labour. It's cost of finance or access to finance, and then there's supply chain knock-on implications. They would be the top ones I have in my mind at the moment, but I presume it would depend on the individual company.

Senator DEAN SMITH: If, during this evening's proceedings, you could come back to us with the web address, if that *SAGE report* is publicly available, that would be helpful.

Senator Ayres: It's a much more sophisticated story than the one that your leader persists in telling about the state of manufacturing and talking Australian manufacturing down. The truth is—

Senator DEAN SMITH: Are you running—

Senator Ayres: if you look at insolvencies—

Senator DEAN SMITH: Senator Ayres, when we get to the chamber on 24 June, you'll have nothing else to say.

Senator Ayres: between 1999 and now—

Senator DEAN SMITH: You'll run out of talking points by the time we get to the chamber.

Senator Ayres: across the economy, it's about 0.4 per cent of companies.

Senator DEAN SMITH: I think Senator Walsh would like to leave earlier than 10 o'clock—

Senator Ayres: If you look at it since the government was elected, it's about 0.3 per cent—

Senator DEAN SMITH: and now you're filibustering.

Senator Ayres: so no material change.

CHAIR: I'd like to get through the program.

Senator DEAN SMITH: You're filibustering.

Senator Ayres: Over the life of the coalition government—

Senator DEAN SMITH: I approach this matter—

Senator Ayres: we were 100,000 jobs down in manufacturing.

Senator DEAN SMITH: in a very matter-of-fact way—

Senator Ayres: Over the life of the Albanese government, we're 81,000 jobs up.

Senator DEAN SMITH: and now you can't resist the opportunity.

Senator Ayres: That's the truth, and I don't know why—

CHAIR: Okay. I can't hear anyone speaking in any—

Senator Ayres: your side of politics persists in talking the country down.

Senator DEAN SMITH: I can't hear Senator Ayres either—

CHAIR: Okay.

Senator DEAN SMITH: and I feel none the worse for it.

CHAIR: Right. I understand we're in a position to now move on in the program.

Senator DEAN SMITH: Thank you, Secretary, for that evidence.

CHAIR: We thank the National Reconstruction Fund Corporation and Ms Manen for being here, especially in the circumstances that you're here tonight. We release you.

[19:56]

CHAIR: I now call to the table witnesses for outcome 1, program 1.2, Investing in science, technology and commercialisation. We welcome Ms Wilson to the table. Are you happy to proceed straight to questions or are there any remarks you need to give?

Ms Quinn: Straight to questions.

CHAIR: Senator Bragg.

Senator BRAGG: Thank you very much for being here and I'm sorry about the late hour. We did discuss this earlier today, so I just want to confirm that we still have the legal officials in the building if we need them.

Ms Quinn: We do.

Senator BRAGG: But we now have, effectively, the people who were working on the taskforce.

Ms Quinn: We do.

Senator BRAGG: And that's you, Ms Wilson, is it?

Ms Wilson: Yes; I had responsibility for the taskforce.

Senator BRAGG: Okay, so you've been leading the taskforce for how long?

Ms Wilson: I've been leading the taskforce since August last year, but the taskforce was created prior to my arriving in the department.

Senator BRAGG: What happened in August last year? Was this when the discussion or the engagement started with PSI?

Ms Wilson: No. The process by which we became aware of PsiQuantum actually started way back in March 2019. That's the first time Austrade recorded their interaction with PsiQuantum. Following that interaction in March 2019, in September 2021 Austrade introduced PsiQuantum to the Global Business and Talent Attraction Taskforce. That taskforce had been announced by the former minister Alan Tudge.

Senator BRAGG: Yes; I remember that.

Ms Wilson: I can keep going through the timeline from there if you would like.

Senator BRAGG: Okay. Were you involved with the original legal contract with King & Wood?

Ms Wilson: KWM? Yes. I'm aware of the contract with KWM, who were first engaged on 24 July 2023.

Senator BRAGG: Did you say 24 July?

Ms Wilson: Yes; 2023.

Ms Quinn: That earlier discussion was around the date that the contract was published on the AusTender website, but the engagement was a few weeks prior to that.

Senator BRAGG: We discussed this with Ms Richards this morning.

Ms Quinn: That's correct.

Senator BRAGG: Were you involved in that engagement with KWM?

Ms Wilson: It was a few weeks prior to my starting, but I can call Anthony McGregor to the table. He was involved in the engagement of KWM.

Senator BRAGG: Mr McGregor, you were involved in the original engagement?

Mr McGregor: That's right. My team was responsible for the procurement of King & Wood Malleson.

Senator BRAGG: So you were working in the legal branch at the time?

Mr McGregor: No; I led the taskforce.

Senator BRAGG: You were working in the taskforce at the time?

Mr McGregor: That's right.

Senator BRAGG: They decided to go with King & Wood?

Mr McGregor: That's right.

Senator BRAGG: Were other lawyers considered for this engagement?

Mr McGregor: Yes. We engaged King & Wood Mallesons through the usual process for these sorts of procurements. We approached a number of providers through the whole-of-government legal services panel and received responses, which we assessed, and King & Wood Mallesons was assessed as the preferred candidate.

Senator BRAGG: Can you confirm the original value of the contract was \$282,000?

Mr McGregor: That's correct, but it's worth me clarifying some points in relation to that, if I might.

Senator BRAGG: Would you like to add to your answer?

Mr McGregor: That is correct; that was the initial value of the contract. The contract was entered into on the expectation that it would be a phased arrangement—in fact, the approach to market indicated that. That was because there were a number of elements of the project that at that point were not known, including whether the

government would proceed with an investment. We anticipated that the contract would have a number of phases and would need to be—depending on decisions and on how the project unfolded—uplifted.

Senator BRAGG: Was it made known to the legal firms that were tendering for the work that it was a due-diligence contract?

Mr McGregor: Yes.

Senator BRAGG: There wasn't anything else?

Mr McGregor: No, there were other elements to the contract.

Senator BRAGG: What were the other elements? I assume there would have been a scope provided.

Mr McGregor: The scope included providing assistance with due diligence. It included assistance on a range of other legal matters to support non-binding discussions with the company at that point, including legal issues associated with establishing an operation, potentially in Australia.

Senator BRAGG: What would you say was the primary purpose of this legal engagement?

Mr McGregor: The primary purpose was to support an initial phase of due diligence—that was a key focus of the first phase of the contract—and to support advice that was subsequently taken to government around next steps and whether to proceed with subsequent phases.

Senator BRAGG: So there was a contract for DD. It started at \$282,000. Can you confirm that it's now \$3.2 million?

Mr McGregor: The amount currently published on AusTender is \$3.28 million.

Senator BRAGG: It's helpful that you're here. Were you the point person with King & Wood Mallesons at this initial phase?

Mr McGregor: I wasn't the contract manager, but I was having regular engagement with King & Wood Mallesons, that's correct.

Senator BRAGG: Was this part of a directive from the minister to engage with PsiQuantum?

Ms Quinn: I might step back and take you through the process so you understand where this fits into the broader due-diligence process. As my colleague Ms Wilson mentioned, the first engagement between government and PsiQuantum was back in 2019. It stepped up towards the end of 2022 and then, through the first half of 2023, there was a due-diligence stage—we think of it as due diligence phase 1—which was joint between us and Queensland, where we did the first phase of due diligence. Then, in June, subsequent to a government decision, we stepped up to commence more intensive discussions with the ecosystem and PsiQuantum. From June 2023 we had a more intense process, and towards the end of the year we had another step up going into more technical and more detailed due diligence. After subsequent decision-making from government, we moved into detailed contract negotiation and legal form document drafting and all the rest.

The steps that we took were the same as the ones that Ms Manen outlined earlier for the NRF in terms of all the phases you would have for a due-diligence process. At each stage there's a collection of information, a series of questions evaluated and decisions taken—which may be to stop or to proceed. This phase in June 2023 was a step up from the previous phase, which required us, appropriately, to draw on external support, both King & Wood Mallesons in terms of legal advice and also commercial advice, probity advice and technical advice on the actual technology.

Senator BRAGG: On 24 July the contract with King & Wood Mallesons starts. That is the evidence we just heard.

Ms Quinn: Yes.

Senator BRAGG: At that time, was it known to you that there was going to be a contract with PsiQuantum?

Ms Quinn: No, it was not known.

Senator BRAGG: You didn't know at that stage? You were doing DD in case there was going to be a judgement?

Ms Quinn: That's right. We had been asked to engage in non-binding commercial-in-confidence discussions.

Senator BRAGG: When was it known that there was going to be a judgement made that the Commonwealth would go with PsiQuantum?

Ms Quinn: The government announced their investment decision on 30 April, and in February we had confirmation from the government that they would like to progress to that level, which was jointly with Queensland.

Senator BRAGG: 30 April was the decision?

Ms Quinn: No.

Senator BRAGG: The announcement, sorry. When was the decision?

Ms Quinn: The announcement was 30 April. The decision to invest, subject to final negotiations on detailed terms sheets and contractual issues—there is always a 'subject to'—to finalise, cross t's and dot I's et cetera, was in February 2024.

Senator BRAGG: What day?

Ms Quinn: I don't have the date with me. I would have to check the precise date.

Senator BRAGG: February 2024?

Ms Quinn: Yes.

Senator BRAGG: I imagine it was after 15 February.

Ms Quinn: Highly likely, given I was at estimates and we didn't have an agreement at that point.

Senator BRAGG: Sometime after 15 February but before 1 March there was a decision made to go with PsiQuantum?

Ms Quinn: Yes. Subject to final negotiations and various—

Senator BRAGG: All the usual things.

Ms Quinn: All the usual things. Due diligence in terms of project schedules and a whole bunch of quite technical commercial negotiations in a complex deal of this size. Queensland was also negotiating alongside. There were issues with different investors, and how we proceeded was separate and joint depending on the strategies.

Senator BRAGG: That tells me that, from 24 July 2023 until February 2024, there was engagement with PsiQuantum through King & Wood Mallesons—

Ms Quinn: Engagement was led by the Department. We were supported—

Senator BRAGG: Can I finish the question? We know that there was engagement with the department. The department engaged King & Wood Mallesons. They engaged with PsiQuantum for seven or eight months. What happened in those seven or eight months?

Ms Quinn: I want to clarify: the department was leading the discussions. We brought in appropriate others to the party. It wasn't the default that the lawyers dealt with PsiQuantum directly. PsiQuantum had their own lawyers at various stages, and lawyers talk to lawyers, but this was a—

Senator BRAGG: Very expensive business.

Ms Quinn: Not unusual for a process of this complexity and importance. We've certainly as a department spent more money on legal advice in other processes. We were very cautious about appropriately using taxpayers' money in terms of phasing it out. You asked about what had happened between what date and what date? I am happy to give you those details.

Senator DEAN SMITH: If I could make a point: you mentioned that the department approached others to the party. Did that include any other quantum computing organisations or expertise?

Ms Quinn: Yes. I've previously given evidence about an expression of interest process that was run in that phase as well between June and September where we tested the market, as is consistent with the Commonwealth investment framework and as is consistent with the PGPA Act in terms of expenditure of Commonwealth money. We undertook either an EOI or a market-testing process, where we tested both domestic and international companies about their capabilities and their preparedness to offer similar outcomes. That process was running through this period as well.

Senator BRAGG: When did the EOI start?

Ms Quinn: Are you talking about the EOI from others?

Senator BRAGG: Yes.

Ms Quinn: We commenced internal work in June. It went out on—

Senator BRAGG: June 23.

Ms Wilson: The actual process opened on 11 August.

Ms Quinn: There was an internal process to government to craft the EOI to do the work about who to approach, what methodology we would use, what the questions would be that we would put to companies, and

how we would run it. That happened between June and August. Then it was open for people to provide their information, and then we had an assessment process.

Senator BRAGG: While you were doing the EOI, you spent \$2.7 million on legal fees with King & Wood Mallesons on due diligence with one provider.

Ms Quinn: No, that's not accurate.

Senator BRAGG: How much did you spend up until February?

Ms Quinn: The EOI process and assessment closed in September. We did the assessment subsequent to that.

Senator BRAGG: The tender documents say you'd spent \$2.7 million by February 2024 with King & Wood Mallesons.

Ms Quinn: By 10 November the legal support was \$994,000.

Senator BRAGG: Are we looking at the same document that we tabled this morning?

Ms Quinn: I will double-check. I'm looking at the schedule of contract negotiations.

Senator BRAGG: I'm looking at one which starts at \$294,000, then goes to \$814,000, then goes \$994,000, then goes to \$1 million, then \$1.1 million, then \$1.1 million but a bit more, and then it comes to \$2.7 million.

Ms Quinn: Yes, at the end of February.

Senator BRAGG: Then it jumps to \$3.1 million, and then it jumps to almost \$3.3 million.

Ms Quinn: That's right. You are asking about the EOI process which happened.

Senator BRAGG: I was asking about why you were spending millions of dollars on legal fees with one organisation while you were running an EOI.

Ms Quinn: The EOI process, as I mentioned, started internally in June and, in terms of being open to people who were invited to participate, on 11 August. It went through to September. Then we had an assessment process. That was the period of EOI. Like for like, it is about \$1 million. Some of the money that went with King & Wood Mallesons was also used as part of the EOI process.

Senator BRAGG: How many other organisations that provide quantum computing services racked up a bill similar to PsiQuantum in terms of a DD process?

Ms Quinn: I'm not sure I understand your question.

Senator BRAGG: Did the department expend \$3 million on another PsiQuantum computing organisation in a due diligence process, or was it only PSI?

Ms Quinn: Some of the legal fees supported the OAG process as well in terms of the structure and the questions et cetera. That funding went to both the EOI process and the market testing as well as the consideration. A lot of the questions we were examining at that point would be irrelevant to which company was actually taken forward, because we were asking questions in terms of shaping commercial negotiations or considerations in the Australian legal system. There were a range of questions, as Mr McGregor said. Some of them were due diligence with companies. Some of them were legal questions that we had to ask in terms of a policy consideration.

Senator BRAGG: Thanks, Secretary. Mr McGregor, when you were engaged in this initial component back in July 2023, how many quantum organisations other than PsiQuantum were you engaging with legally?

Mr McGregor: Just to check that I understand the question, Senator, are you asking how many companies were approached through the EOI process?

Senator BRAGG: No, I'm not asking about that. I'm asking you: in July last year you knew that there was an interest in having a DD or some preliminary legal discussions with Psi, which is why you engaged—

Ms Quinn: And a market-testing process. We did both at the same time.

Senator BRAGG: I'm just trying to get the information from Mr McGregor here. Were there other organisations that were in the mix at that time that you were engaging with legally in the same way that you were with Psi?

Mr McGregor: Senator, that was one of the purposes of the EOI process—to identify whether there were other companies that would proceed subsequently.

Senator BRAGG: So there was one, and then there was an EOI to see whether there might be more?

Mr McGregor: That's right.

Senator BRAGG: So we already had one in the mix, and they obviously had the inside running because you were already legally engaging with them.

Mr McGregor: We'd undertaken some initial due diligence.

Senator BRAGG: So that's where it all started. So is there any other record that you have of the department spending money like this on any other quantum organisation through this evaluation process?

Ms Quinn: As I said, the legal services were provided to the department for both the EOI process and the discussions for PsiQuantum—they were together—so, in that sense, you could draw the bow that they were supporting others. If you're referring to other processes, I can take it on notice, because the previous government supported SQC, in terms of investments—

Senator BRAGG: No, I'm not asking about the previous government.

Ms Quinn: You asked about previous quantum investments—

Senator BRAGG: All I was asking was: in this last period, since July—up until now—has the department engaged any other organisations and been through a DD process as the department has with PsiQuantum?

Ms Quinn: The outcome of the EOI process was that the government decided to move forward with PsiQuantum because that was the assessment of that process.

Senator BRAGG: Well, they had the inside running back in July.

Senator Ayres: That's just a—

Senator BRAGG: That's the evidence.

Senator Ayres: No, no, no. That's your lazy pejorative, which is both unfair and incorrect. The department has patiently explained to you how this process worked. I'm sure they're happy to do it for as long as is required. But that is not the case—and it is totally appropriate, if you ask a question about previous decisions the department has made, to go back and refer to some of the grant processes under the previous government in relation to quantum computing, where significant allocations of funds were made, not as equity and loans but as, I think, almost a billion dollars in grants tipped out the door.

Senator BRAGG: Back to the politics, are we?

Senator Ayres: Well, I don't think that's fair. I'm asking for you to ask your questions and listen to the answers and not engage in the sort of lazy pejoratives that we just heard.

CHAIR: Alright—

Senator BRAGG: I appreciate the paternalism.

CHAIR: Thank you, Minister and Deputy Chair. Just some reminders that we're on a course to a hard marker of 10 pm. We're due for a break at 8.50. I know a number of senators have questions. We'll go to 10-minute blocks and we'll go to Senator Hodgins-May.

Senator HODGINS-MAY: I have a last question on quantum computing emissions. Quantum computing clearly uses a lot of energy. Can you provide information on how much energy will be consumed by this project, what the emissions profile of the project is, and whether any power purchase agreements will be in place to source clean energy for the project?

Ms Wilson: What we do know at this stage is that quantum computers operate with less energy than high-performance computers. The exact energy requirements and therefore emissions of the build by PsiQuantum are still being worked through, but I can assure you that the company intends to source the majority of its power from green power, including renewables.

Senator HODGINS-MAY: I've got some questions on the strategic examination of the R&D system. The budget included an announcement that the government would conduct a strategic examination of Australia's R&D system. Are you able to give any information on how this will be done?

Ms Wilson: I am. I might just call a colleague, Nick Purtell, to the table, if you don't mind.

Ms Quinn: For a bit of background, this was one of the recommendations of the universities system review that was undertaken by the government, so there will be a strategic examination. We will be supplying the secretariat service support for that review, but we will be working with colleagues across the ecosystem, given that the R&D system isn't just in the industry portfolio; it also draws on the universities, the Department of Education and the education system but also Health, Defence and others. We will be drawing on other resources to be able to deliver on that review over time.

Mr Purtell: As the secretary said, it'll be a joint effort, which it has to be, given the scope of the R&D review is across government. There is an initial level of analysis, which I can share if you're interested, in terms of the

weaknesses in the Australian R&D system falling heavily on the business side. The numbers indicate that levels of business investment in R&D have dropped. That's going to be central to the review, I think.

Senator HODGINS-MAY: You touched on this, but I understand it's a multiagency project. Can you outline each department that will be involved and their roles and responsibilities?

Ms Quinn: We haven't got to that level of specificity yet. This will be a staged implementation approach. The government has indicated that it wants expert senior leadership from the community as part of this process. That will be the first step. Also, the terms of reference will be refined as we go through this process. All of that will be made public at some stage.

Senator HODGINS-MAY: Do you have any information on how the panel conducting the review will be appointed?

Ms Quinn: We are looking to provide advice to government on a panel that has a cross-community connection, and then the decision will be taken by various ministers in the government, given the interest from the Treasurer but also the Minister for Education and the minister for industry.

Senator HODGINS-MAY: What's the timeline for the review? Will there be an interim report milestone that you anticipate?

Ms Quinn: That's to be worked through. We're working on approximately something like 18 months, but reviews of this type often have different stages, starting with the information piece, working with others to collect information, and often interim—we'll just have to work through those details. We haven't got to that level of specificity yet.

Senator HODGINS-MAY: Okay. I'll ask again in future. Is there any update on when the government response to the STEM diversity report will be released?

Ms Quinn: Imminently or shortly would be my set of words, as opposed to a long way away. The government has, in the budget, made decisions around some of the important STEM programs in terms of evaluating. The Diversity in STEM process evaluated existing programs. The government has taken that advice and has reformed some of the programs to focus on the ones that deliver and to ensure that they are focusing on diversity broader than gender. The government has already announced, in the budget, those elements. As you would know, the review covered a large number of different areas. The government has been working through, across government and other ministers, and I think it will be shortly.

Senator HODGINS-MAY: That's great. My next question is in relation to the Office of the Chief Scientist. The sector is awaiting the release of the refreshed National Science and Research Priorities and National Science Statement. Is there any update on when these will be released?

Ms Quinn: There has been a very detailed process that the Chief Scientist has led. That advice has gone to government. The government has put out a draft set of priorities and is working through those. Most of the work is substantially done. The government did want to work through the budget process and various other elements—Future Made in Australia considerations, for example—so I would expect it's not far off either.

Senator HODGINS-MAY: Great—imminent and imminent. The National Science and Technology Council held its last meeting back in March. A communique is usually released shortly after meetings, but there doesn't seem to be one available yet. Are you able to give any update on the outcomes of that meeting?

Ms Quinn: Not directly, but someone will be able to assist.

Ms Wilson: We might have to take that on notice, but I'll get someone to come and pass me a note before the end of the session.

Senator HODGINS-MAY: Terrific. Wonderful. Finally, has the council identified any specific goals and priorities for the rest of this year, particularly in the context of the new Future Made in Australia initiative?

Mr Purtell: Yes.

Ms Quinn: It will have a process. I was wondering whether Cathy is available.

Dr Foley: On your first question about the communique: that's with the Prime Minister at the moment, getting his approval, and it will come out when it's finalised. As to the work program, we've got another meeting on 26 June. If you look at our program of work, that's when we go through and finalise the program of work for the next 12 months. You're ahead of us with the agenda for what we're doing. We're putting that forward to the Prime Minister and the government.

Senator HODGINS-MAY: Terrific. We'll await it eagerly. Thank you so much.

Senator BRAGG: On this contract and legal engagement, I didn't realise when I asked these questions on 15 February that a decision was so imminent. These things aren't shared with members of the opposition, so I didn't have the benefit of an inside run. But I did ask you at the time about the nature and extent of the engagement with other companies, because that was something you had offered up in an answer—there had been an EOI—

Ms Quinn: I believe you asked me if there had been, and I confirmed that they had been.

Senator BRAGG: That's right. You said that there'd been 21.

Ms Quinn: Yes.

Senator BRAGG: Does that include PSI?

Ms Wilson: PsiQuantum was not invited to participate in the EOI.

Senator BRAGG: Is that because it had its own process?

Mr McGregor: That's because we'd already undertaken initial due diligence. This was to test the market further.

Senator BRAGG: That's fair enough. Of those 21 companies, not including PSI, how many engaged with King & Wood Mallesons?

Ms Quinn: The department, with the support of others, organised the market testing process. There was no engagement between the companies and King & Wood Mallesons in that EOI process.

Senator BRAGG: So the only company that engaged with King & Wood Mallesons was PsiQuantum.

Ms Quinn: The department led the negotiations and the process with PsiQuantum. We drew on expert technical advice, commercial advice, legal advice, national security advice, probity advice, technical specifications and et cetera. We set up a taskforce; we had a governance structure within government. It was a band 3 process. We ran that process, and the engagement of King & Wood Mallesons with the company ramped up depending on what happened. In the early stages, they were providing advice to us not to engage in any contract negotiations or anything like that, because, as I mentioned before, we went through various, increasing degrees of due diligence, the first phase occurring prior to June 2023. Post June 2023, there was a more intensive process that involved the EOI process or market-testing process, as well as additional information from PsiQuantum. It wasn't until we moved later in the process that we went to more intensive testing, and that involved more direct engagement with PsiQuantum.

Senator BRAGG: Did PsiQuantum engage with King & Wood Mallesons?

Ms Quinn: Not directly without the involvement of the department, and they had lawyers of their own and commercial advisers that they engaged. So, as these things usually operate, there are layers in any commercial negotiation—

Senator BRAGG: I understand that.

Ms Quinn: between principals, and then between lawyers and between commercial negotiators.

Senator BRAGG: Let me ask you this. Did PsiQuantum's lawyers engage with King & Wood Mallesons with the department?

Ms Quinn: Yes, there was always a department member as part of that process, as there is usually because the department was leading this process and we were in charge at all points in time.

Senator BRAGG: And the 21 other companies did not engage with King & Wood Mallesons in any form?

Ms Quinn: They engaged with the department, just like PsiQuantum did.

Senator BRAGG: Okay. But not with King & Wood?

Ms Quinn: They engaged with the department, just like PsiQuantum did.

Senator BRAGG: Did PsiQuantum's lawyers engage with King & Wood Mallesons in conjunction with the department?

Ms Quinn: Yes.

Senator BRAGG: I would hope so, given how much money's been spent.

Ms Quinn: Yes, clearly.

Senator BRAGG: They did. Okay. But the other companies didn't?

Ms Quinn: Because the government decided to go forward with PsiQuantum. That's when we stepped up engagements with the company. I just want to be really clear about the phasings here. The government gave us the instruction to proceed with testing the market and continuing discussions on a non-binding basis with

PsiQuantum. The expressions-of-interest process was our main focus. There was a subsequent decision to proceed with all the information available for government—all the factors that you would expect to consider. After that, there was an intensive process of going through and negotiating. There was still no final decision. There was quite a lot to work through to make sure that we had appropriate opportunities for Australia and also to protect it if there was any kind of risk that we needed to manage. So that intensive discussion happened from September to February et cetera, and then there was a subsequent decision about conditional negotiations, and we went into a more detailed legal, contractual, commercial negotiation, and a final final decision was taken later. The government announced it, and then we finalised contractual arrangements.

Senator BRAGG: I understand all that. But what is clear from that is that the only company that had any engagement with King & Wood in this way was PsiQuantum. The other companies were part of the EOI, but they never got engaged in a due diligence process with King & Wood. That's what I take from this.

Ms Quinn: I want to be very clear here that the assessment—there was a first—

Senator BRAGG: And that was the evidence that Mr McGregor gave about 10 minutes ago.

Ms Quinn: I would like to make sure it's very well understood because your characterisation is not the same as my understanding of the process. We did a first phase of discussions with PsiQuantum jointly with the Queensland government, engaging experts to decide whether there should or shouldn't be any further consideration. There was a decision of government to consider it further.

Senator BRAGG: When was that first phase?

Ms Quinn: That first phase, the formal due diligence phase 1, was February to May 2023.

Senator BRAGG: February 2023?

Ms Quinn: Yes.

Senator BRAGG: That was when the taskforce was set up as well, or not?

Ms Quinn: No, the taskforce was set up in June. We did that through our existing processes, as we would normally do with other business proposals. The government had received a detailed proposition. We considered it in our usual way. When the government decided they might want to consider it further, at that point we set up the taskforce. We were instructed to do market testing. We did market testing. We did a bit more on PsiQuantum, but we had already done work on that before. We then went to government with the package of information from the EOI and additional information from PsiQuantum—compare and contrast. That involved a sequence of technical advice, commercial advice and legal advice. There was a process for government to consider all that information on a level playing field. They then decided they wanted to go further, and then we went another step further. There was another series of gatekeeping decision-making, and then we went to another level. Then there was another series of gatekeeping, and then we went to another level. So there were quite a few processes in this journey, as you would expect for an investment of this significance and for the opportunities it presents for Australia.

Senator DEAN SMITH: When I hear about an expression of interest process and market testing, in my mind, from my previous parliamentary experience and experience before parliament, I imagine that a formal document goes out with some information about quanta of money that may or may not be available, technology approaches that might be preferred or not preferred, active engagement and discussion with those that engage in the expression of interest process, market testing, vigorous discussion with various parties et cetera. When I hear you talk about EOI and market testing. Am I right to be thinking about it in that frame?

Ms Quinn: The one caveat I would put on that is that we are very conscious of probity and integrity issues and commercial confidentiality through this process. This is a space where we have to be very careful about protecting the commercial interests of all parties. We took detailed advice from across the system. We complied with the Commonwealth Investment Framework, and the decision was taken as to the process we would go through. We were very rigorous on our probity approach and our assessment approach to make sure that we were open, from a technology perspective. We were not specific on the technology options, because there are different technology options in the quantum space. For example—you mentioned that there would be specification of the technology—we were asking for the capability that they would bring in terms of the deliverables. We didn't prespecify the technology. Similarly, we did not canvass envelopes of funding, because we were asking companies what their capabilities were and what they would need.

Senator DEAN SMITH: So there was no technology specification?

Ms Quinn: We were asking people at a high level for their interest and capability in developing, building and operating a commercial-scale, university, fault-tolerant quantum computer. So it did have an objective at the end, and so it has been—

Senator DEAN SMITH: But the means by which you achieved that directive was open—

Ms Quinn: It was open to the different parties to put their case.

Senator DEAN SMITH: At the beginning of the EOI process, the government didn't have a view about how much it was prepared to expend?

Ms Quinn: No, it didn't. It had made clear in the National Quantum Strategy that it had an aim of having a quantum computer built in Australia. That was a national objective that was clear in the Quantum Strategy.

Senator DEAN SMITH: When the EOI went out to 21 organisations, what form did that expression of interest take?

Ms Quinn: We invited companies to see if they were interested in participating. If they registered their interest then we provided them with documentation, and then they submitted their expressions of interest.

Senator DEAN SMITH: How was the invitation sent? Was it sent from the minister? Was it sent from you or from the taskforce?

Ms Quinn: It was sent from the department.

Senator DEAN SMITH: Was it in written form?

Ms Quinn: Yes, it was.

Senator DEAN SMITH: An official letter or an email?

Mr McGregor: It was sent via email to those companies.

Senator DEAN SMITH: Was it an email or was it a letter attached to an email?

Mr McGregor: They were attachments to email.

Senator DEAN SMITH: Are you able to table those?

Mr McGregor: I don't have them to table them.

Senator DEAN SMITH: On notice are you able to table those?

Mr McGregor: Yes, I think so. I'll take that on notice.

Senator DEAN SMITH: I don't want to labour the point, but what were the key components of the EOI process and the key components of the market testing process? Did I hear you correctly in your response to Senator Bragg that that happened—and what was the period in which that started and ended?

Ms Quinn: I'll give a rough timetable, and the team can fill in the gaps if I leave any. We were asked by the government to commence a market testing process, consistent with an expression of interest process—

Senator DEAN SMITH: So together?

Ms Quinn: They are the same thing; some people use different expressions—in late June. We then formed a cross-government process to determine how best to progress that, drawing on the expertise of others who had done such processes before and working with our Finance colleagues, who are responsible for the Commonwealth Investment Framework. We had a process to develop the documentation, who should be approached, how we should do it—

Senator DEAN SMITH: Who was in that cross-government group? What was the membership of it?

Ms Wilson: I can answer that. It was Prime Minister and Cabinet, the Treasury, the Department of Finance and the Department of Defence.

Ms Quinn: And then we drew on other internal experiences. The department had been through a similar process for what subsequently became the Moderna contract. We had also done something similar for other processes, and Finance had been involved in other processes that it had done, so we drew on that expertise. We formed a technical advisory group to provide advice.

Senator DEAN SMITH: On what date was the technical advisory group established?

Ms Quinn: The first meeting of it was on 7 August. That was predominantly to help with the analysis in terms of the companies and the ecosystem. They reviewed the documentation to provide their input on the EOI statement of requirements. Then there was a series of people's input into the statement of requirements, the shortlisted companies, the approach we should take et cetera. On 11 August the companies were invited to

participate. The documentation was then provided, after it had been endorsed by the IDC, the technical advisory group and the leadership within the department.

Senator DEAN SMITH: What was endorsed by the IDC?

Ms Quinn: The expression of interest documentation.

Senator DEAN SMITH: And the cross-government group that you referred to became an IDC?

Ms Quinn: We had two processes: we had an IDC and a technical advisory group. They were both involved in signing off on the EOI documentation. We then provided the information to the parties. They provided their information; they were given a month to reply. Submissions were then assessed. That entire process was overseen by a probity adviser. We had a probity adviser in both phase 1 and phase 2 of the process. Additional advice was sought as needed from experts both within government and outside government, as appropriate.

We did have issues to manage in terms of conflicts of interest, given the sensitive commercial information that was being provided and the need to make sure that conflicts were managed. Given the size of the ecosystem and the interactions between parties, we did manage confidentiality very closely. There was then a process to evaluate the information, including the technical, commercial and policy implications of what people might be offering for the broader Australian quantum sector. They were asked to provide information about that. That information was gathered, and advice was provided to government.

Senator DEAN SMITH: Am I right to assume it was an open EOI process?

Ms Quinn: It was an invited EOI process. The decision was taken, based on discussions across government, that that would be the most effective way to run the process given the requirements that were being discussed.

Senator DEAN SMITH: So the IDC took the decision to run a closed process?

Ms Quinn: The final decision was taken on advice from the IDC. I'll have to double-check.

Ms Wilson: The final decision on the way we would run the EOI was made by the department, taking on all the advice that we'd received. But the decision to actually conduct the market testing was made by government, and the minister agreed to the process for the EOI.

Senator DEAN SMITH: So the minister himself, Minister Husic, agreed to the process.

Ms Wilson: To the process.

Senator DEAN SMITH: The process was an EOI/market testing process, and it was to invite only 21 parties to submit an EOI.

Ms Quinn: That's right, yes. Having assessed—

Senator DEAN SMITH: Mr McGregor, do you have that email, with attachments, with you?

Mr McGregor: I don't have it with me, but we can take that on notice.

Ms Quinn: We did do it—

Senator DEAN SMITH: You don't have it on your computer there that you can forward to the secretariat?

Ms Wilson: I would have to find it on my computer.

Senator DEAN SMITH: No-one sitting behind you can find it for you, forward it to you and provide it to the secretariat?

Senator Ayres: He's taken it on notice, Senator Smith. He's entitled to take it on notice, and he has.

CHAIR: I'll share the call now and go to Senator Rennick.

Senator RENNICK: I want to speak to the Chief Scientist. I'd like to get some evidence in relation to the greenhouse gas effect. We often hear today the debate around renewables is all to do with climate change, and that's a tautology because the climate's always changed, but I still have issues around the greenhouse gas effect and in particular the idea that an extra hundred parts per million of CO₂ effectively heats up the other million parts. A hundred parts per million is one part per 10,000. The first law of thermodynamics, the equivalent of Newton's third law of motion, is that for every action there's an equal and opposite reaction. It's not, but let's assume carbon dioxide is the same weight as N₂O₂. How can one atom of CO₂ heat up 10,000 atoms of N₂ and O₂ through conduction unless it itself is somewhere around 10,000 degrees?

Dr Foley: I think this is something we covered three years ago, when I went and visited you and went through the—

Senator RENNICK: We didn't actually talk about this particular law.

Dr Foley: I don't have all that information at my fingertips. It might be something to come back to you on. Very briefly, though, you've got to remember the way the different molecules in the atmosphere operate means they have different abilities to absorb energy from—

Senator RENNICK: That's through radiation, the CO₂, yes.

Dr Foley: So they are able to store different amounts of energy. Just like you have different battery materials that can store different amounts of energy, so too can different molecules in the air. Greenhouse gases are ones which, unfortunately, are very good at absorbing a large amount of energy, more so than other molecules.

Senator RENNICK: Yes—incoming and outgoing.

Dr Foley: When you have more of that, you end up with more energy being caught in the system. When you have more energy in the system, that means that you end up with bigger changes. You have the ability for the atmosphere to move more, so you end up with big differences. As you would imagine, with changes in weather, as we've seen, you'll have more cyclones and more weather events, and that's because there's more energy in the system.

Senator RENNICK: I'm glad you raised that. That's the second law of thermodynamics, right? The height of the troposphere at the equator is 16 kilometres. You talk about how there's more energy in the system. That's evidenced by that we see that if you put heat in a hot air balloon it rises. We know that the height of the troposphere at the equator is 16 kilometres and the height of the troposphere at the poles is six kilometres. We know that heat expands. So the idea of gas as a greenhouse, CO₂ compared to a greenhouse—CO₂ is a gas, and a greenhouse is a solid. That doesn't stand up. The whole analogy of comparing a gas to a solid is wrong and is an oxymoronic statement in itself. 'The greenhouse gas effect' is actually a moronic statement.

Dr Foley: With respect, some of the things you've put together there actually don't work in the way that you described. It's something which I don't want to end up fumbling my way through and giving you a bad answer on. Can I take that on notice so that I can make sure I give you a clear answer.

Senator RENNICK: Sure. In regard to my first question, given that N₂ and O₂ are transparent to radiation, how is it that the CO₂ molecule heats the N₂ and O₂ if it's not through conduction? If there's a process by which they get heated other than conduction, I want to know about it.

Dr Foley: It is other than conduction. Let's take that on notice so I can give you a nice clear one and make sure that you get a good understanding of that.

Proceedings suspended from 20:50 to 21:00

Department of Industry, Science and Resources

CHAIR: The committee resumes with the Department of Industry, Science, Resources on outcome 1, program 1.2. I'll go to the deputy chair.

Senator BRAGG: I think we've almost done this to death. When did Duncan McIntyre commence in his role as deputy secretary?

Ms Quinn: November 2022.

Senator BRAGG: What sort of work did he do regarding funding for a quantum computer and funding on PsiQuantum.

Ms Quinn: He was the deputy secretary of the science and technology group which had carriage of the technology issues, so he was the deputy secretary looking after the process when he was in that role.

Senator BRAGG: Did Duncan McIntyre provide advice to government on the risks associated with providing funding to PsiQuantum?

Ms Quinn: The department provided advice on opportunities and risks throughout the process from the very start of the discussion. The process which, as I said, took me to 2022 and then stepped up through the process at the end of 2022, and then through the first half of 2023, before we went to another layer. He was part of the provision of advice on opportunities and risks.

Senator BRAGG: Did he outline risks about the approach?

Ms Quinn: The department did outline risks and opportunities all the way through the process, so he would have been part of that discussion, as was I, as were other members of the team. Sorry, I just want to correct, what I said earlier. Duncan McIntyre formally started on 12 December 2022, not November.

Senator BRAGG: When did Mr McIntyre finish in his role?

Ms Quinn: He formally left the department just recently to take up an opportunity at the Department of Health and Aged Care.

Senator BRAGG: Did his departure have anything to do with these quantum issues?

Ms Quinn: Absolutely no connection whatsoever with PsiQuantum.

Senator BRAGG: Who made the decision to move?

Ms Quinn: All staffing matters in the department rest with me as the accountable authority.

Senator BRAGG: Is there no suggestion of a connection between the PsiQuantum and Mr McIntyre moving?

Ms Quinn: Absolutely no connection.

Senator CANAVAN: Ms Quinn, I was in the Community Affairs Committee and I asked Mr Comley earlier about this situation. Did you contact Mr Comley about Mr McIntyre?

Ms Quinn: I did have a discussion with Mr Comley. When looking to place someone in the public service, there are discussions across secretaries with the APSC commissioner. I was supporting Duncan's redeployment within the Public Service.

Senator CANAVAN: Why did you contact Mr Comley, on behalf of Mr McIntyre presumably.

Ms Quinn: Mr McIntyre was looking for other opportunities, and I was supporting him in that role. I contacted quite a few parts of the Public Service. Mr Comley had an opportunity and then I connected him with Mr McIntyre and they took it from there.

Senator CANAVAN: Did Mr McIntyre ask you to contact the department of health?

Ms Quinn: He did support me contacting other parts of the Public Service.

Senator CANAVAN: That's not what I asked, but did he ask for you to contact the department of health?

Ms Quinn: I talked to him about how I would support him in his redeployment, we went through different opportunities and he did support me contacting the Department of Health and other departments as well.

Senator CANAVAN: He was a deputy secretary in this department?

Ms Quinn: Yes, he was.

Senator CANAVAN: He's a first assistant secretary in the department of health?

Ms Quinn: You'd have to ask Health.

Senator CANAVAN: He is. He's listed today. It seems strange to me. Did he come to you and say he was happy to take a demotion?

Ms Quinn: You'd have to ask Mr McIntyre. It was his decision to take that role.

Senator CANAVAN: It seems a little unusual.

Ms Quinn: It's not that unusual for people to move for lots of different reasons.

Senator CANAVAN: To move, very much so, but not to take a demotion.

Ms Quinn: It is not that unusual for people to take different roles either.

Senator CANAVAN: He was also on leave for a period, was he?

Ms Quinn: He did take long service leave, yes.

Senator CANAVAN: When did he go on leave?

Ms Quinn: In July.

Senator CANAVAN: Was that last year?

Ms Quinn: Yes.

Senator CANAVAN: And he started at the department of health two weeks ago, apparently. When did he formally leave the department of infrastructure?

Ms Quinn: The transfer across happened around his appointment at health. There is a process of effecting transfers. I haven't got the exact date but it would have been within—

Senator CANAVAN: Did you ever have a discussion with the minister or the minister's office about Mr McIntyre moving to the department of health or moving to another department?

Ms Quinn: No.

Senator CANAVAN: Did anyone in the department have a discussion with the minister or the minister's office about Mr McIntyre moving away from the department of infrastructure?

Ms Quinn: Not that I'm aware of, and it would be highly unlikely that would happen.

Senator CANAVAN: If you could take it on notice.

Ms Quinn: I am happy to take it on notice, but I am the accountable authority and all decisions on employment happen through me. I made all decisions relating to employment and there is a statutory obligation that ministers are not involved in those decisions.

Senator CANAVAN: Okay, thank you, Chair.

Senator BRAGG: Did the minister give any directions about Mr McIntyre?

Ms Quinn: I don't quite understand the question. In terms of employment, no.

Senator BRAGG: Did the minister engage with you about Mr McIntyre's employment?

Ms Quinn: No. I just said that.

Senator BRAGG: You didn't have any discussions with the minister about Mr McIntyre?

Ms Quinn: Clearly, I talk to my ministers about my staff, about instructing them and feedback processes and things like that, all staff. But all employment decisions are my decision.

Senator BRAGG: I respect that.

Ms Quinn: I do seek feedback on all sorts of things from both my cabinet ministers and my assistant minister.

Senator BRAGG: So did the minister have a view about Mr McIntyre's involvement in this quantum project?

Ms Quinn: Not that I'm aware of. There were no discussions canvassed.

Senator BRAGG: Did he express a view?

Ms Quinn: There were no discussions canvassed in relation to this project at all.

Senator BRAGG: It was more general.

Ms Quinn: Just as I got general feedback on my other SES staff, as I would normally do in a 360-feedback process.

Senator CANAVAN: Can I ask a few more follow-ups? You mentioned earlier Mr McIntyre's leave. Was that long service leave?

Ms Quinn: Initially, yes.

Senator CANAVAN: What was it after it wasn't long service leave?

Ms Quinn: He took a combination of a long service leave, personal leave and miscellaneous leave.

Senator CANAVAN: What is miscellaneous leave?

Ms Quinn: We have the ability to provide leave to support people in various circumstances and that is one of the ones available.

Senator CANAVAN: Was he paid during this period?

Ms Quinn: During leave, yes, people are paid.

Senator CANAVAN: But this miscellaneous leave was not leave he had accumulated in the role, or his Public Service balance of leave?

Ms Quinn: I will have to double-check that. I am not an aficionado of—

Senator CANAVAN: If you could it on notice. So you have the ability to just provide people leave? Like, they can just get paid—?

Ms Quinn: We have different mechanisms to provide people leave for different purposes. There is a whole range of leave available under our arrangements.

Senator CANAVAN: Is that at your complete discretion? Do you have to apply for it or—?

Ms Quinn: There is a process of evaluating advice from my HR area on the availability and precedents and things like that. We run a process of making sure we are expending our opportunities. The PGPA Act has obligations on me for good, effective management, so I get advice on those sorts of things.

Senator CANAVAN: So you sought advice on Mr McIntyre taking miscellaneous leave in this case?

Ms Quinn: As I do with all things, I get advice on SES matters from the team.

Senator CANAVAN: Did you seek advice on this particular—?

Ms Quinn: I did seek advice on the process for supporting Duncan, yes.

Senator CANAVAN: I will ask again and I'm happy for you to take it on notice: did you seek advice on Mr McIntyre taking miscellaneous leave?

Ms Quinn: I am happy to take it on notice.

Senator CANAVAN: Take it on notice because you haven't quite answered that. So long service leave was what he initially went on?

Ms Quinn: Yes.

Senator CANAVAN: Did he ask to go on long service leave without any suggestion from other departmental officers or yourself that he should consider that?

Ms Quinn: It was Duncan's decision to take long service leave, yes.

Senator CANAVAN: That's not what I asked. Again, did anyone in the department or yourself, before he applied for long service leave, suggest that he should do that?

Ms Quinn: No.

Senator CANAVAN: Are you absolutely sure about that?

Ms Quinn: Yes.

Senator CANAVAN: Did any department officials say that? I am happy for you to take it on notice.

Ms Quinn: I am happy to take it on notice, but certainly I did not instruct Duncan to take any leave. He decided to take long service leave.

Senator CANAVAN: I didn't say 'instruct'. I mean, you wouldn't do that; you wouldn't be so silly. I said did anyone suggest that he should consider doing that. There was no-one who did that. Can I get on notice when did Mr McIntyre start long service leave, when did he take personal leave, when did he take miscellaneous leave, and then when did he leave the department? Is that okay?

Ms Quinn: I am happy to take it on notice, noting that we do have privacy concerns and issues around disclosure of personal information.

Senator CANAVAN: There is also the public interest given the reporting around this situation and the expenditure of taxpayer dollars.

Ms Quinn: But just to be really clear, when you talk about reporting, I'm not aware—

Senator CANAVAN: There is significant speculation in the media that Mr McIntyre advised against this.

Ms Quinn: And I have categorically said there was no connection between his employment situation and the PsiQuantum matter.

Senator CANAVAN: That is fine, Ms Quinn, but that is why we are here to get to the bottom of this. Sometimes we don't always get the answers first up; we can't just take things on trust. There is a lot of money at stake here, obviously, a lot of money. I mean, why did Mr McIntyre take miscellaneous leave? What is the reason? It is honestly pretty strange.

Ms Quinn: Duncan having taken long service leave, the position was filled with the appointment of Ms Wilson. Then there was an issue about what role Mr McIntyre would take on. As part of the process of seeking roles and thinking about opportunities, departments from time to time support officers through that transition.

Senator CANAVAN: So was he working in the Public Service before November 2022?

Ms Quinn: He was, yes.

Senator CANAVAN: Then he started this role—

Ms Quinn: In December 2022.

Senator CANAVAN: When did he go on leave?

Ms Quinn: It was in July.

Senator CANAVAN: It is just amazing how this works. Anyway, it is not your money. Thank you, Chair.

Senator BRAGG: I just want to make sure you took on notice before the question from Senator Smith about the materials you are going to provide us on notice. Are you also able to provide on notice the list of the 21?

Ms Quinn: I will take it on notice.

Senator BRAGG: I just wanted to clarify something else we discussed before about this due diligence. Am I right that the only organisation that due diligence was done with was PsiQuantum?

Ms Quinn: We did assess other applicants against the expression of interest criteria. The detailed due diligence for PsiQuantum, we had an initial discussion, we had an expression of interest process then we had a detailed due diligence that commenced after the government had assessed the market interest and the EOI process.

Senator BRAGG: Thank you, that is very helpful.

Senator CANAVAN: Just going back to the advisers on the situation, the people who advised the government or yourselves on the deal, I suppose, with PsiQuantum were King & Wood Mallesons. Were there any other advisers?

Ms Quinn: We did engage Lazards.

Senator CANAVAN: I hadn't heard that. Have we gone over Lazards?

Ms Quinn: and a probity adviser.

Senator CANAVAN: How much were Lazards? What was that contract with Lazards?

Mr McGregor: I am just making sure I have the correct figure here. In a similar way, this contract had two phases and the total value of the contract was \$2,100.

Senator CANAVAN: I was going to say great value!

Mr McGregor: Sorry, it was \$2,100,000.

Senator CANAVAN: I wasn't here earlier for the discussion about the other contract. That is what the contract is today, is it?

Mr McGregor: That was the amended amount for phase A and B.

Senator CANAVAN: So, when you first engaged them, what was the value of the contract?

Mr McGregor: \$1,125,000.

Senator CANAVAN: When did you first engage them?

Mr McGregor: 19 July 2023.

Senator CANAVAN: How many variations in the financial size of the contract have you had since then to today?

Mr McGregor: I think it was just the one—

Senator CANAVAN: To go to the \$2.1 million.

Mr McGregor: but I'd have to check. I'll take that on notice.

Senator CANAVAN: Thank you. Were they providing financial advice?

Mr McGregor: That's right. There was commercial advice—support around commercial due diligence—and advice on structure, risk mitigation—

Senator CANAVAN: That's good to hear. It just struck me as strange, because I thought we only had King & Wood Mallesons. It would seem strange if you didn't have financial advisers. That's fair enough. What about engineering advice? Were there any contractors to give you advice on the engineering details of quantum computing?

Mr McGregor: We have, jointly with the Queensland government, procured the services of Aurecon.

Senator CANAVAN: I'm not familiar with them. Who are they?

Mr McGregor: It's an engineering consultancy.

Senator CANAVAN: Have you got a contract with Aurecon?

Mr McGregor: I think that contract is led by the Queensland government, but I'd have to take that on notice, sorry.

Senator CANAVAN: Aurecon—is that a-u-r-e—

Mr McGregor: Yes.

Senator CANAVAN: Yes, I've heard of them, sorry. If it wasn't with us, if it wasn't with the Commonwealth government, did you have a conduit to them? Could you communicate with them directly?

Mr McGregor: With Aurecon?

Senator CANAVAN: Yes.

Mr McGregor: Yes, we agreed the scope and the arrangements for the contract, and we have regular contact with Aurecon.

Senator CANAVAN: Do they have expertise in quantum computing?

Mr McGregor: No, this is more around site development and the infrastructure required to support the facility.

Senator CANAVAN: So it was a—

Ms Wilson: We do have a technical advisory group, which has all the technical advice that we need.

Senator CANAVAN: Who makes up the technical advisory group?

Ms Wilson: That's got representatives on it. It's got Australia's Chief Scientist, senior Australian government experts, the Commonwealth Scientific and Industrial Research Organisation and the Defence Science and Technology Group on it. They also get input from external experts and consultation with international experts as required.

Senator CANAVAN: So the formal members of the technical advisory group are all public servants, are they, from what you've just described?

Ms Quinn: Chief Scientist is kind of a statutory appointment, but they did draw on expertise as needed, both here and in other organisations overseas. PsiQuantum had been through various processes with the US and UK governments, for example. So we drew on information that they were willing to share as part of our processes.

Senator CANAVAN: Did this technical working group formally contract with these external experts that I think you mentioned, Ms Wilson?

Ms Wilson: No, they were to provide advice to the department.

Senator CANAVAN: Could you just speak up a touch.

Ms Wilson: Sorry. The technical advisory group were there to provide advice to the department.

Senator CANAVAN: But I thought you mentioned earlier that the technical working group engaged—you might not have used the verb 'engaged'—or sought advice from external experts, which is the word I'm sure you used.

Ms Wilson: They did.

Senator CANAVAN: On what basis was that advice provided? Was it contractual? Was there a commercial relationship with those experts to receive that advice?

Ms Wilson: I will take that on notice, but most of these individuals have very good relationships with people with relevant expertise.

Senator Ayres: I'm advised that some of that relied upon, in the case of the United States or the United Kingdom, the obvious pre-existing and deep security relationships.

Senator CANAVAN: Were these, if you like, engineering experts—for want of a better description—involved in the contractual negotiations with PsiQuantum?

Mr McGregor: Are you referring to Aurecon there?

Senator CANAVAN: No. The side stuff I'm not so worried about—it's about the quantum computing expertise.

Ms Wilson: The technical advisers were, as I said, to provide advice to the department. If they needed to seek information from PsiQuantum, then they mostly did so through the department.

Senator CANAVAN: I haven't been at this all day, but there is a contract between the Commonwealth government and PsiQuantum. Is that—

Ms Quinn: Export Finance Australia is the Commonwealth entity that has the contract with PsiQuantum.

Senator CANAVAN: Has that been executed?

Ms Quinn: Yes, it has been executed. As part of that contract, there are a series of milestones and—

Senator CANAVAN: Sure—as usual.

Ms Quinn: all the usual technical processes. We did seek technical advice around those milestones, the specificity and things like that through this process.

Senator CANAVAN: My specific question is: was that contract or were drafts of that contract shared with the technical working group to get their feedback?

Mr McGregor: No. We did get advice from technical advisers on technical milestones associated with the contract but not on—

Senator CANAVAN: Were those technical advisers the technical working group or some other advisers?

Mr McGregor: Yes, the technical advisers.

Ms Quinn: We didn't necessarily share the whole contract with them.

Senator CANAVAN: So the whole contract wasn't shared, just the milestones? That was the only part of the contract that was shared?

Ms Quinn: Yes.

Senator CANAVAN: Were your advisers at Lazard involved in the drafting of the contract?

Ms Quinn: Yes.

Mr McGregor: Yes, the drafting was led by King & Wood Mallesons along with the legal advisers for the other parties. But Lazard provided advice on that process; that's right. Could I correct one thing, I indicated before that Aurecon was a Queensland led procurement. It was actually a joint procurement. I don't have the details of that.

Senator CANAVAN: Maybe you could take the cost of that and the details on notice.

Ms Quinn: We haven't canvassed this, but you've asked about commercial advice and legal advice. You haven't asked about probity advice, but we did have probity advice throughout the process. You've asked about technical advisory advice. There was also, as part of this process, an assessment of national security implications and security implications more broadly. So we had a process for working through that as well. As part of the consideration and contracting with the company, there is a national security deed. I won't go to the content of it, but it is there to ensure that both the company is aware of its obligations and the Australian government will support the company through that process. So there have been a series of discussions about whether the government was aware or not aware of various things, but there was a detailed consideration of national security issues.

CHAIR: Senator Smith.

Senator DEAN SMITH: Did Mr McIntyre raise any concerns, identify any risks or provide any critique on the PsiQuantum proposal?

Ms Quinn: Throughout the process, the government did receive advice from the department on the opportunities and risks. We worked hard through the due diligence process with our partners across government through the various stages to provide advice on mitigating risks and maximising opportunities. So there would have been advice while Mr McIntyre was leading this process, as there was subsequently.

Senator DEAN SMITH: Which process was Mr McIntyre leading?

Ms Quinn: He was the deputy secretary of the science and technology group, which Ms Wilson now looks after, and we had the first two phases of our engagement on this issue from the end of 2022 through to mid-2023 and then we had June through further. He was involved in that process—

Senator DEAN SMITH: That's exactly my point. It would have been a very uncomfortable position for Mr McIntyre if he was raising concerns and identifying risks, and those concerns or risks or contrary critiques were falling on deaf ears or not being accepted or not being given the gravity that he thought that they deserved. It was a very uncomfortable position for him to be in, I'd imagine.

Ms Quinn: You can imagine that, but it's not my assessment of the situation.

Senator DEAN SMITH: What's your assessment of the situation?

Ms Quinn: As senior public servants, we provide frank advice to government on opportunities and risks. We did so throughout this entire process. I worked closely with Mr McIntyre on this and other issues in his group. I worked closely with Ms Wilson and her group subsequently. The stance of the department did not change before or after the situation. There is no connection between the PsiQuantum process and Mr Duncan McIntyre's situation.

Senator DEAN SMITH: What risks did you and Mr McIntyre identify?

Ms Quinn: Throughout this process, we looked at the legal, commercial and national security risks associated with the project, as you would expect in any due diligence. There were a whole sequence of discussions. We worked hard to craft advice to government, drawing on expertise across the Public Service and externally, as we've canvassed, to form a negotiated position and put advice to government at all those different stages. This

was discussed many times. It went through all the appropriate governance processes of cabinet, and we drew on expertise. Some of the risks that we mitigated were: What are the opportunities for Australian industry, in terms of spin-off effects? How can we protect the IP situation? How can we ensure appropriate governance of the investment? In terms of the risks you take between debt and equity, there are different opportunities and risks in terms of deal structure—

Senator DEAN SMITH: How were national security risks mitigated?

Ms Quinn: Where there's a national security deed with the company, in which they have committed to certain obligations—

Senator DEAN SMITH: So a national security risk was identified?

Ms Quinn: Critical technologies in general are subject to national security risks. We have a critical technology list and a process. The critical technologies have been identified under the Foreign Investment Review Board process. There are national security risks around critical technologies, as identified by our national security community publicly; the agencies have talked about these. We considered what the situation would be and we negotiated protections and actions with the company as well as obligations on the Australian government to support that company. One of the reasons we've been provided assistance—funding—in the budget for the department is to support the company on its journey, because governments have access to some information and arrangements, and we will be working and overseeing the company as it goes forward, as we do with other companies, including other companies in the quantum situation. The government's got an investment in another quantum computing company, SQC.

Senator Ayres: There's just one aspect of this that is I think important to reflect upon. With this kind of technology there is a set of risks around security questions, but there are also opportunities and obligations. Australia's future security, our economic resilience, our economic diversity and our future success will depend in no small part upon our capacity in this area to harness our research and our capability in extending computational power. That is what this is about, in very large part. It is a large investment that, as the secretary has just said, is composed of equity and loans. It will generate very significant economic investment, in the billions of dollars, that will generate billions of dollars worth of additional investment and thousands of jobs in Queensland and also in Australia's national industrial capability, in our economic resilience and in our capacity to solve national problems and to project that capability into the world.

This is a very significant investment for Australia. I've heard the department's account and learnt a lot more about the process over the course of sitting here, just like you. I am impressed with the process that the department has undergone, and I know that the minister is satisfied with the process that's been undertaken. I read the story in today's newspaper—no doubt, briefed out by some characters in the coalition team.

Senator CANAVAN: I don't think so.

Senator Ayres: There has been no substance—snide allegations—

Senator CANAVAN: You might want to look a bit closer.

Senator Ayres: and negativity, but no substance attached to that story. It's probably high time people focused on the national interest rather than partisan point-scoring in these questions. We are here to answer questions—

Senator CANAVAN: Pretty desperate!

Senator Ayres: For hours the team has answered questions on the process issues, and no doubt we will come back to these questions at some other time—and would be delighted to. But this is a very important project in the national interest, and senators ought not lose sight of the implications of this kind of project for our future peace and security.

Senator DEAN SMITH: Thank you, Senator Ayres. That was a long and exaggerated segue into my next question to the secretary. Secretary, when did you become aware of PsiQuantum's links to Chinese academics and institutions which ASPI had identified as high risk and which had been sanctioned by the United States? That's my first question. My second question is: how was that information drawn to the attention of the IDC or revealed through the IDC process?

Ms Quinn: There was a detailed examination of the opportunities and risks around national security—

Senator DEAN SMITH: Sorry—an examination of what?

Ms Quinn: As part of the process, I've mentioned that we examine national security opportunities and risks from this proposal. We were aware of the working relationship that the academics that subsequently formed PsiQuantum—the founders—all had academic careers prior to founding PsiQuantum.

Senator DEAN SMITH: When was that revealed to you? Was it revealed through the IDC/technical advisory group process or prior to that?

Ms Quinn: It was known through the initial phase of the due diligence—their academic records and the capabilities of the key personnel were part of the assessment process. So there was an awareness of—

Senator DEAN SMITH: So it was or wasn't known through the EOI market testing process? So it wasn't a consideration prior? It wasn't known to you or the department prior to going through the process?

Ms Quinn: Their academic record and their engagement in the academic exercises was known and was assessed as part of the first phase of the due diligence prior to the government going forward with the decision on market testing and things like that. We also assessed other security aspects—opportunities—

Senator DEAN SMITH: I was quite precise: when and how did you learn of that?

Ms Quinn: As part of the due diligence process—the first phase that we ran. The academic records of the key technologists within the company are a matter of public record. That is public information. There is no issue with finding that information, so that was known in the system. We also looked at all the sorts of things you would expect us to look at in a due diligence process, particularly around an equity investment. The depth of detail you go in for an equity is deeper. We did all of that in phases, so it was a deeper examination as we went through. I just want to draw attention to the public statements of PsiQuantum, where they have been very explicit that they have not worked with Chinese partners as a company, and I'll draw your attention to their remarks publicly rather than restate them.

Senator DEAN SMITH: Am I correct to say that, where issues have been identified, the primary means of mitigating against them is through the deed that you mentioned?

Ms Quinn: For the company itself—it's a technology company—protecting its IP and supply chains and its consumer base is paramount for its future financial success. It has its own incentive. They are also party to other governments' arrangements—for example, in the United States, where they have some operations at the moment—and so they have obligations. Then the Australian government's consideration was around the opportunities and risks. There are elements in the national security deed explicitly, but there are also elements within the commercial arrangements to ensure that we have access to the IP protections, the protections and access for the ecosystem, and those sorts of things. So it's a function of both the commercial and the security deed.

Senator Ayres: Senator Smith, I read that article as well, and I understand—

Senator DEAN SMITH: Senator Ayres, why don't you listen to my comment first?

Senator Ayres: Okay, you go first.

Senator DEAN SMITH: These matters are not unfamiliar in Australia. I remember very clearly when the Singaporeans took control of Optus, so I do come with a level of deeper understanding about these sorts of matters, so I think you can just pull back a bit.

Senator Ayres: There are a couple of things that I want to point out. I accept what you say, but the article that ran in the *Australian*—

Senator DEAN SMITH: Which I know nothing about.

Senator Ayres: did include an outline from PsiQuantum on these issues—

Senator CANAVAN: Just a point of order, Chair—

Senator Ayres: They have—

Senator CANAVAN: Can I take a point of order. We've got 25 minutes left. We didn't ask about the article in the *Australian*. I don't know how this answer is relevant to it.

CHAIR: I'm happy to have a conversation about the program and when we are going to get to CSIRO.

Senator CANAVAN: I've got one more question. The minister has other opportunities to respond to the coalition in the Senate.

Senator Ayres: I'm happy to leave it on this basis: that—

Senator CANAVAN: I think that would be useful.

CHAIR: So you've got—

Senator Ayres: this company has extensive contracts and relationships in the United States, including with the defence and related projects organisations and—

Senator DEAN SMITH: Senator Ayres, to think that a project of this scale—

Senator Ayres: with the Air Force research laboratory. It has been the subject of extensive vetting.

Senator DEAN SMITH: would not face public scrutiny through the Senate estimates process.

CHAIR: The committee has repeatedly told me that they would like to get to CSIRO tonight. I understand that that is still the case.

Senator CANAVAN: I've got just one question then.

CHAIR: Hopefully, this is the final question, just because the committee has said to me repeatedly that they would like to get to CSIRO. Senator Canavan.

Senator CANAVAN: Just going back to Mr McIntyre, when was Ms Wilson appointed—the deputy secretary this area?

Ms Wilson: I started on 7 August 2023.

Senator CANAVAN: That was a permanent position?

Ms Wilson: Yes.

Senator CANAVAN: Was Mr McIntyre on personal leave at the time of that appointment?

Ms Quinn: Long service leave.

Senator CANAVAN: Was he on long service leave with the idea that he wouldn't come back? Was that the indication to you when he took that leave?

Ms Quinn: The indication was that he was on long service leave and it was unlikely that he would come back, and I appointed Ms Wilson on a transfer. It's a very busy group, and it's important to have someone in that role.

Senator CANAVAN: It just seems strange to appoint someone permanently to a position when someone is just on leave.

Ms Quinn: It's not that uncommon for senior jobs—

Senator CANAVAN: It does stink a lot, but—anyway, we'll come back to it.

Ms Quinn: that if someone is on a category of leave that we appoint someone afterwards.

CHAIR: Thank you very much. That concludes the questions the committee has for program 1.2, and you go with our thanks.

Commonwealth Scientific and Industrial Research Organisation

[21:37]

CHAIR: We welcome CSIRO, and we welcome back Dr Doug Hilton and team. Dr Hilton, I've taken the liberty of circulating your opening statement. We won't have time for you to speak to it, and will proceed straight to questions. I will go to Senator Hodgins-May.

Senator HODGINS-MAY: I was surprised and saddened to read in the news late this afternoon that there are many hundreds of jobs under threat and research unit cuts. Can you confirm that CSIRO is considering job cuts, as is being reported this afternoon?

Dr Hilton: CSIRO always looks at its budget and takes that very seriously. We need to find some savings in the enterprise service side of the organisation, having come off support, like many public and private sector organisations, through COVID and understanding that that was not something that was going to be ongoing. We're looking to save about 25 per cent of our operational costs in our enterprise service—non-research—side.

Senator HODGINS-MAY: The reporting says there may also be cuts to health and biosecurity teams. How do these cuts align with CSIRO's priorities? Biosecurity seems a strange area to be, potentially, cutting, given some of the comments I read about what we are doing on foot-and-mouth disease and bird flu threats.

Dr Hilton: Absolutely CSIRO looks at the capability that it requires to deliver the best possible benefit to the community, so we look at that capability across all of our research units in a continuous way, and the health and biosecurity team are assessing their capability needs, and looking to ensure that the greatest possible impact for the community is delivered through that. There are many different programs in health and biosecurity, and certainly the diseases that you've talked about are not part of the proposed changes in that area.

Senator HODGINS-MAY: Do you think these cuts would be happening if it weren't for the reduced money in the budget for CSIRO?

Dr Hilton: As I said, we look at our capability all the time. I think you would expect that of Australia's science organisations. Science changes, and the capability that we have across all of our business units needs to change with changing times.

Senator HODGINS-MAY: Can you estimate how many jobs might be on the chopping board?

Dr Hilton: We're consulting at the moment. There are 43 affected people within health and biosecurity. That's a team of several hundred.

Senator HODGINS-MAY: So the reporting of 500 or so jobs is significantly off the mark?

Dr Hilton: That's certainly off the mark for health and biosecurity, yes.

Senator HODGINS-MAY: But across the board, potentially?

Dr Hilton: We're consulting on the enterprise service side of the organisation. I think it's not appropriate to have made a decision while you're consulting. We take consultation very seriously. We've had extraordinarily constructive conversations with the staff association and we congratulate them on the way they've interacted. We take consultation seriously. We always respect the feedback that we get from staff. We have no number in mind or settled in terms of staff cuts from enterprise services.

Senator HODGINS-MAY: I'm going to pivot due to limited time to Middle Arm emissions. In May 2023 CSIRO published an article in the APPEA journal about a CCS utilisation project in the Northern Territory. In that publication, on page 3, CSIRO said: 'Future potential unabated emissions have been modelled on the basis of published company development plans and the Middle Arm development precinct industrial development scenarios.' Can you advise us of the results of this research? How much unabated emissions are you forecasting from Middle Arm?

Dr Hilton: Thank you for that question. I'll hand over to Dr Mayfield.

Dr Mayfield: The work that you refer to, the more recent piece is still underway. We expect that will report towards the end of July.

Senator HODGINS-MAY: The quote said that emissions have been modelled. Was that an incorrect statement to APPEA?

Dr Mayfield: There has been modelling work done, but the specific numbers that you're looking for, that work's currently underway. That will be done by the end of July. We'll be able to report that, and we believe that it will be publicly available at that time.

Senator HODGINS-MAY: Any modelling that has been done or was presented in that article and was presented at the conference has been made available publicly?

Dr Mayfield: All of the modelling that has been done recently is publicly available.

Senator HODGINS-MAY: Including what was presented during the conference? That's all available?

Dr Mayfield: Yes.

Senator HODGINS-MAY: When did you say it was likely to be finished?

Dr Mayfield: The end of July.

Senator HODGINS-MAY: And released then too. CSIRO staff were involved in the development of the National Emissions Monitoring Roadmap proposal, a clear path to establishing the Australian government's sovereign verification capability, including establishing an emissions ground monitoring network, investing in satellite data and protocols around aerial and other ground survey work. What work has the agency done to ensure that it's ready to operationalise this plan?

Dr Mayfield: In respect to that work, CSIRO has been working in emissions monitoring for many years. You'll be familiar with our Cape Grim site, where we do work with BOM. We measure CO₂ and other gases. We've also done work in the Surat looking at methane measurements. We continue to do research in the space. We haven't developed a proposal around a national network, but we are looking into that science on an ongoing basis. We have had consultations with other outside groups who are interested in doing those sorts of things, but at this point in time CSIRO doesn't have a plan or it hasn't contributed to one.

Senator HODGINS-MAY: So basically you can't talk about what CSIRO is undertaking to ensure that Australia's methane emissions are correct at a national and facility level?

Dr Mayfield: There are currently mechanisms in place to do inventory for those sorts of things. This would be a step change into a different way of measuring it. At this point in time there is no proposal that we have been part of in terms of how you would do it differently or how it would be costed or anything like that. But we do work in the space.

Senator CANAVAN: I'm happy to go to Senator Pocock, but, if I can get five minutes, that would be great.

CHAIR: Senator Pocock.

Senator DAVID POCOCK: That's very generous, Senator Canavan; thank you.

Senator CANAVAN: I'm just a friendly guy, David.

Senator DAVID POCOCK: Thank you for your time, so late. Just following on from Senator Hodgins-May's questions, is there a target number of redundancies, Dr Hilton?

Dr Hilton: Absolutely not for enterprise services. We have a savings amount we want to aim for, and of course our primary goal is to minimise impact on staff, so we're looking at operational costs as a first pass.

Senator DAVID POCOCK: You said that it's 43 from Health and Biosecurity. In which other areas will there be redundancies?

Dr Hilton: We are looking at the costs in enterprise services, which is the major part of our work at the moment. There are two other business units where we are looking at potentially impacted staff. They are Agriculture and Food, where there are 30 potentially impacted staff, and Manufacturing, where there are five potentially impacted staff across two programs.

Senator DAVID POCOCK: What sort of staff? Is this admin or is this research?

Dr Hilton: In these units, they will be research staff.

Senator DAVID POCOCK: Research staff?

Dr Hilton: Absolutely. We look to refine the capability that we have in those units. As you would understand, science priorities change and national priorities change, and not all scientists have exactly the same skills, and it's important to be able to refine the capabilities that we can deploy to the most important problems that the nation faces. There will always be a case for doing that in an ongoing manner.

Senator DAVID POCOCK: Sure. Ag and Food seems like something we're going to need for a while, and I've heard a lot from Labor about manufacturing.

Dr Hilton: There are lots of different scientists that contribute to those areas, and we want to make sure that we have the programs that we believe are going to be the most impactful, and that requires us, over time, to change the mix of scientists we have.

Senator DAVID POCOCK: Impactful in terms of commercialisation or in terms of research that will maybe lead to something one day?

Dr Hilton: My only concern is the impact for the nation and the community, and sometimes that requires a commercialisation pathway and sometimes that's not the appropriate pathway to impact. We would, for example, work with NGOs and with government departments to have impact—health systems. So commercialisation, for me, is one important pathway to impact but absolutely not the only pathway to impact.

Senator DAVID POCOCK: What about Data61?

Dr Hilton: There are no plans yet for Data61.

Senator DAVID POCOCK: That's good to hear. What science and research work will no longer be done or will be done at a reduced level because of these cuts?

Dr Hilton: The cuts are still being consulted on, so I think it would be premature to speculate on which staff would be affected.

Senator DAVID POCOCK: What's the staff engagement process like for this?

Dr Hilton: We have a staff engagement and consultation process that's spelt out in our enterprise agreement. It's something we take really seriously. We want to have staff input and believe we get better outcomes when we consult wholeheartedly. That's something we're in the middle of with our enterprise service consultation period, and we have yet to make decisions on the three business units that I outlined.

Senator DAVID POCOCK: Minister, can I ask you what's going on here? We've seen in the last couple of budgets the lowest investment in research and development on record, and now we're hearing from the CSIRO—the much-loved and respected CSIRO—that they are cutting dozens of researchers at a time when, I argue, we couldn't be facing more challenges as a country.

Senator Ayres: I have just couple of observations about that. I'm advised—

Senator DAVID POCOCK: I'd prefer to have a response to that rather than observations.

Senator Ayres: I'm advised that the minister obviously has been advised by the CSIRO of the process that they're undertaking—the structural changes that they are proposing to go through. The minister has met with the CSIRO Staff Association, which is part of the CPSU, and heard them, of course, on these questions. The statement of expectations that the minister has issued to the CSIRO makes it very clear that all of the steps that

you would expect to be undertaken to ensure staff are appropriately informed and consulted should be undertaken by the CSIRO. They are independent of government. These are decisions they have to make, in line with the government's statement of expectations, which of course goes to making sure they discharge their obligations in terms of the government's national science priorities.

Senator DAVID POCOCK: It sounds like Dr Hilton is well underway in terms of consultation. My question is around research and development capability, and this is clearly a funding issue. At a time where we're at a record low in terms of research and development as a percentage of GDP, now we're not funding CSIRO enough. I mean, ag and food? Climate change is going to totally reshape our food system, yet we're hearing that we're losing researchers, and manufacturing. Again, I hear about manufacturing all the time, and it's critical. Why are we not scaling up the CSIRO at this time?

Senator Ayres: Just to correct you on one point, government contributions to research and development have stayed relatively static in Australia and have grown slightly—

Senator DAVID POCOCK: It's the lowest in the OECD.

Senator Ayres: What you're referring to, in terms of that figure, is the putting together of Commonwealth and state, which has stayed relatively static. Private sector investment, as manufacturing has declined over the course of the past 10 years, for example, has declined steadily in Australia. That is a significant challenge. It requires public and private investment in research and development capability. I look forward to learning more about the CSIRO's plans in this area. I would be very surprised if I was to find out that investment in the kinds of areas you're talking about in agriculture and food in terms of the future focused issues was declining at the CSIRO. I've heard Dr Hilton's evidence about the process they're undergoing, and I understand that the minister is engaged to the extent that it is appropriate for a minister to engage with an independent statutory authority like the CSIRO.

CHAIR: I'll share the call, and I'll just let you know, Senator Canavan, that I'm expecting a certain senator to pop in at the end.

Senator CANAVAN: Sure. We'll cut the cloth. Thank you for that, Chair. I'll be quick and rapid fire on GenCost. On the latest GenCost update, you've got this issue of coal plants, nuclear plants being 30 years. It seems a bit absurd. I know you've got a rationale for it, but do you assume there's a terminal value to these plants at the end of the 30 years?

Dr Mayfield: I think you're referring to the economic life versus the technical life.

Senator CANAVAN: Yes.

Dr Mayfield: At the end of the economic life, you would have paid back your capital. As to what that would be valued at, that comes down to how that plant's been maintained and the company that owns it. So, we just assume that—

Senator CANAVAN: We haven't got a lot of time, so, do you have a terminal value, or not?

Dr Mayfield: No.

Senator CANAVAN: That seems a bit strange. Every other financial model that I've ever built—if you've got a long-lived asset like that, you'll put in a terminal value of some kind to it. Obviously the fact that you've got it at zero—you've got to amortise the cap ex over the life you've chosen.

Dr Mayfield: We've done it over the 30 years—

Senator CANAVAN: What's the rationale for it? I don't get it. Are you saying it's because debt and equity needs to be paid back?

Dr Mayfield: It's based on the fact that you have to get a loan. There are typically warranties against that. And that's the economic period you would work on.

Senator CANAVAN: They don't necessarily have to be paid back. They can be rolled over. I mean, if I go and get a car lease, I don't have to pay the car off in five years.

Dr Mayfield: You could pay it in five years or 10 years.

Senator CANAVAN: It's just that the model seems totally divorced from financial and commercial reality, from what you're describing, because there is obviously some economic use of that asset past 30 years—

Dr Mayfield: We don't dispute that.

Senator CANAVAN: that will be valued in the commercial market.

Dr Mayfield: We don't dispute that, but for each technology we've applied the same approach. So, they have an economic life—

Senator CANAVAN: But it has a bigger impact on the coal and gas and nuclear technologies which have a longer technical life, as you said. Obviously solar and wind don't last for 50 or more years, whereas in the other cases they can.

Moving on: have the coal price assumptions changed from the last GenCost? We went through this last time, but—

Dr Mayfield: They've been updated in this report, based on methodologies that we're using. You'll be aware that the AEMO assumptions book ceased doing coal projections in 2022.

Senator CANAVAN: I didn't know that. I tried to look for the book before and couldn't find it. So, what's your—

Dr Mayfield: We've had to use other estimation techniques in the meantime. Given that we're looking at greenfield plants as the focus, we're using, I guess, the export price and then discounting it at different times based on whether you have long-term contracts—

Senator CANAVAN: So, you're no longer using the coal price paid by coal plants? We went through this last time. You're not using that anymore?

Dr Mayfield: We are using what a greenfield site would be able to access. We'd have to access the seaborne market in the first place or at least coal that's available to the open market.

Senator CANAVAN: Not necessarily. We went through this last time. There are sites like Kogan Creek where you have a locked mine. The mine doesn't have to. The mine can't export it overseas.

Dr Mayfield: Where there's a captured mine, we're not trying to model those scenarios.

Senator CANAVAN: Right, so, it's another bias against coal. You're only modelling advanced ultra-supercritical technologies?

Dr Mayfield: For coal-fired?

Senator CANAVAN: Yes.

Dr Mayfield: Ultra-supercritical, I think it is.

Senator CANAVAN: I think it says in the report 'advanced'. These terms aren't as precise as—

Dr Mayfield: It depends on the temperature and pressure.

Senator CANAVAN: Yes. Are there any commercially deployed coal plants of the type of pressure and temperature that you've got in your model?

Dr Mayfield: Yes. If you put an order out for a new coal plant, it would be the most efficient one that you can get.

Senator CANAVAN: I think we might come back to this another time. I don't think that's quite true. Maybe you can come back on notice, but I don't know of any advanced ultra-supercritical plants that have been commercially deployed; there's some pilot projects in Japan. You don't estimate the cost for an ultra-supercritical plant?

Dr Mayfield: Not for ultra. There's supercritical—

Senator CANAVAN: The dice always seem to be loaded against coal or nuclear. Ultra-supercritical is the sort of standard at the moment. Actually, it'd be supercritical and ultra-supercritical. That's what deployed around the world.

Dr Mayfield: We'd have to sit down and talk about what temperatures and pressures you're talking about and what materials, and specify the plant properly—

Senator CANAVAN: Of course. As I say, these definitions aren't as precise but—

Dr Mayfield: otherwise, we're dancing around in-between.

Senator CANAVAN: you seem to be the taking the frontier technologies, which are obviously going to be higher cost.

Even with this loaded dice, it seems from your report that in both 2023 and 2030, coal is basically as cheap as solar with wind and firming. I mean, it's like lineball. In 2023, you've got coal just ticking over 100—I've only got a graph, so I don't have precise numbers—and solar and PV might be a touch under 100. It's a bit hard to tell; it might be just lineball—it's pretty much lineball.

Dr Mayfield: Without CCS, they overlap a bit.

Senator CANAVAN: Yes, obviously.

Dr Mayfield: But then it'd come down to whether you have the emissions reduction aspects of it as well.

Senator CANAVAN: You're using advanced ultra-supercritical. Do you have a coal price for the low range or maybe you could take it on notice?

Dr Mayfield: It's in the table in the back section. It's around about \$11 a gigajoule, which is probably—

Senator CANAVAN: That's very high. As I said last time, there's basically not a mine in this country—like 80 per cent of our mines would be under \$2 a gigajoule for costs. So that's very strange. This is the other problem: commercially, if you're building a coal-fired power plant you'd sign a long-term contract with a coalmine, you wouldn't pay the seaborne export price. This is my point: even with all those things going against coal, it's still competing. So, if you had some reasonable assumptions, it'll beat solar, wind and firming by a mile on cost.

Dr Mayfield: As you can see, there's a range. If you want to go to very specific scenarios—we've got captive coal and things like that—you can do those calculations.

Senator CANAVAN: Some people have—

Dr Mayfield: But you've got the greenfield that'd be available—

Senator CANAVAN: and they clearly show that coal is a lot, lot cheaper. If you change those assumptions from 11 to two and 30 to 50 years, you'll get coal a lot cheaper than renewables. Is that what you're seeing?

Dr Mayfield: That comes down to the individual if they can get those sorts of details. It's up to them to make an investment decision.

Senator CANAVAN: We might be getting close to why China, Indonesia and India are all building coal-fired power. Maybe we're getting close to understanding why. Thank you.

CHAIR: Great.

Senator Ayres: Nuclear and coal from the coalition again!

Senator CANAVAN: Yes. I just want cheap power.

Senator Ayres: There you go.

Senator CANAVAN: I just want cheap power to keep our manufacturing industry. Another one that's come to that. Another manufacturing—

CHAIR: Thank you again, Dr Hilton and team, for being with us. That concludes the questions that we have for you. I table Dr Hilton's opening statement. Thank you, Secretary, and everyone for participating. We are adjourned.

Committee adjourned at 21:59