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Official Committee Hansard

SENATE

STANDING COMMITTEE ON ECONOMICS

ESTIMATES

(Additional Budget Estimates)

THURSDAY, 21 FEBRUARY 2008

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SENATE STANDING COMMITTEE ON**ECONOMICS****Thursday, 21 February 2008**

Members: Senator Hurley (*Chair*), Senator Eggleston (*Deputy Chair*), Senators Bishop, Bushby, Campbell, Joyce, Murray and Webber

Senators in attendance: Senators Abetz, Birmingham, Brandis, Bushby, Campbell, Chapman, Coonan, Eggleston, Fielding, Fisher, Forshaw, Heffernan, Hurley, Joyce, Johnston, Milne, Murray, Nash, Nettle, Parry, Watson and Webber.

Committee met at 8.46 am

TREASURY PORTFOLIO

Consideration resumed from 20 February 2008

In Attendance

Senator Nick Sherry, Minister for Superannuation and Corporate Law

Australian Securities and Investment Commission

Mr Tony D'Aloisio, Chairman

Mr Jeremy Cooper, Deputy Chairman

Ms Belinda Gibson, Commissioner

Mr Stephen Woodhill, Executive General Manager, Corporate Affairs

Mr Justin Owen, Manager, Government Relations

Mr Rupert Smoker, Technical Adviser to the Chairman

Ms Kate Metz, Technical Adviser to the Deputy Chairman

Mr Chris Wheeler, Technical Adviser to the Commissioner

CHAIR (Senator Hurley)—I thank ASIC for returning this morning. You made your opening statement yesterday evening, so we will go straight to questions.

Mr D'Aloisio—Given the lateness of the hour last night, I would like to clarify something. I gave you statistics in relation to what we were doing in the unlisted, unrated area. I would just like to go through those statistics because in referring to them I may have confused percentages and numbers. I will be brief. What we said was that as at 14 February there were 86 unlisted and unrated issuers of debentures. Sixty-seven of those, or 78 per cent, are on track to comply with the new regulatory guide. That 67 is made of 21 who have lodged disclosure reporting against the benchmarks on an 'if not, why not' basis and 46, to make up that 67, who have advised us that they are on track to lodge complying disclosure documents. That leaves 19 to get up to the 86, and of those 19, 10 are making progress toward meeting their disclosure by 1 March and the remaining nine are at some risk of not meeting the 1 March timetable, but we are working with them and are considering all options to ensure that they put the appropriate disclosure and protections in by that date. We are essentially on track to meet the 1 March deadline but, when I gave those numbers last night, I also gave percentages and I was concerned overnight that I may have confused the two. So they are the correct numbers. Thank you.

Senator FIELDING—I was interested to know whether you folks look after bank fees in some way. Do you?

Mr D'Aloisio—We have a role at the moment with bank fees in two respects. First, we are working with the industry in relation to the so-called default and exception fees and, second, we are working with the industry at the request of the Treasurer and the minister here to look at doing a survey with the industry of the so-called entry/exit fees when borrowers wish to switch mortgages. Both of those exercises are about, from our point of view, pushing disclosure and working with the industry to do that so that the market is more informed about those issues. In the process of doing that, if we uncover some practices that should not occur we will highlight those, but they are essentially two exercises where we are really pushing the industry to improve their disclosure and work with their borrowers.

Senator FIELDING—Is it a survey or is it a review?

Mr D'Aloisio—The first one, the default and exception fee program, is pretty well on the way. The ABA made some announcements at the end of last year about putting out kind of scorecards about how their members approach certain types of default and exception fees. We think that is a good development because, by alerting and bringing information out more clearly, borrowers are able to see and negotiate with their banks. In relation to the second one—we received that request from the Treasurer a couple of weeks ago—the first major meeting on that, I think, is scheduled for later this month. The commission has asked our people to put together a project and an analysis of how we would conduct that consultation. I think initially we will go out and consult with various industry bodies and the major players, we will assess that information and then determine what further consultation we need and then prepare a report and make that available.

Senator FIELDING—I want your words on this rather than mine, but from what I understood there is an ASIC-led review or industry review of the fairness of entry, exit and termination fees.

Mr D'Aloisio—That is the second of the projects that I have just spoken about.

Senator FIELDING—Have the terms of reference of that review been finalised?

Mr D'Aloisio—We have a broad outline from the Treasurer's media release and, in a sense, looking at that and its objective, as I said, our project team is now getting into the more detailed work of what will be required to analyse these fees.

Senator FIELDING—When do you think that would be finalised, not just the scope but the report back?

Mr D'Aloisio—We are putting a high level of priority on this exercise given where the markets are at the moment and what is happening with interest rates. The commission is due to get that plan at the end of this week or early next week and our objective at commission level will be to see—it is difficult to commit to a time, but it is really urgent. We are treating it as an urgent thing to be done and try to get out of the way over the next month or so.

Senator FIELDING—Is that a report?

Mr D'Aloisio—I hesitate to commit to that at the moment simply because, at the commission level, we have not got the detailed plan—but, in looking at it and looking at the

urgency that the government has put on it as well, if we can do it within the next month or so I think that would be really good going.

Senator FIELDING—Once the report is finalised is there something that you could give to the committee to have a look at, as well?

Mr D'Aloisio—I think we would envisage that in the first instance the report would go to Treasury as has been requested in the normal course. I think I would have to be guided by the government on that. I would assume it would be a public document.

Senator Sherry—I am happy to take on notice to the Treasurer when the next round of estimates is held in May. I am not sure when the next joint House-Senate committee oversight is scheduled. I will take it on notice to the Treasurer to see what can be made available in detail once the Treasurer has considered ASIC's views on the matter.

Senator FIELDING—You are not sure of a time frame? Could you come back with a time frame of when the report will be done? Can you take that on notice? I will not get a chance to ask the question again.

Mr D'Aloisio—Once we have considered the project plan we will advise the government on the time period.

Senator FIELDING—Could the government at least let the public know when the report is due?

Senator Sherry—I will have to take it on notice to the Treasurer. I am keen to assist in any way I can but it is the Treasurer's call about the provision of information. I will pass on the request as to the committee's interest and your personal interest as well.

Senator FIELDING—Thank you. A complaints hotline has been set up. What is the background to that?

Mr D'Aloisio—ASIC has a hotline with a 1300 number in relation to complaints received.

Senator FIELDING—Is it a new number, by the way, because I read somewhere—

Mr D'Aloisio—Some time back there used to be individual state numbers but more recently we have moved across to a national 1300 number so, wherever you are in Australia you can call that number if you want to get some advice on a complaint or lodge a complaint.

Senator FIELDING—Is that just for banking or anything at all?

Mr D'Aloisio—No. It is for complaints in relation to ASIC jurisdiction. What the Treasurer has asked is can that hotline be extended to make sure that it picks up potential complaints in relation to bank and exit fees and so on, and we said that it is within our resources. We are adding some more resources to ensure that our people are trained to specifically be able to direct complaints in relation to entry/exit exception fees to the right bank or to the right dispute resolution mechanism.

Senator FIELDING—It is not a new number; it is an existing service.

Mr D'Aloisio—It is not a new number. It is an existing service that we have been asked to extend. I think originally the Treasurer had asked that we put in a new number, but we had a look at the resources we had and the training of our people running the existing service and

we felt it was going to be more efficient, and I think better for the consumers, if it was the same number rather than a new number and a new set of procedures.

Senator FIELDING—Is promotion of the number being done differently from before, or do people just have to find it?

Mr D'Aloisio—On the FIDO website we will promote the number. Mr Cooper just points out that in the three days since 13 February, our info line, this number that we are talking about, has received 20 calls about mortgage switching fees, so I think it is working.

Senator FIELDING—I did not know the number and I do not think anyone else does, but thank you.

Mr D'Aloisio—We will particularly make sure of it. Generally, we are trying to get consumers to go the FIDO website. If they go to the FIDO website then that number will be there quite prominently. I am quite happy to take on board that we promote that number.

Senator MURRAY—Does ASIC look at the pricing of life insurance products as part of your oversight of consumer interest?

Mr D'Aloisio—We could take that on notice. I am certainly not aware of it.

Senator MURRAY—I am aware of a situation where a particular life insurance policy was increased to CPI and its quantum increased—and I am rounding it out—by nine per cent over four years. But the premium went up by well over 60 per cent. That strikes me as price gouging. I wondered if that sort of matter had been brought to your attention before with companies.

Mr D'Aloisio—I am not aware of it. We will take it on board to look at it. The only thing I would comment on is the 60 per cent increase in the premium may not have a lot to do with the actual inflation rate. It may only be partly to do with the inflation rate because there is what you would call 'age step-ups' and so on, which also, as you would know, go into setting these premiums. But we will take it on notice and have a look at it.

Senator MURRAY—I raise it with you because I am aware that that is the practice but, when insurance companies talk about life insurance CPI increases, they make it very, very clear and warn you that if you do that there is a price increase, which is quite proper. They do not say anything about age set-ups or anything else. Somebody who has been with an insurance company for 20 years finds that as they age suddenly the insurance premiums escalate and they therefore withdraw insurance at the very time they become more at risk.

Mr D'Aloisio—We will get our consumer protection people to have a look at it from the point of view of misleading—

Senator MURRAY—I think there is a disclosure issue there, if I may say so.

Mr D'Aloisio—I will take it on notice.

Senator MURRAY—Another topic arises from your report about what you are doing with market volatility. As you know, market volatility will affect some sectors more than others, for instance, mortgage lenders. If the market effects we are seeing now transfer into the property market, which some people are saying will happen based on precedents here and overseas, there will be difficulties. APRA, with respect to their prudential activities, do something

which is known as stress testing, which you are probably aware of. It seems to me that what you have been doing with the unlisted and unrated debenture market is a form of stress testing. My question to you is whether you are going to consider extending a stress testing exercise given greater sensitivities in the market and greater vulnerabilities to other sectors such as property. I am thinking of listed property units but there may be other areas where an early look at whether they can withstand significant market shocks, which was the purpose of the APRA exercise, might be wise. Are you equipped to do that sort of thing?

Mr D'Aloisio—I have two comments. First, if stress testing is used in a technical sense, APRA or the Reserve Bank have got statistics and filing of financials and so on that they can extract more readily and do their projections. As you are aware, the PDS disclosure regime for a lot of the management investment schemes do not need to be filed with ASIC, so our ability to get the sort of information needed for the stress testing that you are referring to is more difficult. Secondly, the way we have approached it is by taking the learning out of what we have done in the unlisted, unrated area and we are now looking at the whole of that property sector to look at mortgages and so on so that we can apply that learning to that sector to see if we can, ahead of time, better see where the stresses may emerge. But I emphasise, it is not the same sort of stress testing that you would get from the others.

Senator MURRAY—As you know, some of the items that sit within the technical stress testing test include matters such as capital adequacy, cash flow, whether debt is short or long term, and so on. I would have thought that checking out some of the property companies on that basis may be wise, because if remedial action can be taken in advance of a potential fall in the market, which some are predicting, that might be wise.

Mr D'Aloisio—I think that is right. That is definitely in line with our thinking: to move from the so-called unrated, unlisted areas to other areas of property using the team and the expertise that they have built up as they do this part of the exercise, with a view of being very much more forward looking and trying to see where issues may emerge. But like everything else, you would be aware that we cannot control the fall of property prices.

Senator MURRAY—I have one more after this, because others need the time. I will refer you to yesterday's session with the markets division of Treasury where the issue of share lending was broadly discussed. I will draw your attention to the fact that whilst you are, in your remarks, well across share lending for profit-making purposes in the market, there is another category of share lending which goes on, which is for votes. That is a worry, frankly. I merely raise it with you. It has been raised with me by some market participants. I have no idea the extent in the market but, to me, individual companies have been pointed at. I do not know whether they are allegations or fact but it would seem to me that that would be a very unwise practice to be allowed to flourish.

Mr D'Aloisio—This is lending stock so that you can vote in a particular way? We will take that on board and have a look at it further. But of course, you do have some existing protections in the sense that, if you get over five per cent, you have to notify a substantial shareholder interest and when you do that the company itself can then seek to trace the beneficial ownership of those shares and then every one per cent increase also needs to be notified. There are some built-in protections within the existing framework but we will have a look at that further.

Senator MURRAY—As you know, there are some clever dogs there able to get over all sorts of walls. I do draw your attention to the fact that in the United States there has been a report of what they call ‘overvoting’ at shareholder meetings, so the vote manipulation of shares is apparently an issue. The ASX’s Mr Robert Elstone was reported in the *Australian* on 15 February as stating that some of the recent problems in the market have been caused by hedge funds not reporting their short positions to their brokers, and he referred to ‘ambiguity’ in the reporting requirements. That is the word he used. I wondered if you knew what ambiguities he was referring to and whether you are paying attention to those ambiguities.

Mr D’Aloisio—I said last night, and I will not go back through my notes, there are the rules around short selling in its traditional form, and I think that was the ambiguity that ASX was referring to. But we have taken it more broadly than that. ASX has also commented about hedge funds, and as well, there is the comment you have just made. We have said that given they are the front line regulator and we supervise them, if there are issues in there, let us get our teams working on them and sort them out and see if there is some sort of broader issue that we would need to draw to the attention of government. As I said last night, that work is ongoing at this present time.

Senator COONAN—Thank you very much for that comprehensive opening statement last night. I think it dealt with a lot of issues that we would otherwise not have had time to tease out. I must say I commend you for your very measured approach to this. I think the last thing we want is panic jumping in here, there and everywhere to try to respond to this volatility without really getting to the bottom of where the problems are. Given that, could you just give the committee a better idea of what sorts of time frames we are looking at for you to complete this, together with the ASX and other relevant parties, to get some response that we can all get our heads around?

Mr D’Aloisio—We have divided the work up around the big, more specific issues concerning the Tricom issue and the delays in the settlement—which, at the end of the day, were just delays; everything was all right and has continued to be all right in the market, and we should take quite a bit of comfort from that. But with the narrow issues around that settlement, that delay, the participants and their capital and the way that the ACH counterparty is working, we want to do that work over the next three or four weeks. The broader issues around stock lending, short selling and the allegations that that could be distorting the market in some way, I think is going to take us a little bit longer. I have not got a time on that as yet. The anecdotal evidence is quite broad, saying, ‘Look, manipulation must be going on; there must be whatever.’ The actual ability to analyse that and get real data which you can analyse and get into is more difficult. I am reluctant to give you a commitment on timing on that until we have done a bit more work. But the first bit, the narrower issues, certainly over the next three or four weeks with ASX we will be expecting to conclude that.

Senator COONAN—What is the mechanism to let us all know your conclusions?

Mr D’Aloisio—I think that will be a judgement we will make with ASX. These are matters clearly of market interest—

Senator COONAN—Very much so.

Mr D'Aloisio—and ASIC would provide that report to government and to the market, I think. I do not see any issues around that. It is really looking at whether there are problems and we will work that through.

Senator COONAN—Are there any implications for the submission that you made to the Productivity Commission? Will that need to be revised in the light of—

Mr D'Aloisio—Not in the sense that the comments on the Productivity Commission were very much around margin lending and the retail investor. I think that work, and Mr Cooper's team, will continue to work through that. The hedge fund activity, the stock lending issues and short selling are very much ASX exchange markets issues and not really within the purview of the Productivity Commission. If any regulatory reform is required out of that, there will be advice to the government direct.

Senator COONAN—This might be a question for the minister. There has been some comment about whether or not what I call the old chestnut—but maybe things have moved on and we need to think again—about a super-regulator, merging ASIC and APRA. Has there been any development along those lines?

Mr D'Aloisio—That is a policy matter for government.

Senator Sherry—There have not been any developments. I think in the market group Senator Watson posed a somewhat, if not the same, question. The Treasurer has indicated that, given current market circumstances of volatility, a full-style Wallis inquiry is not a priority.

Senator COONAN—No. I understand that. Are you able to rule it out?

Senator Sherry—The Treasurer has made appropriate comments and I would stand by the comments of the Treasurer on that matter.

Senator WATSON—Last night you spoke very strongly and defended the roles of scrip lending, short selling, margin lending as adding strength to the market. I contend that market spruikers can use a combination of all these features to manipulate the market. Let me give you a common example. One of the common trading practices of hedge funds is short sell the stocks that are heavily margined. Downward pressure on the stock prices thereby triggers margin calls which force further falls in share prices at which time the hedge funds buy the stock back at a lower price and thereby make a profit. Do you consider this market activity to be market manipulation?

Mr D'Aloisio—What I said on that very example is that we are clearly looking at that as to whether it could involve collusion. If it involves collusion it would most likely be market manipulation. We are looking at whether those practices exist. The comment I made—and you defended strongly what I said—was that hedge funds do play an important role in providing liquidity to the markets. Having said that, I was not in any way condoning practices that could amount to insider trading or market manipulation. For the example which you have pointed out to work, you would probably have to have some knowledge or there would have to be some collusion in relation to knowing what shares are going to be subject to the margin call, that is not going to be met, that is going to drive the market down. You would need to have a reason so that you could say you could pick that. So there could be some form of collusion in

that, and our teams and the teams we have set up with ASX are there to look at that. But perhaps Mr Cooper might want to comment as well.

Mr Cooper—The other interesting piece of information that emerged from the turbulent times in January was that one of the large margin lenders, CommSec, which is part of the Commonwealth Bank, offered the data that only roughly half the people who receive calls actually sell their stocks. One of the options you have is just putting more margin in. It is incremental. It is not an immediate sale. So only around half the people who received calls actually ended up selling their shares.

Senator WATSON—ASIC does have powers under its charter to prosecute blatant acts of market manipulation. Why don't you act, for example, on how many insider trading cases have been brought against market players?

Mr D'Aloisio—We provided to the committee ASIC's success in insider trading and market manipulation cases. Perhaps if I can refer you to that—

Senator WATSON—You might like to take it on notice because we are running short of time.

Mr D'Aloisio—I will make sure that your office gets the answer to that question. We actually traced the referrals from ASX in our own work on insider trading over a five-year period and have provided the committee the analysis of that. As I have said, as part of the summer school when I was asked the same question, I believe ASIC has done a reasonably good job on insider trading issues. What we are seeking to do at the moment is to put more resources into it to increase our efforts.

Senator WATSON—Can you provide details of any investigations or discussions with Tricom Equities Ltd both pre and post the failed settlement events? Maybe you might like to take that on notice.

Mr D'Aloisio—We will take that on notice but I think, as I have said, we do not comment on specific cases. As I have said, in relation to the work we will do with ASX we will be looking at the issues around the Tricom delayed settlement, ASX's role and other market participants, in considerable detail.

Senator WATSON—You mentioned the fallback position of the ASX clearing house. Was that used and, if not, why not, or didn't they have enough cash—liquid cash?

Mr D'Aloisio—No. We will get a better feel for this as our inquiries with ASX continue. The clearing house works on the basis that, if a participant fails, because the ASX is a counterparty to both sides of the trade, the clearing house would step in. There is absolutely no evidence that we have, or any indication that there is any issue of adequacy of capital or that the system is not working properly. I think ASX chose not to use it in the delayed settlement. It chose to delay settlement and then sort the issues out, and we need to understand why it chose that course.

Senator WATSON—Are you looking into that?

Mr D'Aloisio—Yes, we are.

Senator WATSON—I hope so. Can you outline any of the remedial steps that either the ASX or you are taking to ensure that in future brokers are able to settle trades by the ASX deadline?

Mr D'Aloisio—We will, as part of this, be looking at the capital adequacy rules that brokers need to maintain so that they can come to the table and settle. As I said, we will also look at the counterparty arrangements and talk with the Reserve Bank to see that they are adequate, given the volatility and the nature of the markets as we have experienced them in the last few months.

Senator WATSON—Madam Chair, I will put the rest of my questions on notice.

CHAIR—Senator Watson has questions he will put on notice. Senator Bushby I understand has questions that he can put on notice.

Senator BUSHBY—I will submit them.

CHAIR—Thank you to the commission for extending their availability for the committee, and thank you, Mr D'Aloisio. That will be the end of that session and we will move onto the next.

[9.20 am]

INNOVATION, INDUSTRY, SCIENCE AND RESEARCH PORTFOLIO

Consideration resumed from 28 May 2007

In Attendance

Senator Kim Carr, Minister for Innovation, Industry, Science and Research

Department of Innovation, Industry, Science and Research**Executive**

Mr Mark Paterson, Secretary
Ms Patricia Kelly, Deputy Secretary
Mr Tim Mackey, Deputy Secretary

AusIndustry

Mr Bill Peel, Executive General Manager
Mr Chris Birch, General Manager, Research, Development and Venture Capital Branch
Ms Robyn Foster, General Manager, Business Development Branch
Mr Paul Sexton, General Manager, Customer Services Branch
Mr Sam Skrzypek, General Manager, Small Business, Tourism and Commercialisation Branch
Mr Noel Taloni, Acting General Manager, Innovation Branch
Ms Trish Cattell, Manager, Financial Analysis and Data Management, Innovation Branch

Corporate Division

Ms Melissa McClusky, Chief Financial Officer and Head of Division
Ms Cherie Ellison, General Manager, Business and Ministerial Services Branch
Ms Chris Butler, General Manager, Strategy and Communications Branch
Mr Brad Medland, General Manager, Corporate Finance Branch
Mr Richard Byron, General Manager, Human Resource Management Branch
Mr John Dicer, General Manager, Legal and Procurement Branch

eBusiness Division

Mr Ken Pettifer, Head of Division
Mr Steve Stirling, General Manager, ICT Operations Branch
Ms Christine Pitt, General Manager, ICT Applications Branch
Mr Mike Sibly, General Manager, Online eBusiness Services
Ms Trish Porter, General Manager, VANguard

Global Opportunities Division

Mr Barry Jones, Chief Executive Officer

Industry and Small Business Policy

Mr Peter Chesworth, Acting Head of Division
Mr Ken Miley, General Manager, Trade and International Branch
Mr Tony Greenwell, General Manager, Business Conditions Branch
Mr Richard Snabel, General Manager, Industry Policy and Economic Analysis
Ms Ann Bray, Acting General Manager, ABN Business Names Project

Innovation Division

Mr Craig Penniford, Head of Division
Mr John Dean, General Manager, Enterprise Connect Branch

Mr Tony Weber, General Manager, Innovation Analysis Branch
Ms Tess McDonald, General Manager, Enabling Technologies Branch
Mr Michael Schwager, General Manager, Pharmaceuticals and Biotechnology Branch

Manufacturing Division

Mr Steve Payne, Head of Division
Mr Peter Clarke, General Manager, Automotive, TCF and Engineering Branch
Dr Michael Green, General Manager, Manufacturing Innovation Branch
Mr Mike Lawson, General Manager, Aerospace, Defence and ICT Branch
Mr Alan Coleman, Manager, TCF Policy Group, Automotive, TCF and Engineering Branch
Mr Ivan Donaldson, General Manager, Australian Building Codes Board

National Measurement Institute

Dr Laurie Besley, Chief Executive and Chief Metrologist

Questacon

Professor Graham Durant, Director

Science and Research Division

Ms Jessie Borthwick, Head of Division
Ms Mary Finlay, General Manager, International Science Branch
Ms Stella Morahan, General Manager, Science Programs Branch
Ms Sara Cowan, General Manager, SKA Taskforce and Coordination Branch
Mr Steve Irwin, General Manager, Science and Technology Policy Branch
Ms Anne-Marie Lansdown, General Manager, Research Infrastructure Branch
Mr Terry Bowditch, Manager, Research, Policy and Program Unit, Research Systems Branch

Australian Institute of Aboriginal and Torres Strait Islander Studies

Mr Steve Larkin, Principal
Ms Bronwyn Nimmo, Deputy Principal, Collections
Dr Luke Taylor, Deputy Principal, Research
Ms Di Hosking, Director, Audio and Visual Archive
Dr Lisa Strelein, Director, Research
Mr Jeff Hobson, Director, Corporate Services

Australian Nuclear Science and Technology Organisation

Dr Ian Smith, Chief Executive Officer
Dr Ron Cameron, Chief of Operations
Mr Andrew Humpherson, General Manager, Public Affairs
Mr Steve McIntosh, Government Liaison Officer
Mr Mike Siers, Canberra Liaison Officer

Australian Research Council

Professor Margaret Sheil, Chief Executive Officer
Mr Len Marsden, Chief Operating Officer
Ms Leanne Harvey, General Manager, Quality and Evaluation
Mr Andrew Cameron, Director, Resources

Commonwealth Scientific and Industrial Research Organisation

Dr Geoff Garrett, Chief Executive
Dr Alastair Robertson, Deputy Chief Executive, Science Strategy and Investment

Mr Mike Whelan, Deputy Chief Executive, Operations
Dr Jack Steele, Chief of Staff, Business Services
Dr Joanne Daly, Group Executive, Agribusiness
Dr Andrew Johnson, Group Executive, Environment
Dr Bev Ronalds, Group Executive, Energy, and Chief CSIRO Petroleum

IP Australia

Mr Philip Noonan, Director General
Ms Fatima Beattie, Deputy Director General
Ms Yvonne Laird, Chief Financial Officer, Corporate Services

CHAIR—The committee will now examine the Innovation, Industry, Science and Research portfolio and continue in the order shown on the agenda. For the benefit of the officers can I advise that the committee is due to report to the Senate on 18 March 2008 and has fixed Friday, 11 April 2008 as the date for the return of answers to questions taken on notice. I remind everyone to switch off their mobile phones or render them inaudible. Under standing order 26 the committee must take all evidence in public sessions. This includes answer to questions on notice. I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee. The Senate by resolution in 1999 endorsed the following test of relevance of questions at estimates hearings. Any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates hearing. 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 or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanation of policies or factual questions about when and how policies were adopted. If a witness objects to answering a question, the witness should state the ground upon which the objection is taken and the committee will determine whether it will insist on an answer, having regard to the ground which is claimed. Any claim that would be contrary to the public interest to answer a question must be made by the minister and should be accompanied by a statement setting out the basis for the claim. An officer called to answer a question for the first time should state their full name and capacity in which they appear, and witnesses should speak clearly into the microphones to assist Hansard to record proceedings. I welcome Senator Carr, the Minister for Innovation, Industry, Science and Research and officers of the department. Minister, do you have an opening statement?

Senator Carr—Good morning and thank you. We are delighted to be here and I look forward to staying on this side of the table for some time to come. So we appreciate your questions and look forward to answering them.

CHAIR—Thank you. Mr Paterson, do you have an opening statement?

Mr Paterson—No, Madam Chair.

CHAIR—Thank you. The first item is an examination of Outcomes 1 and 2 relating to industry and innovation issues.

Senator ABETZ—I have a number of brackets of questions but if it were convenient I would like to deal with some general questions first.

CHAIR—Certainly.

Senator ABETZ—Allow me to start off by congratulating the minister on his government selection and his appointment and, unlike him, I do not wish him a long stay on that side of the table but nevertheless wish him the best of luck. Let us start with a very important question: can you assure me that the acronym for the department, DIISR, is not pronounced ‘desire’.

Senator Carr—I have heard that term in other forums.

Senator ABETZ—Because it would be highly inappropriate with you as minister, you see. That is why I was concerned, but I was just wondering how the department refers to itself. Is it ‘dizzy’? Would ‘dizzy’ be a more appropriate pronunciation of the acronym?

Senator Carr—No, I have heard the term ‘desire’ for DIISR and I would appreciate that you do not want to appreciate that point. I have heard that expressions used, though not very often.

Senator ABETZ—What do they refer to it as? I know in your dreams you might hear about ‘desire’ but I am sure behind your back they would not refer to it as such. Mr Paterson, can you help you help us out? It is a huge mouthful so we would like to have some sort of acronym that everybody knows about.

Mr Paterson—I hope it is not a reflection on my colleagues that you suggest that ‘desire’ for DIISR would be inappropriate name.

Senator ABETZ—No, only the minister.

Mr Paterson—We are comfortable with that.

Senator ABETZ—What, reflecting on the minister?

Mr Paterson—No, comfortable with you calling it ‘desire’ if that helps the proceedings.

Senator ABETZ—It looks as though you people have struggled as well because you do not feel comfortable with that acronym but you have not been able to find another one.

Mr Paterson—We have probably concentrated our efforts in other areas.

Senator ABETZ—Let us move on. Can you advise whether your approach to the portfolio in general philosophical and policy terms is going to be consistent with economic conservatism?

Senator Carr—We have maintained a commitment to fiscal discipline. We have maintained a commitment to ensure that we run a very tight ship in terms of meeting the requirements of government to make good the damage done by the previous government in regard to the budgetary situation this country currently finds itself in. So in those terms we are about making sure that we meet our obligations in all respects.

Senator ABETZ—That is all very well in relation to Treasury and other portfolios. You actually have responsibility for the industry portfolio and I am asking you whether your approach to your portfolio will be consistent with economic conservatism. You have told us about Treasury and all sorts of other portfolios, which is interesting but irrelevant.

Senator Carr—I have answered the question. This is a portfolio that is much bigger than industry. The first word in the title of this portfolio is ‘innovation’, which covers more broadly the descriptions of the various functions undertaken by this department. This is a department that will play a central role in renovating our national innovation system and we will maintain a policy in keeping with the government’s policy of fiscal conservatism. We are not about wasting public money. We are about ensuring that the proper budgetary settings are maintained and we are about improving the financial position of the government, consistent with our responsibilities as part of the government.

Senator ABETZ—Have you been involved at all in the creation or development of the 2020 summit?

Senator Carr—Insofar as all cabinet ministers have been involved.

Senator ABETZ—Which is how much?

Senator Carr—I am not going to into the details of processes of the government.

Senator ABETZ—It is nil, isn’t it? That was a very clever answer to say as much as all other cabinet ministers, because my understanding is that in fact they have not been involved and it is all being driven elsewhere. Secretary, can I ask you: has your department been asked to provide any information in relation to the 2020 summit?

Mr Paterson—As you are aware, we do not respond to questions about the nature of the advice that we provide to government.

Senator ABETZ—I did not ask about the nature of the advice. I just asked whether or not you have been asked to provide anything in relation to the 2020 summit? I am not going to ask what the advice was.

Mr Paterson—The answer is yes.

Senator ABETZ—It would be minimal, I would suggest. What about the finance cuts announced by Mr Tanner? Were you involved in those cuts?

Senator Carr—I think as a former minister you would be only too well aware of the budget processes.

Senator ABETZ—Did you have any input in relation to the cuts announced by Mr Tanner on the—

Senator Carr—In the normal processes of the budget, we have maintained our respective roles in these matters.

Senator ABETZ—Did you have any input? The answer is either ‘yes’ or ‘no’.

Senator Carr—You may think the answer is ‘yes’ or ‘no’. I have given you the answer that I am going to give you.

Senator ABETZ—No, it is either you did have input or you did not have input. We know that Senator Wong clearly did not have input in relation to the climate change cuts and we want to know in relation to your portfolio whether you were similarly kept in the dark and treated as a doormat.

Senator Carr—I have answered the question.

Senator ABETZ—And your obfuscation, which is in clear—

CHAIR—Senator Abetz, can we get on with the questioning please.

Senator ABETZ—Absolutely and, Chair, I would have thought that as a senator you would have been on the side of senators trying to obtain information. It is a pretty simple question, and we are having absolute obfuscation at this very early stage.

CHAIR—I think the minister has given you an answer.

Senator JOYCE—In the opening statement, he said, ‘I look forward to answering your questions.’

Senator Carr—I have.

CHAIR—Senator Abetz, do you have any further questions?

Senator ABETZ—Yes. Is the minister aware of the standard of ministerial ethics at paragraph 4.4?

Senator Carr—Yes. What is the problem?

Senator ABETZ—I am sorry? Are you aware of the standard?

Senator Carr—I am aware of the standard.

Senator ABETZ—Good, you are aware of it. Paragraph 4.4.

Senator Carr—Tell me what 4.4 says again.

Senator ABETZ—It is about providing comprehensive, open answers.

Senator Carr—I have given a comprehensive answer.

Senator ABETZ—Good. At least we now know what the Rudd measure is for open answers. When you ask a simple question about whether you had input in relation to the cuts that were made, you are not prepared to say whether you did or did not. Let us move on to your office. How many departmental liaison officers have been allocated to your office?

Senator Carr—Two.

Senator ABETZ—Did any of the DLOs currently allocated to your office work in the capacity as DLOs in any ministerial office under the previous government?

Senator Carr—I will leave it to the secretary to answer this question. I am not aware of the arrangements of the previous government; perhaps you are.

Mr Paterson—I am not aware of the DLOs in Minister Carr’s office having worked in a previous office.

Senator ABETZ—All right, fine. Have any DLOs assigned to Minister Carr’s office written policy advice, papers or opinion pieces formally or informally for the minister?

Senator Carr—No.

Senator ABETZ—How many media advisers in your office?

Senator Carr—Two.

Senator ABETZ—All right. Let us play games, because you have a communications officer as well, don't you?

Senator Carr—I do.

Senator ABETZ—And a press secretary.

Senator Carr—Yes.

Senator ABETZ—Can you give us the duty statement of the communications officer? Surely you do not need departmental advice on that.

Senator Carr—I am not certain that I am required to give the duty statements of officers who work in the ministerial office.

CHAIR—Senator, could you take that on notice?

Senator Carr—Yes.

CHAIR—We will get back to that, Senator Abetz.

Senator ABETZ—It is very interesting that you tell us that you only have two media advisers but you have two media advisers, a press secretary and a communications officer. We can call people by all sorts of smart titles, but most people would understand that a communications officer and a press secretary are very similar if not identical to a media adviser, so I would just like to know the nuances in the distinctions that have been made in these classifications.

CHAIR—The minister has indicated that he will take that on notice.

Senator ABETZ—No, he has only taken the duty statement of the communications officer on notice.

Senator Carr—I am sorry, what is the question?

Senator ABETZ—What are the nuances or the differences between being a press secretary, a communications officer or a media adviser? What are the differences in those roles?

Senator Carr—It is the normal custom and practice for the minister to allocate duties within his or her office.

Senator ABETZ—Yes, and you would, let us say, not call the receptionist who undertakes reception work as a chief of staff, for example. Would that be right? That is why we give titles to people.

Senator Carr—You give titles in your office and that is your affair. I give titles in mine. I cannot see what the issue is.

Senator ABETZ—Yes. That is why I am asking if it would be fair to say that a communications officer undertakes contact with the media from time to time on your behalf.

Senator Carr—I would expect that everyone in my office from time to time would have contact with the media. They would have contact with all sorts of people.

Senator ABETZ—Including the departmental liaison officers?

Senator Carr—I would not be surprised if they answered the phone. I would not be surprised. What do you define as ‘contact’?

Senator ABETZ—I think you know what I mean and we can sit here all night and into Friday as well if you continue along that line. What I suggest to you is that on a regular basis they have contact with media about matters that may be appearing in the media.

Senator Carr—That is not my understanding.

Senator ABETZ—Of what?

Senator Carr—It is not my understanding that either the DLOs or the communications officer have contact on a regular basis. People who have regular contact with the media are the media advisers.

Senator ABETZ—Not the communications officer. So what about a press secretary? Would a press secretary have regular contact with the media?

Senator Carr—Of course.

Senator ABETZ—As would a media adviser?

Senator Carr—Yes. What is the difficulty here?

Senator ABETZ—I asked you how many media people you had in your office. You told us two. We now have discovered that you do have two people classified as ‘media advisers’ but you also have a communications officer and you also have a press secretary. It seems that by any rational, reasonable approach you in fact have four people dealing with the media in your office.

Senator Carr—I do not accept that. That is not a rational explanation and, frankly, I cannot see where—

Senator ABETZ—I am willing to concede that my explanation is not rational only on the basis that you can provide a rational explanation other than mine. Can you?

Senator Carr—I think your interpretation is your interpretation. I am not responsible for your interpretation.

Senator ABETZ—Of course. And you have told me that I am wrong and I am telling you that I am willing to accept that I am wrong—

Senator Carr—I told you that I have two.

Senator ABETZ—if you can tell me why I am wrong, and you cannot.

Senator Carr—I have told you.

Senator JOYCE—That has been the case from the word go.

Senator Carr—I have told you I have two press officers. That is a fact.

Senator ABETZ—In fact, you have three press officers. What is the definition of a press officer? You have only got one press secretary.

CHAIR—We are spending a long time on this.

Senator JOYCE—It is important.

CHAIR—We are spending a long time on this issue which is not a matter that we are expending money on under the budget estimates. It is the minister's office.

Senator JOYCE—It tells us whether the minister is telling the truth or not.

Senator WEBBER—Are you accusing him of that?

CHAIR—We are getting bogged down on issues of definition. Order! I am speaking. Senators, I am speaking. I do not need debate across the committee. I am urging the committee to move on to pertinent subjects about the Innovation, Industry, Science and Research portfolio.

Senator JOYCE—Chair—

CHAIR—Do you have a point of order?

Senator JOYCE—I have a point of order. I think that it is extremely important in the initial part of this that we establish whether we are going to get straight answers or not.

CHAIR—That is not a point of order.

Senator ABETZ—On the point of order can I just remind you that you in fact sit on this side with senators and not on the minister's side and the delays this morning have been as a result of the minister's deliberate obfuscations. You see at another Senate committee these sorts of questions were ruled to be relevant by another chair. Through that we discovered that there were extra people employed at the Lodge, that we had a taxpayer funded childcare carer and when all that became exposed the Prime Minister in a huge back-flip and embarrassment agreed to pay for that himself. So we are interested in staff complements. That is very relevant and so I am going to pursue this line.

CHAIR—The minister has answered your questions about the title and number of staff in his office. We are not discussing how many. We are arguing, needlessly it seems to me, about the division of labour within the minister's office and that is where I am querying whether this is a matter for the committee.

Senator ABETZ—Absolutely.

CHAIR—I am urging you to move on to substantial discussions. If you want to continue on with queries about the number of staff, go ahead, but we have established the number of the staff, we have established their titles and there is a semantic discussion about the title but it does not seem to be getting us anywhere.

Senator ABETZ—Your input is most helpful, but I will say to you that I will be the arbiter of whether I think my questions are relevant and important.

CHAIR—You are not the arbiter of whether the questions are relevant. I would appreciate if we could get on with the questioning please.

Senator EGGLESTON—Madam Chair, with respect, surely it is legitimate to try to establish the role of each person in this office when there appears to be a surfeit of people involved in media matters.

CHAIR—The minister has taken on notice the duty statement of the officer.

Senator ABETZ—Of the communications only.

CHAIR—Can we ask specific questions?

Senator Carr—There are three others.

Senator ABETZ—Yes. You have got a press secretary and two media advisers.

Senator Carr—That is not true. I think you might have an old list, because one officer did not start until the end of January and there was a transitional officer in the office from the department. I have a media adviser and a press secretary. I have two people that deal with the media.

Senator ABETZ—You also had on this list ‘adviser-transition’, so this is an extra position.

Senator Carr—Now we can get to the bottom of it.

Senator ABETZ—That is an extra position and now we are on number five. Thank you very much.

Senator Carr—I can understand your confusion now. You obviously have an early list that someone has given you. It is the transitional office. When the office was first being established, the other officer did not start until the end of January.

Senator ABETZ—Where does the transition officer adviser come in?

Senator Carr—I do not want to name people by name.

Senator ABETZ—No.

Senator Carr—I think that clears up your confusion.

Senator JOYCE—I am still confused. How many people have you got that are in the role of dealing with the media?

Senator Carr—You’re always confused.

Senator JOYCE—No, it is because you cannot give a straight answer. How many people have you got that are in the role of dealing with the media?

Senator Carr—Two.

Senator JOYCE—Only two?

Senator Carr—I have said this several times to you now.

Senator JOYCE—And that is a straight answer that no-one else deals with the media?

Senator Carr—Absolutely. Two.

Senator ABETZ—Do you have anybody in your office with a classification of ‘communications officer’?

Senator Carr—Yes.

Senator ABETZ—Do you have anybody in your office with a classification of ‘press secretary’?

Senator Carr—Yes.

Senator ABETZ—Do you have anybody in your office with a classification of ‘media adviser’?

Senator Carr—Yes.

Senator ABETZ—How many in the classification of ‘media adviser’?

Senator Carr—One.

Senator ABETZ—In that case we can be agreed that there are in fact three: a communications officer—

Senator Carr—No. You cannot. You have assumed that communications—

Senator ABETZ—We assume that the communications officer communicates.

CHAIR—You are wanting answers to your question. Please let the minister finish.

Senator Carr—You have assumed that the communication officer deals with the press. The person writes speeches. If I wrote ‘speechwriter’, would you feel more comfortable?

Senator ABETZ—That is what we are trying to work out.

Senator Carr—I am sorry if you are having difficulty following the English language. I have said to you two. I meant two. If you rely on out-of-date documents—

Senator ABETZ—Because you had to take it on notice before. Now you tell us that the communications officer is a speechwriter. You could have told us that 15 minutes ago.

CHAIR—Can you let the minister finish his answer?

Senator ABETZ—On a point of order—

CHAIR—You are asking for answers.

Senator ABETZ—On a point of order, your intervention 15 to 20 minutes ago asking the minister to be direct would have truncated this whole discussion. He had to take on notice the issue of ‘communication officer’.

CHAIR—That is not a point of order.

Senator ABETZ—Your chairmanship will determine how long this committee drags on for.

Senator JOYCE—I am happy to stay all Friday.

CHAIR—Your cooperation will determine how long this committee goes on for. Minister, have you finished your answer?

Senator Carr—I have.

Senator ABETZ—Why did you have to take on notice the role of communications officer about 20 minutes ago?

Senator Carr—It is simple.

Senator ABETZ—You are now able to tell us that he is your speechwriter.

Senator Carr—The responsibilities for allocation of duties in the ministerial office is mine.

Senator ABETZ—No disagreement.

Senator Carr—I must say to you I thought that your obtuseness was something I could not easily explain. It was a straightforward proposition I put to you. I have two media people. I said that to you several times. You wanted to go back over and over the ground. Now that is the reason. I could not quite follow why it was that you were so thick.

Senator ABETZ—Chair?

CHAIR—Yes.

Senator ABETZ—The Chair finds this quite acceptable. If that is going to be the tenor, Chair, it will be reciprocated.

Senator Carr—You have already described me as a liar in the first 15 minutes.

Senator ABETZ—It will be reciprocated.

Senator WEBBER—Keep in mind what Senator Joyce said before, Senator Abetz. We can all play these games.

Senator JOYCE—What did I say, Senator Webber?

CHAIR—Point of order?

Senator EGGLESTON—To describe the shadow minister as thick is unparliamentary language.

Senator ABETZ—That is very mild and I accept that.

CHAIR—Have you finished your point of order?

Senator EGGLESTON—I have.

CHAIR—Minister, have you finished your answer?

Senator Carr—I have.

Senator JOYCE—Are you going to withdraw that?

Senator ABETZ—You find that terminology acceptable. That will be recalled.

Senator EGGLESTON—Either withdraw or use another adjective.

CHAIR—Senator Abetz?

Senator ABETZ—Do we have a point of order before the chair or not.

Senator JOYCE—I thought we did.

Senator ABETZ—I thought we did.

Senator JOYCE—I think that the word ‘thick’ is unparliamentary.

CHAIR—Minister, would you like to withdraw that?

Senator Carr—I will at your request.

Senator ABETZ—The adviser-transition in your office is no longer in your office?

Senator Carr—Hence the term ‘transition’.

Senator ABETZ—No. I mean the person that was in your office on a transitional basis.

Senator Carr—The adviser?

Senator ABETZ—Has the transitional period finished?

Senator Carr—No. The transitional period has not finished. There is one departmental officer still in the office.

Senator ABETZ—What classification does this person hold?

Senator Carr—That is the adviser.

Senator ABETZ—That is the adviser-transition.

Senator Carr—That is what it says.

Senator ABETZ—I do not believe in trawling individual’s names through *Hansard*. I have always been very careful on that, but I am very interested in knowing the position. So the adviser-transition position is still there. You now only have one media adviser. Is that right?

Senator Carr—I have just said that is not the list.

Senator ABETZ—In the list that I have, so that I do not have to identify the names, one is ‘Media Adviser (Senator Carr)’ and the other one is ‘Media Adviser A Albanese MP’. Which one remains or have they both gone?

Senator Carr—I beg your pardon?

Senator ABETZ—In the list I have there is a name with ‘Media Adviser (Senator Carr)’ next to it.

Senator Carr—It would be of assistance to the committee if you could table the list from which you are reading.

Senator ABETZ—No. As I have indicated to you before, I do not believe in dragging individuals’ names through the *Hansard*.

Senator Carr—I am sorry I am not aware that any of Mr Albanese’s staff are in my office.

Senator WEBBER—I would have thought they were in Mr Albanese’s office where they should be. Maybe the list you have has a typographical error.

Senator Carr—We get on very well but I am not sure that he has appointed staff to my office.

Senator ABETZ—I am sure you do. To where has the second media person gone?

Senator Carr—I am sorry?

Senator ABETZ—You said you used to have two media advisers. You now only have one in that classification of media adviser.

Senator Carr—There was an officer from the department acting in the position of media adviser and that person has returned to the department.

Senator ABETZ—Is there anybody that acted in the role of media adviser in your office that may have come from Mr Albanese's office or has now gone to Mr Albanese's office?

Senator Carr—No.

Senator ABETZ—We will take that further because that document is a public document. It will be very interesting to see what your difficulty is with that. How many people or personnel in your department earn more than \$127,000 per annum? I would assume you do not have that answer, which is fine, but I would like you to take that on notice. Following on from that I would like to ask what directions, if any, have you given to the secretary to exercise wage restraint along the lines that the Prime Minister has suggested in relation to parliamentarians.

Senator Carr—The secretary and I discuss matters on a regular basis. The actions that we have taken in regard to meeting our obligations under the budgetary provisions I will discuss at another point.

Senator ABETZ—Have you asked the secretary to pursue wage restraint? I am sure you do not need the secretary to tell you whether you have asked him something.

Senator Carr—The answer is no.

Senator ABETZ—That is interesting. Thank you very much. Are you able to table for us a list of all the plans, reviews, plans to review, election promises, et cetera made by the government in the lead-up to the election on 24 November in this portfolio?

Senator Carr—Yes, we can do that. It is a public document.

Senator ABETZ—You can take that on notice. Will your department be subjected to the two per cent dividend?

Senator Carr—Yes.

Senator ABETZ—Have any discussions taken place or consideration been given as to where that is going to fall? Will it fall equally across absolutely every section or may it fall disproportionately in some areas, as opposed to others, on a global basis? For example, not that I am suggesting that you would do this, but you might be able to get your two per cent dividend by just slashing things in the Industry section of your portfolio or in Innovation. Have you given any thought as to where you intend to visit the two per cent dividend?

Senator Carr—I will let the secretary respond.

Mr Paterson—It may be appropriate for me to respond to your question. As is shown on page 29 of the PAES document, there is the one-off additional two per cent efficiency dividend application. That has partial application in the current financial year and has full application in the subsequent financial years.

Senator ABETZ—Is that the 0.25?

Mr Paterson—No. There are three components of the efficiency dividend. There was an ongoing one per cent efficiency dividend that applied under the former government.

Senator ABETZ—Yes.

Mr Paterson—A 0.25 per cent efficiency dividend which also applied under the former government and has been carried forward in the forward estimates. That is shown there in the

out years of 2008-09, 2009-10 and 2010-11 at \$716,000, \$699,000 and \$731,000 in those three years. And there is an additional one-off two per cent efficiency dividend that is applied on top of that, which in the current financial year is \$733,000, rising to \$4.8 million in 2008-09, \$4.9 million in 2009-10 and \$5.2 million in 2010-11.

Senator ABETZ—We know the round figures. That is fine. Are we going to visit it equally?

Mr Paterson—We have taken some decisions in relation to the impact on the current financial year but not yet taken decisions in relation to the out years. We are yet to go through the full budget process so that will no doubt, in ways yet unknown, influence the activities undertaken by the portfolio going forward. We have instituted a recruitment pause within the department since the time of the election to curtail recruitment to be able to accommodate the efficiency dividend impact on the department. The two per cent efficiency dividend was clearly declared as an election commitment, so as soon as we were aware of the outcome of the election we were aware that was something we would need to work on so we imposed a recruitment pause from that time. We have adopted some restructuring within the department, reduced the number of divisions within the department, reduced the size of the executive of the department and curtailed expenditure where we believe that we could constrain expenditure in the current financial year, recognising contractual and other commitments, to be able to meet that efficiency dividend.

Senator JOYCE—Is it possible for you to table the document for which you outlay where that two per cent efficiency dividend is going to come from? If you, as you have stated, have gone through and mentioned or at least tabulated in some form where this money is going to come from, is it possible for you to table that document so that we can all have a look at it?

Mr Paterson—I do not have a document to table for you, nor have I sought to quantify precisely each of the contributory elements of that to be able to reach the efficiency dividend. What I am able to do is to examine our staff turnover issues, identify where I can curtail expenditure in a variety of areas, have senior officers within the department exercise constraint in relation to expenditure, and for me to be satisfied that at the conclusion of the financial year I will be able to meet my obligations in administering the department.

Senator JOYCE—With due respect, as an accountant I can assure you that anybody else would say that if you have a target to meet people would like to see in an empirical form how you are going to meet it, rather than an anecdotal statement or in the form of a wish. I know the two per cent dividend has been—

Mr Paterson—I do not take kindly to being either verballed or personally attacked in the way that Senator Joyce has done it. I would appreciate if he could rephrase his question.

CHAIR—Yes. We were talking about courtesy here before.

Senator JOYCE—I think that we have a right.

Mr Paterson—You inferred that anybody with an accounting or other background would be able to do this. I have responded to your question and I do not like the inference.

Senator JOYCE—I am saying that what I would like to see is empirically where this two per cent dividend is going to come from, rather than a statement that we hope it eventuates at the end of the year.

Mr Paterson—I did not make that statement.

Senator JOYCE—Please let me finish because I am speaking.

Mr Paterson—I will not be verballed.

Senator JOYCE—Let me finish because I am speaking.

CHAIR—The valid objection is that Mr Paterson was having his words twisted and I think you are continuing to do that.

Senator ABETZ—There was a misunderstanding. Let Senator Joyce ask his question again.

Senator WEBBER—Rephrase your question.

CHAIR—Yes. And rather than paraphrasing Mr Paterson, can you ask a question, Senator Joyce?

Senator JOYCE—Can we put on notice that we would like to see exactly where you envisage this two per cent dividend will come from?

CHAIR—Mr Paterson?

Mr Paterson—I am hesitant to say yes to that question on the basis that I have indicated the action that is being taken across a broad and complex portfolio at a time that there are a range of measures that are impacting on the portfolio. It is my obligation under the Financial Management and Accountability Act to administer the appropriations provided by the department, given the directions of the government of the day, to administer those activities appropriately and to report at the end of the financial year and I am happy to do so. I have indicated the areas in which I intend to constrain expenditure and the approach that has been taken.

Senator JOYCE—With due respect—

CHAIR—Senator Joyce. Mr Paterson, have you finished?

Mr Paterson—No.

CHAIR—Mr Paterson has not finished.

Mr Paterson—I have indicated the steps that are being taken to ensure that we meet our obligations by the end of the financial year. Senator Joyce wants me to be able to table a document now which precisely indicates how I will do that by the end of the financial year and I am saying that I am not in a position to do that at the present time.

Senator JOYCE—Secretary, I have actually asked on notice now, so that you do not accuse me of verbalising you, how where that this approximately \$20 million reduction in expenditure is going to come from. We have some \$733,000, \$4,815,000, \$4,910,000 and \$5,199,000. These figures cannot have been plucked out of the air. Where do they come from?

CHAIR—You have asked your question. Mr Paterson has provided an answer to that and that is a full answer.

Senator JOYCE—He has not provided an answer. These are not abstract figures. Obviously there has been collusion. They did not just fall out of a plane. Where did they come from?

CHAIR—You asked the question; Mr Paterson gave an answer. You asked for the question on notice and Mr Paterson indicated that he thought that was not appropriate.

Senator JOYCE—I want to know exactly how we came up with the numbers \$733,000, \$4,910,000 and \$5,199,000. I want to know exactly where those numbers came from.

Mr Paterson—I do not want to fall into the trap that you fell into earlier in relation to inferences about accounting treatment, but two per cent of our appropriation delivers those numbers. That is a straightforward calculation.

Senator JOYCE—I want to know exactly where this is going?

Mr Paterson—In response to the first question that I was asked in this area I have indicated that we have taken action in relation to the current financial year and I have indicated we have taken no decisions in relation to how we will meet that obligation in the 2008-09 and subsequent financial years. I said that right up front. We have taken no decisions as to how we will accommodate that going forward. We have not got through the budget process. We do not know what the final position will be in relation to the portfolio going forward. We know what the position is at the present time.

Senator JOYCE—Then the figures are rubbery.

Mr Paterson—The figures are not rubbery. I take offence at that.

CHAIR—Senator Joyce, if you have any basis for stating that, please elaborate but otherwise those kind of allegations are not appropriate.

Senator JOYCE—Can I elaborate?

Mr Paterson—You are making an accusation these figures are rubbery.

Senator JOYCE—Can I elaborate? Would you allow me to elaborate on it?

Senator Carr—If you allow ‘thick’ to go through to the keeper I would have thought ‘rubbery’ was very soft.

CHAIR—Senator Abetz.

Senator JOYCE—Can I elaborate on it?

CHAIR—You can ask questions of Mr Paterson if you believe the figures are wrong.

Senator JOYCE—Thank you. I am glad that you have given me the opportunity because these numbers are here.

Mr Paterson—If you want to say that these figures are rubbery—

Senator JOYCE—Do I have the call?

Senator ABETZ—Senator Joyce has the call.

CHAIR—Senator Abetz, I am determining who and who does not have the call. Senator Joyce.

Senator JOYCE—If we cannot get an empirical or quantifiable list of where these numbers come from, then they are not substantial, they are merely numbers on paper.

CHAIR—Do you have a specific question whereby you believe those figures are wrong?

Senator JOYCE—You have asked me to elaborate and now I have elaborated why I think there is no structural substance to these numbers. They are merely just numbers on paper.

Mr Paterson—That is not true. That is just not true. Our total appropriation for the year 2008-09, reflected in the PAES documents, is \$240,769,000. Two per cent of that is \$4.815 million.

Senator JOYCE—I know what you are saying but where has it come from?

Mr Paterson—What do you mean, where has it come from? Two per cent is the obligation we have to meet. I have said we have not taken decisions yet about how we will meet it, but our obligation is to meet it.

Senator ABETZ—One of the dangers with these interventions is that I might get a new line of questioning on areas that I have already covered, and I have. That is in relation to your media officers, Minister. Are they both located in your office?

Senator Carr—Yes.

Senator ABETZ—Do you have a position in your office with a description ‘adviser-speech writer’?

Senator Carr—Yes.

Senator ABETZ—How come we have a communications officer that does the speech writing?

Senator Carr—I do not know what it was like when you were a minister but custom and practice is that the responsibilities for the ministerial office workload is determined by the minister. I have made decisions about the workloads in the office.

Senator ABETZ—Of course you do. But you tried to tell me that the communications officer was the speechwriter. I now peruse the list and find that there is a specific person designated with a task of speechwriter. Can I ask you how many speechwriters do you have in your office?

Senator Carr—We have two people who work in that area.

Senator ABETZ—We have one communications officer and one speechwriter but we have two people writing speeches. Is this the sort of open transparency that Mr Rudd promised us before the election?

Senator Carr—We have been at this committee for three-quarters of an hour.

Senator ABETZ—Just answer the question and stop the hyperbole.

Senator Carr—In three-quarters of an hour we have had the character of both myself and the secretary assailed by various opposition senators.

Senator ABETZ—This is from the one person who has had to withdraw comments.

CHAIR—Can you please allow the minister to finish?

Senator Carr—I quite freely acknowledge that it was intemperate of me to describe Senator Abetz in the terms that I did. You asked me to withdraw the comment and I withdrew it.

Senator ABETZ—This is a waste of time.

Senator Carr—The fact is the coalition are clearly not about seeking information here. They are trying to undermine the character of people at this committee. I ask you, Madam Chair, if that is appropriate and I suggest to the coalition if they want these proceedings to run smoothly they will desist from the personnel abuse of people at this committee.

Senator ABETZ—This is really sort of the coward's defence, isn't it? I am asking questions. First of all I asked about the communications officer. He did know and took it on notice. Under pressure he finally had to blurt out that the communications officer was really the speechwriter. We now discover that there is another position in the office classification in Senator Carr's office that is actually the speechwriter. Now if it is personal abuse to come back and say, 'Hang on a moment. What does the communications officer do?', then I am terribly sorry that you find that abusive but most people would find that as being thorough questioning and having caught a minister out trying to obfuscate. We are now trying to give you the opportunity to clear the record so your name can remain intact.

CHAIR—As the minister said, I have already queried the length of time we have spent on an issue which is only peripherally associated with this portfolio.

Senator ABETZ—With great respect that is a reflection on me from the chair.

CHAIR—We should be making advance in this portfolio area and that it is appropriate that people show courtesy to each other in these committee proceedings and that people listen to each other's answers. Simply because it is not the answer that they expected or liked, it does not mean it is not an answer. All concerned should be here showing courtesy to each other and not indulging in insults, commentary or abuse. Can we return to specific questioning?

Senator ABETZ—Point of order.

CHAIR—I have not finished.

Senator ABETZ—All right.

CHAIR—Can we return to specific questioning on matters of relevance to this estimates?

Senator ABETZ—On a point of order, when the Chair herself makes commentary about the value of questions, with great respect that is the Chair indulging in commentary, which is highly inappropriate.

CHAIR—I queried the relevance of your questioning to the estimates.

Senator ABETZ—I know you did. But with great respect that is not your role.

CHAIR—That is exactly my role.

Senator ABETZ—No, it is not.

CHAIR—I am here to make sure that this committee asks questions of relevance to the portfolio statements.

Senator ABETZ—You cannot dictate the questions that we as an opposition ask. I know that this minister is a weak link in the government and he needs protection but can I say to you, Chair, your role is not to try to stifle a line of questioning that we are pursuing. I can understand you and your colleagues find it uncomfortable, especially when we have now caught him out with having two speechwriters.

Senator GEORGE CAMPBELL—This is not a point of order. If you do not like the terms of the ruling, you should move dissent.

CHAIR—Senator Campbell! Senator Abetz, what is your point of order?

Senator ABETZ—I would invite you, Chair, not to provide commentary in relation to the opposition's line of questioning.

CHAIR—That is not a point of order.

Senator ABETZ—So you will continue. We will continue the arguments throughout the day.

CHAIR—Do you have any questions?

Senator ABETZ—Yes, I do. How many staff in your office?

Senator Carr—We have the full entitlement as does every other minister's office.

Senator ABETZ—How many? One, two, three or five? Now, Chair, these are the sort of non-answers that frustrate this committee. Give us a number.

Senator Carr—I have nine personnel employed under my ministerial entitlement and one person from the electorate office.

Senator ABETZ—Are you willing to give a list to this committee, without names, of the various positions and classifications of those people and also include in that any DLOs?

Senator Carr—That is a public document as a rule. I do not have any problem with that.

Senator FORSHAW—It is a PM&C.

Senator Carr—It is a PM&C.

Senator ABETZ—Are you will to provide us with this document?

Senator Carr—I will provide it under the normal circumstances of that provision.

Senator ABETZ—What are the normal circumstances?

Senator FORSHAW—I have a point of order. I do not want to frustrate the line of questioning but my recollection as a member of the Senate Finance and Public Administration Committee for many years is that that sort of information was often provided through that committee in document or table form. Now whether you go to each specific portfolio estimates to do the same thing, I do not know. I am not trying to deny the information.

Senator ABETZ—You can get it.

Senator FORSHAW—All I am saying is that information is publicly available.

CHAIR—Senator Abetz, do you have a question?

Senator JOYCE—He is trying to get an answer.

CHAIR—No. The minister has said that he will provide that information.

Senator ABETZ—You allowed Senator Forshaw to make a comment and then when I respond I am not allowed.

CHAIR—No. Senator Forshaw had a point of order and I said that there was no point of order.

Senator FORSHAW—Just—

CHAIR—Senator Forshaw had a point of order and I said it was no point of order and you could continue on with specific questions in this area. Do you have any more questions?

Senator FORSHAW—You have been around for a few years.

Senator ABETZ—Do you have a communications officer in your office?

Senator Carr—Yes.

Senator ABETZ—Do you have an adviser?

Senator Carr—I have two advisers, two assistant advisers. I have a media adviser. I have a chief of staff.

Senator ABETZ—And how many DLOs?

Senator Carr—Two DLOs.

Senator ABETZ—Do you have an executive assistant?

Senator Carr—Yes.

Senator ABETZ—Do you have a press secretary?

Senator Carr—Yes.

Senator ABETZ—Do you have a receptionist?

Senator Carr—Yes, on a transitional basis.

Senator ABETZ—Does that mean that the receptionist is going to move out and another one is coming in?

Senator Carr—Yes, that is right. I can short-circuit all of this.

Senator ABETZ—I am not interested in the persons. I am interested in the positions.

CHAIR—Can the minister finish his answer please?

Senator Carr—Each cabinet minister is entitled to nine positions. I have got nine positions. I have one person from the electorate office. We can go around this in any way you like but it will not come up with any other proposition than that. We have two DLOs, which are all in the entitlement. We are fully compliant with our entitlements.

Senator ABETZ—I just want to know the numbers.

Senator Carr—I just told you the numbers. I have given you a comprehensive answer.

Senator ABETZ—And now I am going through the classifications. Don't get so excited.

Senator GEORGE CAMPBELL—How many did the previous ministers have?

Senator ABETZ—And we have an adviser-speechwriter in that complement. Is that correct?

Senator Carr—Yes.

Senator ABETZ—We have got an adviser, science and research?

Senator Carr—Yes.

Senator ABETZ—And we have an adviser that is just classified as general. Is that right?

Senator Carr—I have tried to be—

Senator ABETZ—He—

CHAIR—If you want a full answer to your question the minister will provide it.

Senator ABETZ—I do, indeed. You would have thought with the Rudd government's commitment to industry that the pulling of teeth should not be so difficult.

Senator Carr—What we do have is the Rudd government's commitment to reduce the number of ministerial staff by 30 per cent. Now that has happened because the previous minister had 30 per cent more staff than I have got.

Senator ABETZ—That is not responsive to the question whether or not you have—

Senator Carr—Chair, can I answer the question?

CHAIR—Yes.

Senator Carr—We have a chief of staff; a senior adviser, science and research; an adviser, industry; an adviser, speechwriter; communications officer from the electoral office; advisor-transitional, waiting upon the full time appointment. We have a media adviser, press secretary. We have a DLO in innovation and industry and a DLO in science and research. I have an executive assistant and I have a receptionist who is there at the moment on a transitional basis waiting a full-time appointment.

Senator ABETZ—It was not that hard at all, was it? It was quite easy. That is great. Thank you. I would like to go back to the two per cent dividend, Mr Paterson. You indicated that part of that would be achieved by not pursuing certain staff appointments. Are you able to provide us with the classifications and areas where those staff positions might not be filled? I would assume that you would not necessarily have that with you, so you could take that on notice.

Mr Paterson—As I said earlier in response to the question, it is a combination of activity. We have a recruitment pause. Have I maintained a list of all of the vacant positions that we have had over that period of time that we have not filled? No, I have not. If you think that it is worth the effort of us going back over that time to try to articulate what those vacancies will be, we can examine it, but it is a combination of things.

Senator ABETZ—Of course it is.

Mr Paterson—I have indicated that we have restructured the department and that we have reduced the number of divisions within the department. I have reduced the number of deputy

secretaries within the department and the attendance support mechanisms. All of these things are a combination of activities which will result in me being able to meet my obligations in terms of the efficiency dividend.

Senator ABETZ—No argument.

Mr Paterson—And they have not yet had full effect. Any answer that I give you will be a partial answer because I need to meet an obligation this financial year. So at these estimates, even on notice with the period of notice that is required that the chair referred to earlier, that requires us to file responses at a time before I will be able to fully answer the question.

Senator ABETZ—That is all understood. All I would like to know is whether the recruitment pause is right across the board—

Mr Paterson—Yes, it is.

Senator ABETZ—or is it for example being visited more heavily on Industry as opposed to Innovation or Science or Research?

Mr Paterson—It applies across the board to all the areas that I have responsibility for and where there are key specialist appointments that need to be made under that recruitment pause, then we make those appointments.

Senator ABETZ—They still go ahead.

Mr Paterson—That is why I have described it as a recruitment pause and not a freeze. What we are doing is sensibly and prudently managing our outlays to be able to meet the obligation.

Senator ABETZ—I would not expect you to say anything else but to be sensible and prudent, but all I wanted to know was whereabouts the recruitment pause was being exercised. That was all I was wanting to know. I would appreciate if you could take that on notice.

Mr Paterson—I am hesitant to take it on notice because it is a very difficult question to respond to precisely. You have indicated that the nature of the question is to get a sense of understanding whether it is applying to one area of the department more than another.

Senator ABETZ—That is right.

Mr Paterson—I said the answer to that is no. I cannot dictate turnover. I cannot dictate who leaves, who goes on maternity leave, who joins another department or who takes employment in the private sector. What we can do is to manage the ins and outs within a complex portfolio and deliver the outcome at the end of the day.

CHAIR—The committee would appreciate if you could provide as full an answer as you can on notice.

Mr Paterson—I am happy to do that.

Senator ABETZ—Just to assist, many times departmental people have given assurances that they will be across the board et cetera and that it will be done fairly and equally, but an opposition worthy of itself would not walk away from such an answer but would then ask as I have done for the detail to see if the substance actually matches to rhetoric. And from time to

time for a whole host of factors it will not because other factors intervene and if we get an explanation on that next time, that is fine.

CHAIR—Thank you.

Senator ABETZ—I think it is a worthwhile area of questioning.

CHAIR—Mr Paterson has indicated that he will provide that answer on notice.

Senator ABETZ—Yes, and I look forward to it.

CHAIR—Senator Campbell.

Senator GEORGE CAMPBELL—Can I just confirm that as far as staff reductions may occur as a result of achieving the efficiency dividend, they will occur by natural attrition?

Mr Paterson—I have indicated that the only action that we have taken is in the current financial year and that no decisions have been taken in relation to the impact of the efficiency dividend in the 2008-09 period and beyond. So I cannot answer your question explicitly because I can say to you that we have only taken decisions on the impact of the efficiency dividend in relation to the current financial year at this stage. And at this stage we are managing it through the attrition and turnover of staff, not by taking any course of action that displaces staff.

Senator GEORGE CAMPBELL—Is that a general policy that you have followed for a number of years in the department?

Mr Paterson—In terms of managing the impact of efficiency dividends from various governments, we have to do it within the resources available to us.

Senator GEORGE CAMPBELL—I understand.

CHAIR—Senator Abetz.

Senator ABETZ—Senator Joyce can go.

Senator JOYCE—The angle of my questioning is that you have been loaded up with this two per cent efficiency dividend and it is going to be an impossible thing to manage. Was there any correspondence from Treasury or from any other department to you in negotiating what would be an achievable efficiency dividend or were you just rung up and said, 'Here it is. You have to deal with it.'?

Mr Paterson—We are not rung up in that context. We have had to manage efficiency dividends on an ongoing basis in the past. Under the previous government the efficiency dividend was imposed in two tranches, which was one per cent and 0.25 per cent. They were decisions of the government of the day. The two per cent efficiency dividend on top of that is a decision of—

Senator JOYCE—Is that—

CHAIR—Senator Joyce, can you please allow Mr Paterson to finish his answer?

Senator JOYCE—As long as you come back to me when he is finished.

CHAIR—And can you please listen to the answers?

Mr Paterson—This two per cent is on top of the 1.25, so the full effect of it in a full year will be 3.25 per cent. This is not something that is subject to consultation or discussion between ourselves and Treasury. This is a decision of the government of the day that we are required to give effect to.

Senator JOYCE—So it is over 100 per cent increase in the original efficiency dividend that you had to deal with.

CHAIR—Is that a question?

Senator JOYCE—No, unless it is not right. It is a statement.

CHAIR—Can you ask specific questions rather than giving commentary?

Senator JOYCE—My specific question is: what you now have is in excess of 100 per cent excess on the efficiency dividend that you were already dealing with. So whatever you were budgeting for and whatever natural attritions in the workforce that you were dealing with, you now have to more than double that to meet your efficiency dividend?

Mr Paterson—What we need to do is to meet an additional obligation in the current financial year of \$733,000, which is declared on page 29 of the PAES.

Senator JOYCE—Is that possible?

Mr Paterson—I have indicated the measures that we have put in place to ensure that we meet our obligation.

Senator JOYCE—Good luck.

CHAIR—Senator Abetz.

Senator ABETZ—Will the two per cent dividend include the cutting of the Innovation Ambassador program and the reversal of the measure for the research vessel, *Southern Surveyor*? Is that going to be part of the two per cent dividend or is that a separate cut above and beyond the two per cent?

Mr Paterson—No. They are separate, independent measures.

Senator ABETZ—Did the department provide any advice in relation to those two cuts, the Innovation Ambassador and the *Southern Surveyor*?

Mr Paterson—I am hesitant. There are obviously many elements in the budget review processes that we go through. A number of the measures were election commitments; other measures have been taken by the government and we provide advice as a matter of course in relation to budget measures on which we are consulted.

Senator ABETZ—This is going to be painful. Was it an election promise to reverse the measure of an Innovation Ambassador program? Can I suggest to you, no it was not? Was it a government election policy to reverse the funding for the research vessel *Southern Surveyor*? You and I both know that they were not election promises.

CHAIR—Would you allow Mr Paterson to answer. He is preparing to answer the question.

Senator ABETZ—Minister, you know that you did not go around the countryside saying, ‘Vote for me. Vote for me, because if you do I am going to get rid of the Innovation Ambassador program.’

CHAIR—I think this qualifies as commentary.

Senator ABETZ—No. Would you mind? This is really very, very annoying. I was half way through a question.

CHAIR—No. You were not half way through a question. We were waiting. You had asked your question and we were waiting on Mr Paterson to respond.

Senator ABETZ—And I then asked the minister a question.

CHAIR—No. Mr Paterson did not respond. Mr Paterson had not responded. The minister was waiting for Mr Paterson to respond as well.

Senator ABETZ—The minister is actually in charge.

CHAIR—I am well aware of that and the minister was waiting for Mr Paterson to respond. I ask you to wait.

Senator ABETZ—I know that it is embarrassing.

CHAIR—Senator Abetz.

Mr Paterson—You asked in relation to the *Southern Surveyor* and the Innovation Ambassador. Neither of those measures were election commitments.

Senator ABETZ—See, it is so easy.

Senator GEORGE CAMPBELL—I have a point of order. One would think Senator Abetz as a former minister would have a little bit more experience and appreciation of the importance—

Senator ABETZ—Here—

Senator GEORGE CAMPBELL—I rest my case.

CHAIR—Senator Abetz!

Senator GEORGE CAMPBELL—My point of order—

Senator FORSHAW—What is your case?

Senator JOYCE—What is your case, Senator Forshaw?

CHAIR—This continual commentary while people are trying to ask questions—Senator Forshaw is making a point of order. Please let—

Senator ABETZ—What is the point of order. What is the standing order?

CHAIR—Exactly. Let me hear the point of order please.

Senator FORSHAW—The point of order is that I believe Senator Abetz is engaging in disorderly and unruly conduct which is contrary to the standing orders. I would ask you to ensure that Senator Abetz and any other senator who constantly want to interject and interrupt the answers at the table be refrained or asked not to do so.

Senator BUSHBY—On a point of order, Senator Abetz asked the secretary what were the two measures of cuts that he referred to election commitments. You asked Senator Abetz not to interrupt so that the secretary could answer. The secretary answered that, no, they were not,

and Senator Abetz then went on to ask another question. You interrupted. His question had been answered. He was not interrupting.

Senator FORSHAW—On the point of order, the very reason why I called a point of order was that it was quite clear that Mr Paterson had not completed his answer.

Senator BUSHBY—He had answered the question that was asked.

Senator FORSHAW—Excuse me. It is not your job or any senator's job—

CHAIR—Senator Forshaw, please do not discuss this across the table. Senator Bushby, I was waiting for Mr Paterson to finish his answer. Can we return to the substance of this committee meeting? Mr Paterson, could you finish your answer please?

Mr Paterson—As I indicated the Innovation Ambassador program and the research vessel *Southern Surveyor* additional funding were not budget measures, they were not election commitments. They were described by Minister Tanner as initial savings decisions additional to the government's election commitments and they were released by him in a media release on 6 February. They were described in that release as reversals of two measures. The Innovation Ambassador program was a reversal of a measure from the previous government and the research vessel *Southern Surveyor* was a reversal of a measure from the previous government.

CHAIR—Senator Abetz.

Senator ABETZ—With great respect, it was a very simple question, whether or not it was an election promise. We knew all the rest and we in fact knew the answer, but we wanted it on the record.

CHAIR—I suggest that you ask another question.

Senator ABETZ—Can I invite the answers to be somewhat more truncated? Now that we have established that it was not an election promise, you will not have to confuse your mind about that. I will ask the simple question again. Did the department provide any advice in relation to those two specific cuts? It was a very simple question. You either did or you did not.

CHAIR—Mr Paterson.

Mr Paterson—I am reflecting on the question.

Senator ABETZ—Like Senator Wong had to—

Senator Carr—Madam Chair, this constant interjecting—

Senator ABETZ—It was not an interjection.

CHAIR—Senator Abetz.

Senator Carr—Your stage whispers have been consistent all morning. You are abusing witnesses, you have abused other senators. Your behaviour is unruly.

CHAIR—We are waiting for Mr Paterson's answer. Can we just wait patiently please?

Mr Paterson—I indicated early that in relation to these measures we provide the normal advice that we would be expected to provide as part of the budget process.

Senator ABETZ—No. This is a specific question.

CHAIR—Senator Abetz, please let Mr Paterson finish.

Mr Paterson—In relation to the two measures I will reflect on the answer that I have given and—

Senator ABETZ—Take it on notice.

Mr Paterson—I will reflect on the answer that I have given and if I need to provide further information I will provide it.

Senator ABETZ—If I agree to—

CHAIR—Senator Abetz, do you have another question?

Senator ABETZ—No. Let us get this cleared up from the start.

Senator BUSHBY—You had that cleared up on that comment.

Senator ABETZ—If an official is having trouble wanting to reflect on an answer and then I kindly suggest that he take it on notice, if that is going to be seen as abuse of a witness, so be it, and I will not make those helpful suggestions and I will be demanding answers in relation to everything immediately.

CHAIR—Thank you. I suggest that is a very good plan. If you hear answers in silence and ask questions—

Senator ABETZ—Can I suggest we have a private meeting at the morning tea break on this? This is just ridiculous.

Senator FORSHAW—Chair, can I take a point of order on this very issue? My point of order is this. Mr Paterson has done the correct thing in indicating that he is prepared to reflect upon the question. Senator Abetz has asked him to take it on notice. If Mr Paterson concedes to that now it obliges him, one would think, to provide an answer. The reason why Mr Paterson, as I apprehend it, has framed his response that way is for the same reason that it has been done in every other committee and certainly done in the Senate Finance and Public Administration committee where the same sorts of questions were asked a couple of days ago, and that is that it goes to the question of whether or not the departmental officials can provide to the committee an answer to a question which relates to whether or not they provided specific advice. That is why he has to reflect upon it.

Senator JOYCE—Madam Chair, can you ask the secretary if that is the case?

CHAIR—No. It was a point of order.

Senator ABETZ—So—

CHAIR—Senator Abetz, you are again interrupting.

Senator FORSHAW—You are questioning—

CHAIR—No. Senator Forshaw, you are interrupting as well. This is time wasting with continual interruption of the witnesses, continual interruption of the Chair and debate with each other. I would suggest that it is in fact morning tea time and that we should come back

and concentrate on the matters before the committee, and that is asking questions and getting answers. I would ask for an end to continual interruption and comment.

Senator ABETZ—Including by the chair. Can we have a private meeting because this is unacceptable?

CHAIR—I will call a temporary adjournment for morning tea and we will be back at 10.45.

Proceedings suspended from 10.30 am to 10.46 am

CHAIR—I reopen the committee meeting. We are still on outputs 1 and 2. Are there any questions?

Mr Paterson—Prior to the adjournment I said that I would reflect on the nature of the response I gave to your question, Senator Abetz, about providing advice in relation to two measures. As I said prior to the break, we provide advice in the normal course of events in relation to budget measures. On the two measures that you raised with me, the answer to your question whether we provided advice or not was, yes.

Senator ABETZ—You did provide advice, thank you. Can I move to corporate. I think this is the right area to ask these questions. Can I ask the corporate section how many speeches, press releases, trip planning/bookings for the minister have been undertaken by or within the department?

Ms McClusky—I do not have those numbers with me at the moment. We will attempt to get those for you shortly.

Senator ABETZ—Can you agree with me that speeches are written in the department for the minister?

Mr Paterson—The answer to that question is yes.

Senator ABETZ—Are any press releases written for the minister in the department?

Mr Paterson—The answer to that question is yes.

Senator ABETZ—Are any logistical arrangements made for the minister in relation to trips and planning of trips and bookings?

Mr Paterson—Only in respect of official overseas travel.

Senator ABETZ—What other ministerial support is provided, apart from speech writing, general media releases and overseas trips?

Mr Paterson—All of those measures are normal administrative support arrangements.

Senator ABETZ—I did not ask whether they were normal or abnormal. All I am asking is: what support is given to the minister from the department? We have established three broad areas. Are there any other broad areas, apart from the supply of staples?

CHAIR—Mr Paterson, you can finish your answer.

Mr Paterson—The hesitation I have in responding to the ‘any other’ is that an enormous amount of activity is provided by any department providing support to their minister—in

terms of policy advice, program advice, design. I need greater clarity on the nature of the question.

Senator ABETZ—That is fair enough. I am asking about specific support to the minister's office. We are not talking about policy advice or preparing letters, draft letters of response and those sorts of things, but specific things such as the minister's overseas trip, a speech that the minister might give, a press releases that the minister might issue?

Mr Paterson—The reason I am seeking greater clarity from you is that you ask questions in relation to media releases and speeches, and as a matter of course in providing a brief to a minister on an issue a draft press release will often be prepared or speaking notes in relation to an issue will be prepared as part of the normal briefing process. That is not something that is, 'Are you providing support to the minister outside of the normal arrangements?' We are providing advice, briefing, in relation to all manner of policy issues or program delivery issues. When you say 'what other support', what do you mean by 'other'?

Senator ABETZ—It is very difficult to draw the line, and you make a valid point. It was interesting that you were able to volunteer support for overseas trips as another specific example.

Mr Paterson—You asked a question in relation to travel.

Senator ABETZ—That is right. And then you were able to nominate that.

Mr Paterson—I know we make the bookings for that.

Senator ABETZ—As the department should. This is no criticism. All I am trying to establish is what sort of support in that personal support role is provided now. We can try to draw lines, but if nothing else readily springs to mind in that sort of category, that is fine; we will move on.

Mr Paterson—If your categorisation is personal support, then I would question my 'yes' answer. I would not describe any of those areas as personal support. Overseas travel arrangements are made because there is liaison with overseas posts. Arrangements are being made internationally for meetings for ministers and therefore we make the bookings.

Senator ABETZ—But we have established that the department does provide speeches, press releases and does overseas travel bookings.

Mr Paterson—That is correct.

Senator ABETZ—Media clips and transcripts are fed to your office on a daily if not hourly basis. You have now had some time to reflect on my request to be given access to them. Do we have an answer yet?

Senator Carr—Yes. The answer is that I am going to apply the same rules that you applied to me.

Senator ABETZ—I was never a minister for which you were the shadow. But if you are going to apply the rules that I applied, I look forward to receiving the media clips tomorrow. The shadow minister for agriculture, fisheries and forestry was given the media clips. Your close factional colleague Senator Conroy agreed to give media clips to his shadow during estimates this week. Will you extend the same courtesy?

Senator Carr—I have indicated to you that when I was the shadow minister certain rules were applied. The same licensing arrangements are being applied by the department. The same cost restraints are being applied. I will follow the guidance that was provided when I was in opposition.

Senator ABETZ—Does the department have a contract to obtain media and media summaries, transcripts and clips relevant to its portfolio?

Mr Paterson—We have an electronic clipping service.

Senator ABETZ—With whom? I do not have to know with whom the contract is but it might be interesting. Are you able to tell us?

Mr Paterson—I think AAP is the provider.

Senator ABETZ—That is electronic, not hard copy?

Mr Paterson—That is correct.

Senator ABETZ—What does the contract allow for, as in how many people or stations are allowed to access that electronic media service?

Ms Butler—The media monitoring service currently has 250 licences.

Senator ABETZ—Two hundred and fifty?

Ms Butler—Yes.

Senator ABETZ—Is that only allowed for departmental officials?

Ms Butler—Those licences are available to departmental officials and ministers' offices.

Senator ABETZ—If you were to ask for 251 what would be the extra cost?

Ms Butler—We would have to look at the contract.

Senator ABETZ—What is the total cost of the contract?

Ms Butler—The contract is currently costed at \$600,000 over three years.

Senator ABETZ—That is \$200,000 per annum. If you were to divide that by 250 you would get \$800 or \$900. So, that would be the opportunity cost in the event I were to get a copy of the clips; is that right?

Ms Butler—The contract covers licences, but it also covers the actual clipping services and the topics that are clipped. Licences are one aspect of it.

Senator ABETZ—That is interesting. That is a very good point. How much does it cost per contact point of the 250?

Ms Butler—I would have to check that.

Senator ABETZ—If you can take that on notice. How many contact points are allowed out of the minister's office?

Ms Butler—There are currently 250 licences. Of those 250 licences, 10 licences are with Senator Carr's office.

Senator ABETZ—I think we were told he only had, what—

CHAIR—Nine, plus him is 10.

Senator ABETZ—Yes, 10, but I am sure the receptionist would not need it, so there might be a spare one to flick to me. That is a great little convergence.

CHAIR—Is there a question?

Senator ABETZ—Given all of this evidence that is coming out, I am sure Senator Carr, being the reasonable man that he is, wants to reflect on his denial.

Senator Carr—I will reflect on it.

Senator ABETZ—You will reflect on it. That is good. When do you think we will have an answer as to whether or not the—

Senator Carr—I have already given you an answer. You asked me to reflect on it. I will reflect on it.

Senator ABETZ—So I will not be included, unlike other shadow ministers?

Senator Carr—Senator Abetz, all I can say to you is that it is a hard row to hoe. The rules were made by you.

Senator ABETZ—In fact, it was on a minister-by-minister basis. The portfolios that I was part of used to make those available. Your ministerial colleagues or at least some of them are making them available, so it is not a rule across the board; it seems to be on the predilection of individual ministers. I am asking you whether you want to fall into the category of ministers who are going to refuse access to shadow ministers. Given the tale of woe that you yourself experienced, I would have thought you would be very sympathetic to my request.

CHAIR—Minister, do you have any further comment?

Senator Carr—I have nothing further to add.

Senator ABETZ—Not sympathetic to my request? So be it. I understand this department has the very important role of administering the Scout Association Act?

Senator WEBBER—What?

Senator ABETZ—It is. I have done a bit of work. This is just for a bit of light relief before we move on to industry. Is there a particular officer dedicated to that task?

Mr Paterson—I cannot say there is a particular officer dedicated to that task, because it is not an active part of our responsibilities, but it is a responsibility of IP Australia and they are listed. It is an intellectual property issue and they are listed for proceedings later in the day.

Senator ABETZ—If somebody is listening in, I am just interested whether there have been any offences and prosecutions under that legislation.

Mr Paterson—Can you give a time frame? I am not aware of any action taken or any prosecution in the time that I have been here.

Senator ABETZ—If I had media clips to read of a day I would not be reading the Scout Association Act and asking these questions. But that is what happens.

Mr Mackey—We can provide a little more advice if that is helpful.

Senator ABETZ—I was going to delay it, but if we can have it now that is great.

Mr Dicer—The scout act is six pages long and there are about four or five sections within it. It is designed to protect scout insignias.

Senator ABETZ—I am aware of all of that.

Mr Dicer—The fine imposed is \$10 if there is a breach. The minister has—

Senator ABETZ—With great respect, it is very nice of you to tell me all of that.

CHAIR—Senator Abetz, can we hear the answer, please.

Senator ABETZ—No, with great respect, all of this is interesting and nice. I know that. The only question I ask: have there been any prosecutions under the act?

Mr Dicer—Not that I am aware of. The minister has to bring those prosecutions.

Senator ABETZ—Minister, were you ever a boy scout?

Senator Carr—That is an honour that did not come my way.

Senator ABETZ—On page 64 we have a category of non-financial assets, intangibles, at about \$261,000. I do not want everything specified. I think every department has a thing called ‘intangibles’. I would like to know in rough terms what is included under intangibles.

Ms McClusky—The types of non-financials included under intangibles are things such as software licences and the like.

Senator ABETZ—Only that?

Ms McClusky—There are other items as well. If I could point out to you: on page 64 the agency you are referring to is AIATSIS, not the department.

Senator ABETZ—Yes, but it was a general question. I just happened to discover that there. It is not uncommon in these sorts of documents to see a note of what the intangibles are. I am interested to see whether there is a variation between departments or agencies as to what intangibles may actually include.

Ms McClusky—There would be a consistent application of accounting standards. There is internally developed software, software systems et cetera, and most agencies would have that.

Senator ABETZ—I have a whole host of questions about where things are categorised. I think the committee has a very good system.

Senator JOYCE—I return to the proposed savings of about \$84 million under Savings for Labor’s Better Priorities: Fold Invest Australia Functions into Austrade. You have what appears to be another \$50 million in Savings for Labor’s Better Priorities: Global Integration. Can you quantify this? That is a substantial amount of money. How did you come by those sorts of savings? This is on page 29.

Mr Paterson—The measures Savings for Labor’s Better Priorities: Fold Invest Australia Functions into Austrade and the discontinuing of funding for electronic authentication and validation of—

Senator JOYCE—No, Global Integration, Australian industry productivity centres and Fold Invest Australia Functions into Austrade: can you elaborate on where those numbers there come from?

Mr Paterson—They were both election commitments.

Senator JOYCE—In 2008-09 there is \$23.8 million. What sort of components make that up?

Mr Paterson—That was the appropriation that this department had received for the Invest Australia activity, which was undertaken within this department.

Senator JOYCE—So it is a reflection of a loss of appropriation in that area?

Mr Paterson—Yes.

Senator JOYCE—Is that the same for the next one down, Australian industry productivity centres? The numbers seem more precise. Are they just appropriation figures as well?

Mr Paterson—Yes.

Senator ABETZ—I understand there were election promises made by you, Minister. I want to clarify that they are no longer in fact in your department. I am talking about establishing Clean Business Australia with \$240 million to support it, and then there are a whole lot of things—the Green Building Fund, Climate Ready Support, and Re-tooling for Climate Change grants program. Are they no longer in this portfolio?

Senator Carr—No.

Senator ABETZ—Albeit you made the announcement?

Senator Carr—They are still within this portfolio.

Senator ABETZ—Sorry, they are?

Senator Carr—Yes, but these are budget processes. I cannot take that any further for you.

Senator ABETZ—The \$90 million Green Building Fund: where should I be asking about that? Under Industry, Innovation or Science and Research?

Mr Paterson—Under the department itself.

Senator ABETZ—So the department itself, according to the agenda, is cut up into, what, three and then we have the agencies?

Mr Paterson—I am happy to take those questions now.

Senator ABETZ—If they are relevant here, thank you for your cooperation in that. How are we going with the \$75 million Re-tooling for Climate Change grants program? Has it been set up yet? Has a secretariat for it been set up?

Mr Paterson—The minister has already indicated that these measures are matters for budget consideration, and he has indicated that he cannot say anymore on them at this stage.

Senator ABETZ—If they are for budget consideration, I was going to say it stands to reason that no work has been done on them, but there may already be work done to make the case that they be included in the budget; is that about as far as it has gone? These are grandiose promises. I would have thought that, given the promise that all election commitments will be honoured, things might have already been starting to move in this area, for example, with the guidelines. Under the climate change grants program there will be between \$10,000 and \$500,000 to small and medium sized companies, up to one-third of the

total cost. Undoubtedly people would have to apply for this funding. Have the applications been drafted?

Mr Paterson—I cannot take you into any of the detail in relation to that. They are matters for budget consideration.

Senator ABETZ—Is that suggesting to me that they might be knocked out in the budget process or refined in the budget process?

Mr Paterson—It is not suggesting anything to you other than what I said, which is that they are matters for budget consideration. They are not appropriations in the current financial year, they are potentially matters for a subsequent financial year or years, and they are not presently appropriated to the department. They are a matter for consideration in the budget process.

Senator ABETZ—If you know you have these future commitments that you have to honour—

Mr Paterson—We do not have those future commitments until such time as an appropriation decision is made.

Senator ABETZ—But you have been advised, have you not, by the Prime Minister's office that, given these are election promises, they will be implemented on time and in full?

Senator Carr—The government has a commitment to implement all of its election promises.

Senator ABETZ—That is good.

Senator Carr—That is as far as we are prepared to take it today. These are matters that are appropriately discussed within the budget context.

Senator ABETZ—Thank you for saying that. Given that the government is going to implement all of its election promises, the secretary will have to find the \$75 million in out years for this. He will have to find \$75 million for Climate Ready Support and \$90 million for the Green Building Fund. He has also been given a two per cent dividend, as a result of which we have been advised he has put staff recruitment on pause. Was that the word—'pause'?

Mr Paterson—Yes.

Senator ABETZ—He has paused staff recruitment. Is part of the staff recruitment pause not only related to the two per cent dividend in fact but also to honouring these future commitments, with the result being that they are having a direct impact on your planning today in relation to staff recruitment?

Mr Paterson—I have already indicated that they are measures that are subject to budget consideration. You, by the nature of your question, suggest that we will inherit an obligation to deliver those programs without resources. I cannot make any comment in relation to that suggestion. All I can say is that they are matters for budget consideration.

Senator JOYCE—Referring back to page 64, Heritage and cultural assets: the position for 2006-07 is—

Mr Paterson—Before you frame your question, page 64 is in relation to AIATSIS, which is an independent statutory authority not presently before the committee.

Senator JOYCE—Can you take this on notice?

Mr Paterson—No, I will not take it on notice, because it is an independent statutory authority that is not currently before the committee. It will be before the committee later in the day.

Senator JOYCE—Can I bring something to your attention?

Mr Paterson—You can.

CHAIR—It is more appropriate to bring it to the attention of the agency, which will be appearing later in the day.

Senator ABETZ—If Senator Joyce will not be here later in the day he can possibly put it in *Hansard* so it does go to the agency on notice.

CHAIR—Or he can put it on notice.

Senator JOYCE—It does not matter.

CHAIR—Senator Milne has some questions.

Senator MILNE—I have some questions in relation to fossil fuel subsidies. In particular, the previous government promised \$100 million or more in subsidies towards a new coal-fired power station in Victoria, the HRL power station. Has there been a change of position or has there been any reconsideration of this subsidy? If not, can you confirm how much subsidy you are prepared to put into a new coal-fired power station?

Mr Paterson—That is a responsibility of the Department of Resources, Energy and Tourism, which is not before the committee at the present time. Officers from that department, I understand, are scheduled to appear before the committee later today. It is, however, a program that we administer on behalf of that department, but I am not sure that it is appropriate that in administering it on behalf of that department we respond to questions without those officers being here to be in a position to hear the question and then respond to it in the way that they believe is appropriate. I would suggest that that should be put to that department later today.

Senator MILNE—I will go to the specifics of the fossil fuel subsidies later in the day under the department of energy. But at this point in terms of policy advice can I ask Senator Carr if there has been any revision.

Mr Paterson—The policy advice would also come from that department. It is not the responsibility of this minister.

Senator ABETZ—You administer that?

Mr Paterson—AusIndustry administers programs for my department and for a number of departments.

Senator ABETZ—Yes, that is right.

Mr Paterson—But the program that Senator Milne is raising and the policy issues are the policy responsibility of the Department of Resources, Energy and Tourism. It will be

appearing once this portfolio is concluded later today. I cannot tell you what time; but once we are concluded, they are on.

Senator MILNE—I shall return.

Senator ABETZ—Can I ask the minister in relation to the three areas that I asked about, and establishing Clean Business Australia with \$240 million to support: have you asked the department to undertake any preliminary work to get these programs underway?

Senator Carr—I do not intend to go to any matters relating to the budget process.

Senator ABETZ—That was not a budget question. We are agreed that these are election commitments. We are agreed that they are going to be honoured. Therefore, with great respect, I cannot see how my asking you whether you have asked the department to do any preliminary work in these areas to set them up can be a budget issue. You either have asked them or you have not asked them.

Senator Carr—These are clearly matters that are currently within the budget process. It is not my intention to proceed to canvass advice until they are addressed. I am more than happy to discuss these questions after the budget. You will have to wait until budget night.

Senator ABETZ—Possibly I am not making myself clear enough. Whether or not you have asked your department to do something is something of which you must have personal knowledge and is not related to the budget process. You have either asked them to do something or you have not. The answer is either yes or no. Or will the budget have a statement in it saying, ‘Senator Carr is now allowed to instruct his department to prepare for or have preliminary discussions about these promises’?

Senator Carr—Outside of the budget process I have not.

Senator ABETZ—Outside of the budget process I am not?

Senator Carr—I have not, outside of the budget process. I do not wish to discuss the budget processes. I am happy to discuss these measures once the budget is announced.

Senator ABETZ—But I do not want to discuss the budget at all, just whether any preliminary work has been done in anticipation. I would have thought a minister who might be willing to prosecute some of these matters, albeit we know what may or may not happen in a budget, may well be saying to his department, ‘Let’s get prepared, let’s see what we can do, and how can we implement it.’ Because otherwise we are led to believe that only after the budget comes down will we start taking the first step of implementation, and of course then the first six months of the government would have already passed.

Senator Carr—I will repeat my answer: outside of the budget process the answer is no.

Senator ABETZ—It is non-responsive, but the *Hansard* will reflect that. Are the \$150 million Energy Innovation Fund and the \$50 million geothermal initiative in your department?

Mr Paterson—Resources, Energy and Tourism.

Senator ABETZ—I understand Senator Carr made those promises, but given how things have transpired, that is fine. With the administrative orders, I am just trying to find out which

areas are in this portfolio. You surprised me with Clean Business; I thought that would be in Energy and Resources but that remains here. Clean Energy Export Strategy—Resources?

Mr Paterson—Yes, I believe so.

Senator ABETZ—Clean Energy Innovation Centre? Is that Energy or Innovation? You can understand, I hope, some of the difficulties I have as to where these things might be fitting.

Mr Paterson—That will be within the context of Enterprise Connect.

Senator ABETZ—So that is within this department: Clean Energy Innovation Centre—also within this department under Enterprise Connect? I asked before about the Clean Energy Export Strategy. I am now asking about the Clean Energy Innovation Centre.

Senator Carr—They are obviously confused here. Export strategies are Trade. The innovation fund is in Enterprise Connect.

Senator ABETZ—The \$500 million green car—that is in here?

Mr Paterson—Yes.

Senator ABETZ—And then all of the things under Enterprise Connect would be in this department, as would be the National Manufacturing Network?

Mr Paterson—Yes.

Senator ABETZ—Can I ask some questions about the free trade agreements. What input have you had, Minister, with the negotiation for free trade agreements, rules of origin, intellectual property and things of that nature that come up in these discussions?

Senator Carr—I am sure you are aware that in these sorts of matters there is a whole-of-government consultation process, which I participated in.

Senator ABETZ—So you have had input. Have you also done some assessment of free trade agreements that are already operating to see what we can learn from them to feed into those free trade agreements that we are currently negotiating? If you want me to ask these questions under industry—

Senator Carr—We are trying to make sure we give you accurate answers.

Mr Paterson—I think the reviews that you refer to are the responsibility of DFAT. We as a matter of course are consulted on both the development of free trade agreements and any reviews of existing free trade agreements; our department is consulted and is an active participant.

Senator ABETZ—As to the input your department has, do you consult with industry to give you feedback or do industry give feedback directly to Foreign Affairs and Trade? If industry are into innovation, IP, whatever the issue is, how do they feed that into the all-of-government process?

Mr Miley—Throughout the free trade agreement negotiations and in implementation we work in cooperation with the Department of Foreign Affairs and Trade. We do not consult separately, we join with Foreign Affairs and Trade and other interested departments in consultations with industry and industry associations. There is a problem of overload if each

individual department goes and see the same entity over and over again about the same topic. So they are done jointly, but we attend pretty well all the consultations that take place.

Senator ABETZ—Let us say the automotive industry had a concern about a free trade agreement. You would be advising them to have their input directly into Foreign Affairs and Trade?

Mr Miley—Their input would be into government generally. I have attended consultations with auto companies with the FCAI, the Federated Chamber of Automotive Industries. Generally they may make separate representations in contacts both with us and with the manufacturing area of the department. But very commonly there are meetings that are joint between us and Foreign Affairs and Trade when we meet those entities.

Mr Paterson—It is fair to say that in addition to those formal consultations there are ongoing discussions with the automotive industry and many other industries that are affected by either existing free trade agreements or potential free trade agreements where officers of the department are actively engaged with those industry sectors. We garner their views from a variety of circumstances. I think Mr Miley is reflecting on the formal consultation processes that take place both in reviews and in preparation. But we also have active input and well understand the views of industry sectors in relation to those free trade agreements.

Senator ABETZ—Thank you very much for that. That is very helpful. I just wanted to make sure that if Industry, Innovation or any area in this portfolio wanted to have input the department would be a set of willing ears to listen to their concerns and then feed that to the all-of-government, and they would not have to go via Foreign Affairs and Trade.

Mr Paterson—That is correct. But we would also make sure that we were not the only person who heard their views. Foreign Affairs and Trade in its consultations, which are often taken in a more formal setting, would also hear the views from those industry sectors.

Senator JOYCE—What is the \$10 million you have in the budget under admin, 2009-10, Ford Australia? What is that all about?

Mr Paterson—It is not in relation to free trade agreements but we am happy to respond to it.

Mr Payne—That amount of \$20 million is money that the government has announced will be granted to Ford to redirect its work towards production of the Ford Focus in Australia.

Senator JOYCE—It is under admin. What work do you believe would be involved in that?

Mr Payne—That is money that would go to Ford and, under a deed of agreement, there would be an agreed set of performance milestones which the company would have to meet to receive those payments.

Mr Paterson—There is a distinction between departmental and administered. We get appropriated departmental resources to undertake activities where the department undertakes that activity, and where we are administering a grant, like we are in this case, it is administered resources and it is appropriated in that way. We would provide that grant to Ford.

Senator ABETZ—This might be a good introduction to the industry section. I think I have finished with the corporate section.

Senator Carr—So all of the cross-portfolio is now concluded?

Senator ABETZ—Well, from my point—

Senator Carr—We have to have some order in terms of officers' availability.

Senator ABETZ—That is why I indicated that. Having said that, I am still coming to grips with who is who in the zoo in this portfolio. But if officers are not available, so be it and I will put those questions on notice.

CHAIR—This might be an appropriate moment to check whether all of the agencies in this area are going to be required after lunch?

Senator ABETZ—Depending on my requirements elsewhere, I do have questions for ANSTO, the Australian Institute of Aboriginal and Torres Strait Islander Studies, ARC and CSIRO. Now that I have the scout question out of the way, I do not think I have any on IP.

Senator Carr—What about AIMS?

Senator ABETZ—We had indicated previously that they would not be required to come down from Townsville.

Senator Carr—Questacon?

Senator ABETZ—They should have got it a Friday or two ago—a happy birthday on their twentieth anniversary. I sent them a cheerio. Having had children who enjoyed Questacon, I say to them, 'Keep up the good work.' Was Questacon on here?

CHAIR—No, it was not. We will not require IP, but at this stage we will need the other agencies?

Senator ABETZ—That is it from me, but you had better check with the others.

CHAIR—Are there any other variations on that? No.

Senator ABETZ—Let us move on to the automotive industry. Can I ask the minister when the terms of reference were finalised for the automotive industry inquiry?

Senator Carr—They were finalised, as were all arrangements, on 12 February.

Senator ABETZ—Who was consulted in drafting the terms of reference?

Senator Carr—Sorry, on 13 February all arrangements were finalised.

Senator ABETZ—But what about the terms of reference?

Senator Carr—And we announced it on the 14th. All arrangements were finalised on the 13th and an announcement was made on the 14th.

Senator ABETZ—That is all of the arrangements. But one would imagine that some arrangements would have been finalised prior to others. For example, somebody who might want to serve on that board of inquiry might have said, 'Before I agree to it, tell me what the terms of reference are.' When were the terms of reference settled?

Senator Carr—On 13 February.

Senator ABETZ—Was there a different draft circulating on 12 February or 11 February or 10 February?

Senator Carr—There were obviously a number of drafts and discussions circulating within government.

Senator ABETZ—As I would have assumed. But what I want to know is: when was it finalised?

Senator Carr—I have indicated to you: 13 February.

Senator ABETZ—Who finalised it?

Senator Carr—I did.

Senator ABETZ—After consultation with other colleagues or personally?

Senator Carr—As is the normal practice.

Senator ABETZ—I do not know what the normal practice is. Given that this would be, I would imagine, one of the very first inquiries that you have set up, I doubt that there is a normal practice.

Senator Carr—No, it is not the first inquiry.

Senator ABETZ—Yes, but one of the first. Can you tell me what the normal practice is? Do you consult with colleagues as part of the normal practice?

Senator Carr—Yes.

Senator ABETZ—Do you take it to cabinet for their consideration?

Senator Carr—I am not going to go into the cabinet processes, which is also a normal practice.

Senator ABETZ—I am not asking you to go into the process. I want to know whether this was your personal terms of reference. Did the Prime Minister sign off on them? Did cabinet sign off on them? We are entitled to know that involvement. I do not want to know about cabinet discussion, whether they humiliated you or supported you in cabinet. I do not want to know anything about that. All I want to know is who was involved in the process of drafting the terms of reference?

Senator Carr—A number of colleagues were involved in the process and I am not going to go to the cabinet process. The Prime Minister signed off on those terms of reference.

Senator ABETZ—Whose idea was the inquiry?

Senator Carr—It was an election commitment.

Senator ABETZ—So, media reports that it was in fact an AMWU suggestion are completely wrong?

Senator Carr—I do not know what media reports you are referring to. What I can say to you is that it was an election commitment.

Senator ABETZ—The *Adelaide Advertiser* on 7 February said the ‘industry minister yesterday said an independent review called for by the Australian Manufacturing Workers Union would examine ...’—did you say that this review had been called for by the union?

Senator Carr—If you read that article in context, the *Advertiser* was saying that the AMWU had called for an inquiry. I was saying we had already had an election commitment to do that—a longstanding election commitment.

Senator ABETZ—But the AMWU had a longstanding request as well before your election commitment for such an inquiry. Did the AMWU have any input as to an initial draft of the terms of reference?

Senator Carr—No.

Senator ABETZ—Not at all?

Senator Carr—That is not my recollection at all.

Senator ABETZ—Just so we are very careful, any official of the AMWU in either a personal or official capacity?

Senator Carr—Can you repeat the question?

Senator ABETZ—It is pretty clear. You said that the AMWU did not have any involvement, to the best of your recollection. If you can give that further consideration. I then followed up by asking: did any AMWU official either in a personal or official capacity have any input into the terms of reference?

Senator Carr—It is not my recollection, but I would like to take that on notice just to make sure that I am correct in every respect.

Senator ABETZ—Did any industry representative in a private, personal or representative role have input into the terms of reference?

Senator Carr—I give the same answer. What we did state as far back as January 2006 is that we would have a broad-ranging inquiry into all aspects affecting the competitiveness of the industry.

Senator ABETZ—Can you remind me what ‘all aspects’ includes?

Senator Carr—That is what the terms of reference go to. That is why I am concerned to make sure that I give you an accurate answer. These were matters that were discussed at the Australian Labor Party’s national conference in January 2006. They referred to in that resolution, if I recall rightly, an inquiry into all aspects affecting the competitiveness of the industry. If by that you mean input into the terms of reference, it could be said that many hundreds of people had an input into the terms of reference. The fact is that in terms of the specifics of the documents that have been now published as the specific terms of reference that implement that process, those were matters that were discussed within government in the normal process of government.

Senator ABETZ—In your Adelaide speech you gave quite an impressive list, saying all aspects—export markets, capacity—to ensure we are able to expand those markets, skills, training, research, development and even the development of a green car. Did you include in all those terms of reference in your speech a consideration of the public interest?

Senator Carr—In all of those matters the public interest stands essential at the forefront of the inquiry and I put it to you, Senator Abetz, that even the Liberal Party would have a notion that the maintenance of the manufacturing industry in this country is very much in the public

interest. Clearly we have indicated throughout the period we were in opposition that we would have an election commitment to this matter, and we are implementing that decision.

Senator ABETZ—Did your speech, where you detailed what I have described as an impressive list, include the consideration of the public interest? The speech either did or it did not.

Senator Carr—You have a very narrow view of the meaning of those words. The impact of climate change, changing consumer preferences, exchange rates, all of the matters affecting the competitiveness of the industry go to the issues of public interest. Specifically, the review would look at measures to boost innovation in the auto sector. It will move to questions to ensure the suitability of skilled people.

Senator ABETZ—We do not want to hear the speech.

Senator Carr—The impact of climate change, facilitating leadership amongst Australian automotive producers and components suppliers in developing and adapting fuel efficient technologies—these are all matters of immense public interest.

Senator ABETZ—The *Hansard* record will speak for itself in that regard. Can we move on? What about labour costs? Was that a specific matter?

Senator Carr—All aspects affecting competitiveness of the industry are at the core of these terms of reference. The review will bear in mind specifically the economic effect and of course in terms of Australia's performance the effects on consumers, which I understand has been the subject of some commentary in the media. People appear not to have read the actual terms of reference.

Senator ABETZ—Do not worry about the media and other things.

Senator Carr—You seem to be relying pretty heavily on it.

Senator ABETZ—No, these are very simple, short questions. Were labour costs included in your speech where you listed a whole lot of things that the inquiry would include?

Senator Carr—I have nothing further to add to my answer.

Senator ABETZ—So, we cannot ask further questions about what was included in that speech?

CHAIR—I do not think that is what the minister said. Do you have more questions about the speech?

Senator ABETZ—Yes, absolutely. Were labour costs referred to as a special item such as skills, training and the other impressive list that I have referred to?

Senator Carr—We have made it clear that all aspects affecting the competitiveness of the industry are covered by this inquiry, including measures to ensure the suitability of skilled people are available, and fair work practices are guaranteed; quite clearly, the issues relating to the price of labour and the conditions under which labour is employed are part of this inquiry.

Senator ABETZ—Who decided on the appointees to this board of inquiry? What do I refer to it as? A board?

Senator Carr—It is a review, the industry review.

Senator ABETZ—The people that sit on it, are they a committee or a review panel?

Senator Carr—A review panel.

Senator ABETZ—Who decided on the appointments to the review panel?

Senator Carr—Ultimately the decisions are mine.

Senator ABETZ—Did you, like the terms of reference, bounce them through the Prime Minister's office?

Senator Carr—I have already indicated that the terms of reference were signed off by the Prime Minister.

Senator ABETZ—My question was: like the terms of reference, were the review panel signed off or passed through the Prime Minister's office? We know about the terms of reference. We now want to know about the review panel?

Senator Carr—Both the panel membership and the terms of reference were signed off by the Prime Minister.

Senator ABETZ—How were they chosen? Or why were they chosen?

Senator Carr—They were chosen to undertake a job of work to review the panel on the basis of pre-eminent expertise.

Senator ABETZ—When were they offered their positions?

Senator Carr—There was a process where under normal arrangements people were approached whether or not their name should go forward for consideration, and that process began in December.

Senator ABETZ—When did you have agreement from Mr Bracks that he was willing to serve on this panel?

Senator Carr—I had agreement from Mr Bracks that he was prepared to have his name go forward, accept the nomination, in December.

Senator ABETZ—In December? Mr Bracks knew of his appointment prior to 14 February?

Senator Carr—Sorry?

Senator ABETZ—Mr Bracks knew of his appointment prior to 14 February?

Senator Carr—The appointments were not finalised until 14 February. He knew that his name had been put forward.

Senator ABETZ—Sorry, until when?

Senator Carr—The 14th, the date that I gave you before. The 13th.

Senator ABETZ—Be very careful, yes, the 13th.

Senator Carr—The announcement was made on the 14th.

Senator ABETZ—I know that.

Senator Carr—The arrangements were not finalised until the night before and that's the process by which I have already explained—

Senator ABETZ—Do you recall being asked a question about that in the Senate?

Senator Carr—Yes, I was, and do you recall the answer? That the announcements were imminent.

Senator ABETZ—That I was incorrect. And surprise, surprise, Mr Bracks is appointed as chair of the panel. I suggest to you that you knew that he was willing to serve and was going to serve on that when you asserted that I was incorrect in the Senate.

Senator Carr—I said that you were incorrect on the moneys issue. I said I was about to make an announcement in regard to the personnel and operations of the panel.

Senator ABETZ—No, you in fact used the word 'incorrect', but the *Hansard* will show that. Does Mr Bracks have specific expertise to undertake this task? Is he committed to the Australian car industry? What was the rationale for his appointment?

Senator Carr—Mr Bracks has pre-eminent expertise in this field. As I have indicated to you before, we are very fortunate to have him serve on this committee.

Senator JOYCE—He is committed to the Australian car industry.

Senator Carr—I trust everybody—and I hope the opposition—is committed to the Australian car industry. I would ask the shadow minister: are you committed to the Australian car industry? Or are you committed to reducing wages to the very lowest they could be?

Senator ABETZ—Come on!

CHAIR—Yes, Minister, I think that is inappropriate. You are the one being asked the questions here. I will ask Senator Abetz to continue.

Senator Carr—I accept your ruling.

Senator ABETZ—Was any concern expressed in the Prime Minister's office at Mr Bracks's appointment—that he had been involved in this area in a ministerial capacity and had not been out of politics for a period of 18 months? Of course you know that I am referring to the standard of ministerial ethics, which Mr Rudd is flaunting around the place as an indication of what a decent a man he is. I am just wanting to know whether there was any concern expressed that here was a man making public submissions in a capacity of Premier involving in the car industry, and he leaves politics and goes straight into a government job—without an 18-month period of grace.

Senator Carr—There were no concerns expressed to me from the Prime Minister's office.

Senator ABETZ—Did your media people brief the media prior to the official announcement?

Senator Carr—I briefed the media prior to the official announcement after the formal decisions were made.

Senator ABETZ—At what time did you brief the media?

Senator Carr—On the evening of the announcement.

Senator ABETZ—What time, can you remember what time?

Senator Carr—In the evening.

Senator ABETZ—So, at 2 o'clock, 10 past 2, on that day you were still able to honestly assert that I was incorrect in floating Mr Bracks's name, but in time for the *Financial Review* and another paper to be printed in the morning stating that Mr Bracks was going to be appointed?

Senator Carr—I have nothing further to add to my answer.

CHAIR—What are you asserting here? Is this something the committee—

Senator ABETZ—We are getting a time line. The minister says they made the decision in the evening of the 13th. It appeared in the early morning papers the very next morning; the minister admitted that he briefed the media on the 13th in the early evening. A few hours earlier I asked him to confirm this and I got the answer 'incorrect'. Can I ask—

Senator Carr—I suggest you read the *Hansard*.

Senator ABETZ—I have a copy of it with me.

Senator Carr—I suggest you read it.

Senator ABETZ—Who else was proposed for the chair of the review panel?

Senator Carr—I cannot go any further than I already have in regard to the processes.

Senator ABETZ—Excuse me? Were any other people put forward as chair of the review panel? It is either yes or no.

Senator Carr—I am sorry, I am not prepared to go any further than I already have in terms of the processes for the selection—

Senator JOYCE—How many other people were considered?

Senator ABETZ—That is just contemptuous.

CHAIR—Senator Abetz has the call. Are there any other questions?

Senator ABETZ—Yes, absolutely. These people were hand-picked by you for this job?

Senator Carr—I take responsibility for the selection.

Senator ABETZ—That avoids the question as to whether you hand-picked them or whether you sought advice from the department as to a whole host of people that might be qualified to undertake this inquiry? Or did you consult with colleagues and others so that you had, let us say, a list of 40 names in front of you that you could then pick and choose from or did you just go out and say, 'Look, I want you, you and you,' and make however many phone calls to fill up the panel?

Senator Carr—There was a process of discussion within the government and the selections were finalised on 13 February, as I have previously indicated.

Senator JOYCE—How many people were considered?

CHAIR—Do you wish to add to your reply?

Senator Carr—There was an additional number higher than those that were finally announced.

Senator EGGLESTON—Why are you secretive about it?

Senator Carr—Just because I am not going to go to the process of the decision making within government.

Senator EGGLESTON—I wonder who they were.

Senator ABETZ—I am not asking even the name of any other candidate or why you thought one candidate might be better or worse than the other. It is a very simple question: did you give consideration to a number of names for the chairmanship or was it, ‘He’s a Labor mate; we will give it to him and we won’t consider anybody else’?

Senator Carr—I have already answered the question.

Senator ABETZ—No, you have not.

CHAIR—I think the minister has given a response and does not wish to add to it—

Senator ABETZ—I think that is very good language, Chair, if I might say, ‘He has given a response,’ but it was not responsive, and it doesn’t answer the question—

CHAIR—Do you have any further questions?

Senator ABETZ—Of course, and you know that I do. At what time in the evening did you tell the *Financial Review* of Mr Bracks’s appointment?

Senator Carr—I briefed the *Financial Review* in the evening—

Senator ABETZ—What time?

Senator Carr—The 13th. I cannot recall precisely what the time of day was that I had the conversation.

Senator ABETZ—I am not asking you the exact second or nano second of the evening, but I would have thought you could say early evening or late evening? When do you understand evening to start? After six o’clock?

Senator Carr—I do not think I can take this any further, Senator.

Senator ABETZ—You can, because I would suggest to you that you may well have misled the Senate during question time and that is why it is imperative—

CHAIR—I do not believe this is the forum to discuss misleading the Senate—

Senator ABETZ—That is what estimates are all about.

CHAIR—No. If you are to accuse another member of parliament of misleading the Senate—

Senator ABETZ—I am not. I am not.

CHAIR—then this is not the forum.

Senator ABETZ—I am saying he may have and this is the forum where he can exculpate himself and say, ‘Senator Abetz is wrong,’ because this is what the timeline is. I want to ask:

was there any communication between Mr Bracks and yourself between 2 pm on 13 February and your discussion with the *Financial Review* a few hours later?

Senator Carr—What do you mean by communication?

Senator ABETZ—Did you talk to him? Did you telephone him? Did you email him? Did you have communication with him? It is not a difficult question.

Senator Carr—I did speak to Mr Bracks on the evening of the 13th to confirm that he was available.

Senator ABETZ—Before or after you spoke to the *Financial Review*?

Senator Carr—To finalise the decision I had to be certain that people were available.

Senator ABETZ—Did you ring other people that same evening for the same purpose?

Senator Carr—My understanding is that my office would have contacted other members of the panel to confirm their availability.

Senator ABETZ—Did they or did they not?

Senator Carr—I did not hear every phone call that came into my office or went out of my office. My understanding is that other members of the panel were contacted to confirm their availability.

Senator ABETZ—On the strength of that you then made the announcement on the 14th?

Senator Carr—To finalise the decision.

Senator ABETZ—Were any documents or was any advice sent to Mr Bracks as to what his remuneration might be, the terms or how long he might have to serve on this review panel?

Senator Carr—The letter to Mr Bracks was sent after the formal announcement.

Senator ABETZ—Were any letters sent to him prior to the formal announcement?

Senator Carr—No.

Senator ABETZ—Were any emails sent to him prior to the formal announcement?

Senator Carr—I have to check that. I am not aware of any.

Senator ABETZ—Or indeed any facsimile transmissions? Take it on notice.

Senator Carr—Yes, I will take it on notice. Can I say this to you? I think—

Senator ABETZ—Wait a minute. Is this in answer to a question?

Senator Carr—I am trying to assist you here. You have sought to impugn Mr Bracks's character by suggesting—

Senator ABETZ—No, I have not.

Senator Carr—that the issue of remuneration was a matter of concern to him or that we discussed those questions—

Senator ABETZ—No.

Senator Carr—The point is Mr Bracks will be paid under the normal Remuneration Tribunal arrangements. And he has never shown any interest in the remuneration issue.

Senator ABETZ—This is non-responsive to the question. This is non-responsive and it is wasting the time of the estimates. Was there a letter—sorry, we know there was not a letter. Was there a facsimile or email transmission to him indicating to him the terms under which he might be engaged prior to 13 February?

Senator Carr—I will check, but I do not believe there was.

Senator ABETZ—Was it communicated to him verbally as to what the terms and conditions might be and the length of service that might be required?

Senator Carr—Yes. Other than—

Senator ABETZ—By whom?

Senator Carr—Other than the first conversation that I had with Mr Bracks which was to the effect that these are matters to be sorted out with the department and the normal Rem arrangements would apply. I would expect that there would need to have a response to government by the middle of the year, which is in the terms of reference, 31 July.

Senator ABETZ—And you did that before 13 February?

Senator Carr—Yes.

Senator ABETZ—And Mr Bracks agreed to serve before 13 February?

Senator Carr—But he was available to have his name put forward as part of this process.

Senator JOYCE—Did you inform anybody else that their name was being put forward and they were a likely candidate for this position?

Senator Carr—There were a number of discussions with people about participation in this review.

Senator JOYCE—Did you ever—

Senator Carr—I do not want to go any further than that other than to say that a number of people were discussed.

Senator JOYCE—I know you do not, but did you ring them up and ever inform them that they were unsuccessful in the process?

Senator ABETZ—I think the non response speaks for itself. The *Financial Review* carried this story on the 14th, not tucked away, but on its front page.

Senator Carr—Is there something significant about that detail? You are raising your eyebrows—

Senator ABETZ—Yes. You usually do not get the front page—

Senator Carr—Is there some crime associated with that that I am not aware of?

Senator ABETZ—Chair, is this allowed?

Senator Carr—I am just wondering where we are going to go with this?

Senator ABETZ—If you want to chip me as you continually do, Chair, that is fine, but then it is two-way traffic.

CHAIR—Okay. Ask your question.

Senator ABETZ—Yes, I do have a question. Would you agree with me that it would be very difficult to get a front page story on the *Australian Financial Review* unless that story was delivered by 7 pm?

CHAIR—I think that is a question for the *Financial Review*, Senator.

Senator ABETZ—With a plethora of media advisers, I am sure he was well informed as to when he had to tell them by—

CHAIR—I do not think it is relevant for the minister to answer that.

Senator ABETZ—Was the minister advised that if he wanted the front page of the *Australian Financial Review* he would have to tell Lenore Taylor or Tracey Sutherland by a particular time?

Senator Carr—No.

Senator ABETZ—No? When was the decision made to appoint Mr Bracks? You are saying between question time and you talking to the *Financial Review*?

Senator Carr—I have indicated to you that the matter was finalised on the evening of the 13th.

Senator JOYCE—I imagine that is the time you told the other candidates they were not going to be successful?

CHAIR—Is that a question?

Senator JOYCE—It is a question. Is it?

CHAIR—I am asking you, Senator Joyce, are you asking a question?

Senator JOYCE—Yes, I am asking a question. Did you also inform other candidates at that point in time that they were unsuccessful?

Senator Carr—No, I did not.

Senator JOYCE—Were there any other candidates that you could have informed?

Senator Carr—I already indicated to you that the process was one we conducted within government. The review was not finalised until 13 February.

Senator ABETZ—Is Mr Bracks going to forgo his state pension or do this for free? Do we know? What is the deal?

Senator Carr—Your hostility to Mr Bracks surprises me.

Senator ABETZ—It is not hostility. It is a question. The answer is yes or no.

CHAIR—As to the first part of the question, the minister is not competent to answer about Mr Bracks's financial arrangements—

Senator ABETZ—I do not think we want to go there—

CHAIR—Can you rephrase the question, please, if you want to ask it?

Senator ABETZ—In these discussions with Mr Bracks, Mr Bracks may well have said, ‘I will take less of a state pension during this time or I will forgo the stipend that I might get courtesy of the Remuneration Tribunal.’

Senator Carr—I did not discuss the financial arrangements—

Senator ABETZ—Thank you. That is all I need to know. We can move on.

Senator Carr—other than I have already indicated in my answers previously. The question of finances is not a matter that looms large in Mr Bracks’s mind. He is about trying to serve this country. It is a great disappointment to me that the opposition has such hostility, not only to the automotive industry but to Mr Bracks personally.

Senator JOYCE—A point of order. There has been no assertion made about Mr Bracks’s character in any way, shape or form. This is not about Mr Bracks.

CHAIR—I would ask Senator Abetz to continue if he has any further questions.

Senator ABETZ—Chair, it would be helpful if you could also ask Senator Carr to desist from those sort of quite ridiculous comments. Senator Carr, why didn’t you appoint the Productivity Commission to undertake this inquiry?

Senator Carr—I think we have dealt with this. The Productivity Commission will be involved in this review and will be providing advice to the review?

Senator ABETZ—Are you going to value their advice?

Senator Carr—That is a nonsensical question.

Senator ABETZ—Has the Productivity Commission been asked to give information or evidence or input to this review panel?

Senator Carr—Yes.

Senator ABETZ—It has. Why?

Senator Carr—Because the Productivity Commission has an important role to provide advice to the Australian government, as do a number of other agencies and as do a number of other organisations in this country. Their advice will all be taken into account.

Senator ABETZ—Don’t they just operate under a grandiose theory, to quote somebody, and don’t they may tick and flick?

Senator Carr—That particular reference that you are making there should be read, once again, in context. If you actually get the transcript of the radio interview, I was talking about the previous government’s approach to the automotive industry and the previous government’s approach to an inquiry into tariff issues. The previous government had stated that there would effectively be an internal arrangement, a tick and flick inquiry, and I have said that in terms of the automotive industry the issues and challenges facing this industry are so important that we have got to have a high level review of the whole industry. The grandiose theory that we worked on was the presumptions that the previous government had that this industry could just wither away, and that 60,000 Australian jobs could be lost without so much as a whimper from the previous government.

Senator ABETZ—This, once again, is not responsive. You might like to talk to Paul Kelly from the *Australian* about your interpretation on that, but that is fine. Is it true that Mr Nixon Apple, who is one of your hand-picked appointees, has described the Productivity Commission as ‘a wolf in sheep’s clothing’? So he will be taking the Productivity Commission views very seriously.

Senator Carr—What we said is that the government will separately request the Productivity Commission to undertake modelling of the economy-wide effects of future assistance options.

Senator ABETZ—I know that.

Senator Carr—The commission’s modelling will be released publicly to inform the panel’s examination of the industry public debate and the government’s deliberation in this area.

Senator ABETZ—Did Mr Apple say that the Productivity Commission was a wolf in sheep’s clothing?

Senator Carr—I have got no idea what he said.

Senator ABETZ—You do not know? So, you were not made aware of that prior to his appointment?

Senator Carr—I have seen that remark since the announcement of his—

Senator ABETZ—You were not aware of those comments previously made?

Senator Carr—A range of views have been expressed on the Productivity Commission over a great length of time.

Senator ABETZ—No, by Mr Apple, your hand-picked candidate. That is all we are interested in, not everybody else. Are they going to have public hearings?

Senator Carr—That is a matter for the inquiry. My intention and what I have argued is that we should encourage the widest possible public debate, that these issues are very, very important to the future of Australian manufacturing and that these issues are incredibly important not just to the economy but to Australian society. The substantive issues affecting the future of this industry ought to be matters of widespread public debate; that the issues concerned are contestable and ought to be open to public inquiry and debate. There will be a preliminary report to government which—

Senator ABETZ—Chair, with great respect, the question was: are there going to be public hearings; either yes, no, or I do not know.

CHAIR—I believe the minister is finishing off his answer.

Senator ABETZ—None of it has been responsive to a very short question—

CHAIR—The minister has not yet answered the question—

Senator ABETZ—I know he has not.

CHAIR—finished his answer to the question.

Senator ABETZ—I know he has not. ‘Yes’, ‘no’ or ‘I don’t know’?

Senator Carr—What has already been indicated is that there will be public submissions and that the final report will be made public.

Senator ABETZ—Will there be public hearings: yes, no or I don't know?

Senator Carr—It is a matter for the inquiry.

Senator ABETZ—So you do not know. Will you be urging them to hold public hearings?

Senator Carr—I am confident that the inquiry will be well run; it will ensure widespread public debate and we can be confident that its recommendations will be very thorough, very considered and in the best interests of not only the Australian public but also the Australian economy and the Australian society.

Senator ABETZ—Will you be encouraging the review panel to hold public hearings?

Senator Carr—I have already stated my position.

Senator ABETZ—You have not.

CHAIR—The minister has given an answer. He has qualified the answer. I am sorry, but you cannot write the answers for him. He has given a qualified answer. Do you have any other questions?

Senator ABETZ—It was completely non-responsive. Will he be asking—

CHAIR—He has given a response.

Senator ABETZ—Will the minister be asking the review panel to hold public hearings?

CHAIR—There is a point of order.

Senator BUSHBY—At the beginning of the proceedings today you indicated that witnesses do not have a discretion as to whether they answer or not. A direct question of the type that Senator Abetz has just asked I would have thought requires either a yes or a no answer. It is asking: what is your intention? Will you do—

CHAIR—We understand you are new but the requirement to answer a question—

Senator ABETZ—That gets you into trouble.

CHAIR—does not require—

Senator BUSHBY—It needs to be responsive—

CHAIR—that the witness responds to a yes-no request. The minister answered the question. He answered it in a way—

Senator BUSHBY—It was completely non-responsive and irrelevant.

CHAIR—I am not responsible for the nature of the response—

Senator ABETZ—But the relevancy of it—

CHAIR—The minister answered the question of the senator. I do not take your point of order.

Senator ABETZ—Does the minister think it desirable for the review panel to hold public hearings?

Senator Carr—What I have said to you is that there will be—

Senator ABETZ—I know what you have said. I want an answer.

Senator Carr—Let me try to answer your question as best I can—

Senator ABETZ—That would be a great start. It would be a first.

Senator Carr—What has been announced is that there will be an issues paper—

Senator ABETZ—We know that.

CHAIR—Could you—

Senator ABETZ—This is just time wasting.

CHAIR—No. Senator Abetz, you have asked the question. The minister has spoken two words in response. Can you allow him to finish, please?

Senator Carr—I have also indicated to the committee that public submissions will be sought and that there will be a widespread public debate around these issues. The matter for the conducting of the inquiry is down to the review and the panel. I look forward to discussing these things in the future at the next round of estimates, but it really is up to them to run the review.

Senator ABETZ—You have no view as to whether there should or should not be public hearings and you will leave it solely to the discretion of former Premier Bracks and his panel.

Senator Carr—I am encouraging the widest possible public debate on these questions.

Senator ABETZ—That is different to a public hearing. We are not going to get an answer on that. That is fine. Has he had any reservations expressed to him that with the appointment of Mr Apple there may be a reluctance on the part of certain elements of industry to provide commercial-in-confidence material to the panel?

Senator Carr—That is not a view that has been put to me.

Senator ABETZ—That has not been put to you. All right.

Senator Carr—Mr Apple has an extensive involvement in industry at the highest level in terms of dealing with commercially sensitive material, in the finance sector as well. I can see no reason why your claims could have any basis in fact.

Senator ABETZ—When did you communicate with the Prime Minister your intention to appoint Mr Bracks as chair?

Senator Carr—I do not intend to go back over the processes of government in this way. These are matters that I have canvassed with you already. I do not think I have anything further to add.

Senator ABETZ—You are not prepared to tell the committee when you discussed the appointment of Mr Bracks with the Prime Minister?

Senator Carr—I have indicated my answer.

Senator ABETZ—But you are not prepared to do so? I think the time frame may well embarrass you. You have seen the article by Mr Paul Kerin in the *Australian* of 19 February expressing real concerns about the review, that it breaks all the rules, and about having a

proper, independent inquiry? Are you aware of a number of criticisms made in the *Financial Review* editorial in a whole host of articles? Are you concerned about the way you have handled this inquiry? I do not want you to comment on them. Are you aware of the criticisms?

Senator Carr—I am aware that the IPA, which has long been associated with your side of politics, has a different view about the priorities of the current government.

Senator ABETZ—Once again, one of the people, Paul Kerin, starts off his article: ‘I voted for Kevin Rudd.’ He is hardly a person from the IPA. I did not want to get—

Senator Carr—Is there not an IPA identification on the bottom of that article?

Senator ABETZ—I did not want to go into all the details of these various articles but, in fact, he is Professorial Fellow, Strategy, at Melbourne Business School. I do not want to go into all that. He is aware of the criticisms. I want to know: has he learned or taken anything from that criticism in relation to the plethora of other inquiries that he is about to appoint?

Senator Carr—I think that the substantive question that you have raised today goes to the issue of public interest. What I have learnt from your questions is that you have obviously failed to appreciate that this was an election commitment that we made to establish this committee and that it was in the public interest—

Senator ABETZ—And the unions.

Senator Carr—As the Prime Minister has indicated on many occasions, he is concerned to be a Prime Minister in a country that actually makes things. Of course, the third aspect that we draw your attention to in terms of the industry is about the revitalisation of the industry, particularly through innovation. Those of you that argue for the destruction of Australian manufacturing are entitled to show—

Senator ABETZ—This is non-responsive—

Senator Carr—are obliged to show—

Senator ABETZ—Point of order, Chair.

CHAIR—What is your point of order?

Senator ABETZ—You know very well what the point of order is. This is completely and utterly irrelevant. This is being read out of a socialist manifesto of Cuba or somewhere. We should not have to be subjected to this diatribe from the minister in response to a very specific question which was: are you aware of the criticisms and, if so, have you taken anything from those criticisms for future inquiries? And the answer may well be, ‘I reject the criticisms,’ and, ‘No.’ If that is the answer we can move on.

Senator WEBBER—Chair, just on the point of order. Whilst I accept a lot of what the shadow minister has to say, I would also say the conduct of this hearing—

Senator ABETZ—You are losing me now.

Senator WEBBER—is not helped by the shadow minister referring to other members of the panel as ‘union hack’. I think we could all behave a lot better in this place.

CHAIR—You have a point of order, Senator Joyce?

Senator ABETZ—I can understand your concern.

CHAIR—Is this a point of clarification?

Senator JOYCE—Yes. My point of order goes to relevance: we are looking at the sincerity, proficiency and propriety of this inquiry and I want the minister, if possible, to give articulate and distinct answers rather than rambling dissertations because it is chewing up our time.

CHAIR—I have sat on a number of committee meetings and the answers have not always been brief. I think, actually, that the minister had not spent an inordinate length of time on that answer. I will ask the minister to finish.

Senator Carr—Thank you very much. This inquiry is designed to address the fundamental challenges facing the automotive industry—an industry which I have indicated on numerous occasions, as has the government, is of vital significance not only to Australian manufacturing but also to the Australian economy and Australian society. We make no apology whatsoever for ensuring that these challenges are dealt with squarely, thoroughly and that we have a policy setting that positions this industry on a sustainable basis into the future. I make no apology for that whatsoever. If there are opposition senators here that believe this industry should go to the wall then they should declare that.

Senator ABETZ—Can we move on?

CHAIR—I think Senator Abetz's suggestion of moving on is the correct one, but I would ask people not to use inflammatory language.

Senator ABETZ—The timing of this announcement just happened to be around the time of the announcement of the Mitsubishi closure. When did the minister know that the closure would occur?

Senator Carr—What I can say to you is this: the industry was alive with concerns about the future of Mitsubishi and it has been for some time. That process—

Senator ABETZ—All right. Can I re-phrase my question?

CHAIR—No, no—

Senator ABETZ—To assist him, can I withdraw the question? Can I withdraw the question so he does not have to answer it and rephrase it on the basis of rather than when did he know, when was he contacted by Mitsubishi to advise him of the imminent closure?

Senator Carr—The day before its formal announcement.

Senator ABETZ—Did you have any prior discussions with Mitsubishi about its future?

Senator Carr—Yes.

Senator ABETZ—Was it indicated to you prior that this was a real, live agenda topic?

Senator Carr—As I was trying to explain before, Madam Chair, the industry has been alive with concern about the future of Mitsubishi for some time. Upon coming to office I sought to have a meeting with Mitsubishi to discuss their future operations. I was very concerned about what I was hearing. They were not in a position to tell me precisely and were not able to confirm market intelligence, but certainly no decision had been made. No decision had been made by the company but they did indicate to me that they were moving into a

process of discussion about the final phase of their restructuring plans and that we could expect those deliberations to be brought to a head around about the time that the announcement was formally made.

Senator ABETZ—It was subject to a board decision in Tokyo, wasn't it? But they had indicated to you what they anticipated that might be, given the information that had gone from Australian to Tokyo?

Senator Carr—I am not going to go into private meetings or discussions that I have had with any firm. I have enjoyed a good relationship with senior management of Mitsubishi for some time and it has been on the basis that you could keep conversations confidential. In terms of their dealings with the Commonwealth and with the new Labor government, I think they have behaved very properly.

Senator ABETZ—Did you make them any offers to encourage them not to close?

Senator Carr—I have made public statements on this issue on numerous occasions. I have spoken not only to local management but to the global management of Mitsubishi and asked them on a number of occasions were there any actions that could be taken to encourage them to look at these issues in a more favourable light and the answer on the number of occasions that I put this proposition was that there was nothing.

Senator ABETZ—It is not just as easy as going to Tokyo and thumping the boardroom table, is it?

Senator Carr—Again, you are taking remarks out of context, if I trust that you are seeking to quote some remarks that I have made in the past—

Senator ABETZ—You are very sensitive but also very right—

Senator Carr—I am sorry if they are sensitive but right. But what I have indicated, in fact there were remarks made by former Senator Button in similar terms. The fact remains that in regard to Mitsubishi decisions were made and taken at a global level; there were decisions taken locally and they pre-date this government in terms of the consequences of those decisions now being felt by the workers of Mitsubishi.

Senator ABETZ—There was no magic wand, was there, in relation to Mitsubishi to keep them open?

Senator Carr—I do believe I made similar comments on numerous occasions that in terms of the revitalisation of the Australian automotive industry serious policy work is required. My concern is that the previous government had been asleep at the wheel. They left this industry on automatic pilot—

Senator ABETZ—Hello. Talk about asleep at the wheel. Can I invite you to intervene when we get these interesting and undoubtedly enjoyable sidetracks—

CHAIR—Thank you, but I think if we get along with the questioning we might—

Senator ABETZ—I want to. When the *Australian Financial Review* says that Senator Carr practically begged to give them even more aid, that was a bit of, what, poetic licence, was it, a bit of an exaggeration but you did ask whether there was anything you could do.

Senator Carr—I have been called many things but not a beggar.

Senator ABETZ—It was the other way around, that you were wanting to give things. Did a meeting of the strategic budget committee of cabinet, which the Prime Minister chaired, discuss the termination of the Howard government's assistance package of \$52.5 million to Ford Australia?

Senator Carr—I am not in a position to discuss cabinet processes.

Senator ABETZ—You are not going to comment on that at all?

Senator Carr—I have given an answer.

Senator ABETZ—Did a meeting of the strategic budget committee take place in recent times? There must be a number of those committees happening from time to time.

Senator Carr—The same answer applies; I am not going to discuss the meeting schedule or agenda of the cabinet or any of its committees.

Senator ABETZ—What can you tell us about the \$52.5 million assistance package to Ford? Is the government going to honour that?

Senator Carr—I have already said that we are.

Senator ABETZ—You are going to honour that?

Senator Carr—It is on the public record.

Senator ABETZ—In full?

Senator Carr—That is what I have said.

Senator ABETZ—What about the assistance to GMH, the Holden grant, is that all going to be honoured and maintained?

Senator Carr—Can I just indicate that the secretary would like to add some comments in that regard?

Mr Paterson—Just to clarify, the \$52.5 million to Ford was in two tranches; \$32.5 million has already been expended, as I recall it, and the additional \$20 million is reflected in these PAES documents, and Senator Joyce raised the issue in relation to that issue earlier in these proceedings. The full commitment is honoured and the last tranche of that is reflected in these PAES documents.

Senator ABETZ—The commitments to both Ford and Holden remain?

Senator MILNE—I want to touch on those grants to Holden and Ford. What discussions did you have about that? What discussions have you had in the department about whether those subsidies ought to be couched in terms of realistic projections of the type of motor vehicles people are likely to buy in a carbon constrained world and was there any discussion of linking those subsidies to the manufacture of fuel efficient vehicles? If so, when did those discussions occur with either of those companies?

Senator Carr—It will not be my practice to canvass confidential discussions with major companies. I can say this to you in general terms, that the two grants that you are referring to were contractual arrangements that the Commonwealth had entered into prior to the election. This government honours contracts and will be honouring the contract.

Senator MILNE—That might well be the case but I am asking when those contracts were entered into, since this is the estimates for that past period, was there any discussion about tying those contracts to fuel efficient design and smaller vehicles in view of the forward projections right around the world on the consumer interest in smaller vehicles?

Senator Carr—In general terms I can say this to you, that these were contracts entered into by the previous government—

Senator MILNE—I know.

Senator Carr—and I am not entitled to be briefed in terms of the cabinet processes that lead to those decisions. What we can say, and I think it would be reasonable to conclude that given that the money for Ford is to assemble the Focus, that there will be a smaller car produced as a result of those arrangements. This was money that was primarily allocated, as I understand it, for the Ford Falcon long six and a left-hand drive vehicle. The money has been reallocated under the contractual arrangements of the previous government.

Mr Paterson—On the point that I made, I said that the remaining \$20 million was reflected in these PAES. It is only \$10 million in these PAES because there is \$10 million in 2011-12 which is not reflected in the out years, so I apologise. It was \$32.5 million in 2005-06, \$10 million in 2009-10, which is in this PAES document, and then there is another \$10 million in 2011-12 which is part of that earlier commitment but it does not fit—

Senator ABETZ—And that was always part of the arrangement?

Mr Paterson—Yes.

Senator ABETZ—I did have a list of questions about as to how the textile tariff review was going to be set up but I understand that that may have been announced by now and we have got a Mr Roy Green chairing that. Can you just confirm to me that this Mr Green is in fact a former Labor government adviser?

Senator Carr—We have not announced the textile review.

Senator ABETZ—Sorry?

Senator Carr—We have not announced it.

Senator ABETZ—You have not announced a textile review as yet?

Senator Carr—No.

Senator ABETZ—When are you going to announce that?

Senator Carr—Shortly.

Senator ABETZ—Who is going to be chairing it?

Senator Carr—The matter has yet to be finalised. I think you should wait for the announcement and I am sure you will with baited breath.

Senator ABETZ—Can we expect tomorrow morning an announcement to take place with Roy Green's name in there, or not?

CHAIR—I think the minister has answered the question.

Senator ABETZ—Will you be asking the Productivity Commission to undertake this inquiry?

Senator Carr—We have indicated our approach to this matter and I will be making an announcement regarding personnel and terms of reference shortly.

Senator ABETZ—So it will be treated in the same manner as the automotive industry inquiry?

Senator Carr—I have already indicated my answer.

Senator ABETZ—That does not give us much hope, does it? Moving on to the green car, when will money be allocated for this green car proposal?

Senator Carr—It has been announced on numerous occasions that funding flows from 2011 and the review processes that are underway will provide the foundation for us in terms of program design. I am sure you would be aware of this, the nature of the industry is that there are quite long lead times for the development of new models and there is a requirement also for quite long periods to recoup investments. So there will be a need to consult with industry to ensure that monies are put to best effect. Our intention is to change the profile of the Australian industry as quickly as we are able.

CHAIR—Just in the couple of minutes before we break for lunch, I have questions from Senator Joyce.

Senator JOYCE—Just on this green car, you are aware that Australia already produces cars that have the capacity to use ethanol? Are you aware of that?

Senator Carr—I am.

Senator JOYCE—And with the concept of a green car, with the technology that we already have and we already export, it would make sense that we would probably become a little bit more proficient in domestically using those cars; would that be a fair outcome?

Senator Carr—The model that we have publicly discussed is that we are not being prescriptive about the forms of technology to be used in any future industry development. We want to talk to the industry and we want to make this on a co-investment basis to build a \$500 million fund into a \$2 billion fund, so if there are producers who want to talk to the government about any particular form of technology then there will be an opportunity to do so.

Senator JOYCE—Your engagement will have to be wide ranging and beyond just the motor vehicle industry if we want to have a green car that gets out there that has the capacity to be fuelled up. Are you going to also engage the fuel companies on their role of how we go forward in regards to launching a new green car?

Senator Carr—This is all very premature because these are questions that we will be considering. Also I suggest that these are matters that should also be directed to the officers of the Department of Resources, Energy and Tourism.

CHAIR—Being 12.30 pm, we will briefly adjourn for the lunch break.

Mr Paterson—I need to clarify two issues. There were some issues raised—I am not sure whether it was Senator Abetz or Senator Milne—in relation to the allocation of a particular clean energy project—

Senator ABETZ—I think it might have been me. I am really offended that you could be confused as to whether it was Senator Milne or myself—

CHAIR—Two Tasmanians—

Senator ABETZ—on a number of fronts.

Mr Paterson—I apologise for any offence that you may have drawn from that observation. I think I indicated that it was the responsibility of the Resources, Energy and Tourism portfolio and I think it is actually the responsibility of the Environment portfolio and they do not come here this afternoon. I apologise for that. And I was also asked a question at the outset in relation to the number of departmental staff with salaries in excess of \$127,000. On current payroll numbers I think the answer to that question is 58.

CHAIR—It being 12.30 we will briefly adjourn for lunch and resume at 1.30 pm.

Proceedings suspended from 12.31 pm to 1.32 pm

CHAIR—The committee will resume now. I understand that there may be some general questions for the Australian Research Council but not something for the agency in particular. As I understand it, if Mr Paterson can answer some general questions about the ARC then we would be able to let them go as an agency.

Senator ABETZ—It is just the administrative arrangements that are in place.

Mr Paterson—We will see if we can answer the questions without them being here. If not—

Senator ABETZ—Yes.

CHAIR—So we might deal with that—

Senator ABETZ—In fairness to them, let them go. If we stumble, then I will put them on notice.

Mr Paterson—All right.

Senator ABETZ—I think that is the way to handle it.

CHAIR—Do any of the other committee members have any difficulty with that? Any questions for ARC? No. That is what we will do, then.

Mr Paterson—Chair, there are couple of questions that I took on notice before the break. Senator Abetz asked us some questions in relation to departmentally prepared media releases and speeches. I think you sought detail of the numbers. During the term there have been 31 draft media releases provided and 13 speeches or talking points prepared in conjunction with briefs that have gone forward. Some detail was also sought in relation to overseas travel which I indicated we had booked or were in the process of booking. There is a trip planned for the minister where preliminary arrangements have been made but I do not propose to go on the record to indicate the detail.

Senator ABETZ—No, I did not seek the detail. I just wanted the nature. Thank you for that detail.

CHAIR—We will continue on Outcomes 1 and 2. Senator Abetz.

Senator ABETZ—Thank you, Chair. Can I ask in relation to the prior government's commitment to Ford Australia of the, correct me, \$52.5 million package and you indicated that that was going to keep on as previously agreed between the previous government and Ford. That is correct?

Mr Paterson—Correct.

Senator ABETZ—Was any legal advice sought as to whether that agreement or that arrangement could be broken?

Mr Paterson—I am not sure. We do not respond to questions in relation to advice that may have been provided or the nature of the advice.

Senator ABETZ—I do not want to know what the advice was or the nature of the advice other than whether such advice was sought as to whether or not these agreements that had been entered into with the previous government could be broken, in particular in relation to the Ford announcement or agreement that we referred to before the lunch break, the \$52.5 million amount.

Mr Paterson—Your question is precise in its terms and I will take it on notice to respond to it.

Senator ABETZ—All right. Thank you very much. Minister, can I ask you how will you judge the success of your stewardship of this portfolio? Have you created yourself any benchmarks? I could be flippant and ask how many board tables you had thumped but, more seriously, I am thinking of the percentage of manufacturing of GDP, the percentage of manufacturing of exports, the growth in manufacturing jobs or the profits and dividends that might be made by manufacturing industry; have you set yourself or considered any benchmarks?

Senator Carr—There is a process that is well established in terms of government which leads to a charter letter being provided. I would expect that that will form the basis of an assessment of how well we do in the job.

Senator ABETZ—Are those charter letters made available to the public?

Senator Carr—In due course I believe they will be. There will be a public statement on those matters.

Senator ABETZ—Have you received your charter letter?

Senator Carr—That is in the process of—I do not believe we have received yet.

Senator ABETZ—So the answer is 'no'. Well, it begs the question; have you been flying blind until this time? You have not been given a charter letter from the Prime Minister and you do not have any personal benchmarks against which you are going to judge your performance, so you have just been freewheeling?

Senator Carr—I think our position is very clear and the policy positions we have argued have been well articulated. We are in the process of implementing our election commitments. I am very concerned to ensure that we develop a reinvigorated approach to the national innovation system and that the new department is able to take its rightful place in terms of public debate about the importance of innovation in Australia. In terms of the particular aspects of the department's work, it is clear that each section of the department has a significant contribution to make in advancing that agenda for this country.

Senator ABETZ—Thank you for that but it is a bit esoteric. I can ask at an interval of 12 months or 24 months from here as to whether the department feels reinvigorated or whether innovation feels reinvigorated, but percentages in relation to GDP, et cetera, might be a more objective assessment against which you might have some benchmarks. But I might have to come back in 12 months time and ask whether people are feeling reinvigorated as a result of Minister Carr's stewardship of the portfolio, but of course that will not be of any comfort if the percentage of manufacturing of GDP is decreasing, et cetera. It looks as though those matters have not been canvassed or considered by the government. I have no further on Industry and I would like to move on to Innovation.

CHAIR—Yes. Senator Joyce.

Senator JOYCE—One question for you, Madam Chair. By the next estimates we will have a benchmark on how we are going with the efficiency index and your capacity to meet cost cutting there, will we not?

Mr Paterson—I would expect that we will be able to indicate whether we are on track to meet that target or not and I would be confident now to foreshadow that I expect to be able to indicate to you at that time we will be on track to meet it.

Senator JOYCE—I will foreshadow it to you now so as not to lead you astray that I will definitely be asking questions on that.

Mr Paterson—I have no doubt.

CHAIR—Thank you. No further questions? That concludes outcomes 1 and 2.

Senator ABETZ—Can we move to innovation then?

[1.40 pm]

CHAIR—Certainly, Innovation, outcome 3.

Senator ABETZ—Yes. Thank you. As part of the changes, and these always happen, there is a new arrangement for National ICT Australia or the NICTA. I just want to get a handle on it because it appears as though people have been briefing the media. If you read the *Canberra Times* it would seem that Senator Conroy may have briefed the media because he laments losing I think it was Intelligent Island to Senator Carr but then it says:

Conroy has however retained responsibility for the National Centre for ICT excellence which opened in Canberra.

A couple of days later in the *Australian Financial Review* I dare say Senator Carr's media people may have been talking to them and saying that it was a 'shared custody' between the two ministers. So has Senator Conroy retained control or is there shared custody? Without

going into all the detail, which is a better description, the Conroy's retained control courtesy of the *Canberra Times* or the shared custody courtesy of the *Financial Review*?

Mr Paterson—As in all of these situations it is a bit of a blend. NICTA, the National ICT, was jointly funded by the former Department of Communications, now the Department of Broadband, and the Australian Research Council, so Minister Carr, given his oversight of the ARC has joint oversight of the management of the contract which stands behind NICTA, but for portfolio terms NICTA is regarded as being within the broadband portfolio. Senator Carr's AAO responsibilities and the departmental responsibilities extend to a transfer of the industry development issues associated with ICT and the Intelligent Island program that you referred to is one of the things that has come across from the Department of Broadband, or the former Department of Communications, into this department. So Senator Carr's overall responsibilities are in relation to the industry development issues in relation to ICT, the portfolio responsibility for NICTA on a day-to-day ongoing basis rests in the Broadband portfolio but Senator Carr and Senator Conroy both have responsibility in terms of oversight of the contract that NICTA entered into.

Senator ABETZ—So, in fairness, it would be more the shared custody approach.

Mr Paterson—In relation to NICTA?

Senator ABETZ—Yes.

Mr Paterson—Yes.

Senator ABETZ—It seemed to me that having Senators Conroy and Carr with shared custody sort of sounds as though it was a marriage made in hell. It does confirm that Mr Rudd does have a sense of humour when he appointed these two ministers to look after that.

Senator Carr—Clearly Mr Nelson has a sense of humour about your involvement.

Senator ABETZ—Can I ask you what will happen in the event of a dispute between the ministers with the shared custody? Will the disputes be resolved in the Victorian Supreme Court as they tried to resolve their factional disputes previously, or is Mr Rudd going to make a counselling position available in his office to resolve the difficulties?

CHAIR—We will have to take that as a non-serious question, I think.

Senator ABETZ—There has been a history of personal conflict between these two ministers, as witnessed by action in the Victorian Supreme Court. It is a serious question. What happens when the rubber hits the road in relation to these two ministers not being able to come to an agreement?

Senator Carr—I just do not anticipate this. This is a hypothetical issue.

Senator ABETZ—It is a hypothetical issue despite the volumes of files in the Victorian Supreme Court. Let us move on. Who is responsible then for the future funding levels of NICTA? Would that be in this portfolio or Senator Conroy's portfolio?

Mr Paterson—It is a contract jointly administered by the ARC and the Broadband portfolio. So in the first instance the administration of that contract is a joint contract administered by the ARC and the Department of Broadband.

Senator ABETZ—Who provides the money? The Australian taxpayer provides money to it?

Mr Paterson—It does, through two streams, one through the Department of Broadband and the other through the Australian Research Council.

Senator ABETZ—Because there is persistent talk or speculation of razor gangs and funding cuts and there has been concern that that this might impact on NICTA. I was just wondering which minister would be responsible to seek to ensure that no cuts were inflicted on NICTA, whether that would be Senator Conroy or Senator Carr, or in a wonderful marriage they might both advocate the same thing for a change to cabinet. But I just wanted to know who would be responsible for advocating for NICTA in the cabinet room in the face of potential budget cuts.

Mr Paterson—We clearly do not make any comments in relation to the budget process and this is a contract between NICTA, the ARC and the Department of Broadband.

Senator ABETZ—So there are contractual obligations on the Commonwealth to continue the funding stream as is?

Mr Paterson—There is a contract on foot, as I understand it. If you want further detail—

Senator ABETZ—Yes. Does that contract require the Commonwealth, or the taxpayer, to keep on with the funding stream as is so that, in other words, there cannot be cuts.

Mr Paterson—You are now stepping into an area where I cannot respond. That is a matter that the ARC would need to comment on.

Senator ABETZ—All right. If we can take that on notice on the *Hansard* and, as I said before, if we get into that depth then we will put it on notice. I understand there has been a review into Innovation, another one of the minister's reviews. This one has actually been announced by you, Minister, on 22 January.

Mr Paterson—It has.

Senator ABETZ—To be headed by Dr Terry Cutler?

Mr Paterson—Yes.

Senator ABETZ—Just in rough terms, how were these people appointed? Was it a handpicked exercise, did you ask the department to provide you with a list of suitable names from which to pick or was it like the automotive industry review?

Senator Carr—I take responsibility for the appointment of members to the review panel and it was done in accordance with due processes within government.

Senator ABETZ—How many applicants or how many people were approached to chair this national review?

Senator Carr—I am not in a position to go to who was accepted, who was rejected. This was an election promise and clearly—

Senator ABETZ—I am not denying it was an election promise.

Senator Carr—It was clearly signalled well before the election that we would conduct a review on this.

Senator ABETZ—But not who would be appointed to it and how they would be appointed.

Senator Carr—No. I take responsibility for who was appointed.

Senator ABETZ—I know you take responsibility for it and that is why you have to answer questions about how you exercise that responsibility. Did you hand pick these people or did you ask for input and have, let us say, a group of six people from which to select the chair from?

Senator Carr—No, this was a decision taken within government.

Senator ABETZ—Is that your full answer?

Senator Carr—It is.

Senator ABETZ—That is just appalling, Chair, and I hope that this committee reports to the Senate on the deliberate evasion of answers by this minister. Can I move on to part of the review of the national innovation system. You also announced that there would be a review of the cooperative research centre's program, is that correct?

Senator Carr—I did.

Senator ABETZ—When will that announcement be made?

Senator Carr—It has already been made.

Senator ABETZ—Has it?

Senator Carr—Yes.

Senator ABETZ—Can you tell us when that announcement was made?

Senator Carr—At the time of the announcement for the full review.

Senator ABETZ—That there would be such a review?

Senator Carr—Yes.

Senator ABETZ—Can you tell us whether Professor Mary O'Kane is the chair of that?

Senator Carr—That is what the press release said.

Senator ABETZ—And it was dated 22 February 2008?

Senator Carr—No.

Senator ABETZ—When was it dated?

Senator Carr—22 January.

Senator ABETZ—22 January. Well, you might like to go to your departmental website and check up on some of those things. How was Professor Mary O'Kane appointed?

Senator Carr—On the same basis.

Senator ABETZ—Basically she was hand picked by you regardless of anybody else who might have been around. Do you have responsibility for the Australian Innovation Research Centre in this portfolio or not?

Mr Paterson—No.

Senator ABETZ—I read an article which told me that a Jack English, associate professor in entrepreneurship at the Australian Innovation Research Centre will present a—

Senator Carr—There are probably a few of those.

Senator ABETZ—Yes. I am just wondering whether this particular centre might in fact get money from the Australian government or not. If you do not know, take it on notice; that is fine.

Mr Paterson—It is nothing to do with our portfolio that I am aware of. I think there may be a centre of that name associated with the University of Tasmania. It is not associated with this department that I am aware of.

Senator ABETZ—That is all that I was trying to ascertain. I fully accept that lots of things have ‘Australian Innovation’ in their title and what I am trying to come to grips with, as I come to grips with this portfolio, is how many of them are actually related to this portfolio and others that are unrelated. Clearly this one is an unrelated one. Much as I would love to have a whole lot of more questions on Innovation, clearly time does not permit. But if nobody else has questions I would be obliged if we could move on to CSIRO.

CHAIR—Any other questions for the Innovation area? No. Thank you. That will be the end of Outcome 1. We are proposing to change the printed agenda a little to have the Commonwealth Scientific and Industrial Research Organisation next if those witnesses could be present.

[1.54 pm]

Commonwealth Scientific and Industrial Research Organisation

CHAIR—I welcome the officers of the Commonwealth Scientific and Industrial Research Organisation. Senator Abetz, do you have questions?

Senator ABETZ—Yes. Does CSIRO use the funds allocated to it to fund other bodies, other institutions or other research projects not under its direct control?

Mr Whelan—Yes, the organisation does provide funding from its appropriation to other bodies.

Senator ABETZ—Is a list readily available as to who the recipients of those funds are and for what purposes those funds are made available?

Mr Whelan—We do not have that information with us.

Senator ABETZ—I did not expect you to.

Mr Whelan—But it is readily compilable.

Senator ABETZ—My next question was: could you direct me somewhere on that website for that information but take that on notice as well. So if you can provide me with a list and then for future, if there is a website where I can look it up, that would make that easier. Who is able to tell me about the role of the *Southern Surveyor*.

Mr Whelan—I can take that question.

Senator ABETZ—Thank you. How long has the *Southern Surveyor* been undertaking its operations?

Mr Whelan—The Marine National Facility within which the *Southern Surveyor* operates commenced in 1980.

Senator ABETZ—Whereabouts is the Marine National Facility based?

Mr Whelan—There is a ministerial steering committee that is appointed. The vessel and the administrative arrangements that support the facility are based at our Tasmanian laboratories in Hobart.

Senator ABETZ—Down on the waterfront there.

Mr Whelan—That is correct.

Senator ABETZ—Would I be able to visit them some time and have a chat to see how things are going?

Mr Whelan—We welcome all members of the parliament to access CSIRO sites.

Senator ABETZ—Thank you very much. I look forward to making a visit. What role has the *Southern Surveyor* been taking in recent times? I understand that it has been involved in getting deep sea coral and things of that nature and is very helpful in our study of climate change.

Mr Whelan—The *Southern Surveyor* is a research vessel that the CSIRO, Australian Universities, Geoscience Australia and international collaborators use to undertake ocean research typically in the southern oceans and, as you have indicated, it provides a platform for conducting research about understanding our oceans and, given the interplay of oceans and the land and climate, some of that research has implications for climate change.

Senator ABETZ—These research projects never roll in excess money?

Mr Whelan—No. As a general rule—

Senator ABETZ—That is something I have learnt thus far from the science and research area, that they never complain they have too much money.

Mr Whelan—We are just going to move one step to the side so when the chief executive he can sit here. Just excuse us for a second.

Senator ABETZ—So the minister is happy for Dr Garrett to sit next to him? That is great.

Dr Garrett—We are looking forward to it.

Senator ABETZ—That is wonderful. Dr Garrett is smiling. I am not sure the minister is but that is good.

CHAIR—Thank you, Dr Garrett, for agreeing to come earlier to the committee. Would you like to continue with your questions, Senator Abetz?

Senator ABETZ—I think I had asked it and Mr Whelan was agreeing with me that these research projects never have too much money.

Mr Whelan—The vessel is funded through CSIRO's appropriation. There was a specific allocation made to it in the 1980s which has been indexed consistent with the rest of the CSIRO funding and that facility does sometimes earn external revenue but the facility, as a rule, does not generate surpluses.

Senator ABETZ—It is now facing a \$3 million cut over a number of years?

Mr Whelan—The figures in the PAES indicate the decision by the government to implement a number of savings measures. One of those was a reversal of the decision of the previous government in relation to additional funding, to provide for additional days at sea. My understanding is that subsequent to that decision being taken the Department of Industry has identified \$1.5 million of additional funding that will offset that \$3 million reduction, and CSIRO is currently exploring ways to see how we might make up the balance of that shortfall.

Senator ABETZ—Minister or secretary, are you able to tell us from whence the other \$1.5 million came? Is that in the additional—

Senator Carr—The Department of Innovation, Industry, Science and Research is currently examining options in regard to funding arrangements. There is one very uncomfortable fact that needs to be addressed here, and that is that for some time the Marine National Facility has had some difficulties in terms of ensuring adequate funding is being maintained. There are serious questions arising about the state of the vessel and there are matters that we will need to talk to the CSIRO about and the steering committee of the Marine National Facility.

Senator ABETZ—But for these cuts, the *Southern Surveyor* would have been keeping on going into the southern oceans undertaking its research work?

Senator Carr—No. That is exactly the point I am raising. The legacy that is left to this government from the previous government's neglect of this facility—

Senator ABETZ—And that is why you are cutting funding for it. It was indexed.

Senator Carr—has meant that there are very serious issues yet to be resolved and we are working with the officers from the CSIRO and from the Marine National Facility steering committee which go to the ongoing maintenance arrangements and sea time available for the *Southern Surveyor*.

Senator ABETZ—If it was so serious why did you cut \$3 million, then scratch your head and refill \$1.5 million? It seems to be ad hockery at its worst without proper consultation having taken place prior to the \$3 million cut being implemented and then, realising that error, backfilling \$1.5 million for which I congratulate you on but I extend commiserations to whoever is going to bear the brunt of that extra \$1.5 million cut somewhere else in the department.

Senator Carr—This is a program that does require a significant re-evaluation and it is a matter that I am flagging to this committee. We will wish to undertake with the officers from the CSIRO and from the Marine National Facility steering committee.

Senator ABETZ—We can see how these things develop in the future. The major role of the *Southern Surveyor* in recent times was gathering evidence and trying to add to the body of knowledge on climate change, is that right?

Senator Carr—In this committee, and most probably in the other committee when we dealt with this at some length over a considerable time, issues were pursued in regard to this facility. When I was in opposition in your role, I had the opportunity to visit the vessel, and the officers from CSIRO were very generous with their time. It has been apparent to me for a considerable time that there is a serious issue here about the operation of the national facility.

We will need to attend to some structural questions that have been left as a result of the previous government's neglect.

Senator ABETZ—To deal with those structural imperatives, you have cleaned out \$3 million from its budget. Come on! Don't treat us as though we are mushrooms; we have some idea. The actual question that I asked of Mr Whelan, to which Senator Carr's response was completely irrelevant, was: what was the *Southern Surveyor* engaged in, in its scientific research? Was it to gather information to add to the body of knowledge on climate change? That was the question, in rough terms.

Mr Whelan—The research conducted by the vessel includes research into oceanography, climate variability and climate change, fisheries, marine ecosystems, marine geoscience and exploration of the deep ocean resources.

Senator ABETZ—Thank you. On coming to office, there was a bit of an untidy media event where the government was accused of seeking to require all statutory science agencies to put all the media releases via the minister's office. Just so we can get it clear, did such a directive, request, whatever, come to these statutory science agencies? Did that occur?

Mr Paterson—A process was put in place not long after the election for the clearance of media releases from organisations in key areas in which the government had committed itself to particular strategic initiatives in the election campaign. We sought to implement that decision in the department. It affected both the department and the agencies of the portfolio. It was not limited to science agencies or explicitly focused on science agencies; it was media releases issued by the organisation. A clearance process was put in place.

Senator ABETZ—Can you take on notice the full list of all the key areas that got this? Do we call it a directive? What do we call this document?

Mr Paterson—It was guidance given by—

Senator ABETZ—All right, this document of guidance?

Mr Paterson—It was issued by my department. It did not explicitly indicate the areas in which clearance should be sought. We used some clumsy language at the time—I think the language used in the note suggested that pedestrian media releases did not need to follow that process. I acknowledged at the time, and I acknowledge here today, that that is clumsy language. We gave advice to the agencies within the portfolio and implemented that process in the department.

Senator ABETZ—Previously you said 'key areas'. Are you now saying it went to all areas? Rather than getting into a discussion as to what is a key area or a non-key area—

Mr Paterson—We are talking about two different issues: what agencies it went to and what issues required clearance. I can say to you that we sent the note to the Institute of Marine Science, the CSIRO—

Senator ABETZ—Can you give me a list on notice?

Mr Paterson—I can give it to you now.

Senator ABETZ—All right.

Mr Paterson—AIMS, CSIRO, ANSTO and the ARC.

Senator ABETZ—That is all?

Mr Paterson—That is all.

Senator ABETZ—Were they asked to feed it down the chain?

Mr Paterson—No. It was about media releases issued by the organisation.

Senator ABETZ—Only by them?

Mr Paterson—Yes, and questions were raised of me at the time that that was issued, and I indicated that that was not intended to, and certainly did not, apply to individual commentary by scientists within their field of expertise or research. So, it was not about the research of individual scientists; it was about organisational releases.

Senator ABETZ—As I understand it, CSIRO wrote back in response to that. Is that correct?

Mr Whelan—We acknowledged the receipt of the advice from the department. We outlined to the department how we proposed to go about dealing with the arrangements. We have been operating on that basis ever since.

Senator ABETZ—Was any objection raised in that letter of acknowledgment about how you intend to abide by it? From time to time, I have been sent a directive from somebody telling me to do something. One way of responding to a directive is to ignore it. Are you willing to make the letter available to us, because there was media speculation about it? I have never seen the letter, and the media speculation, as is often the case, may well be wrong. Can we have a copy of the correspondence? I assume it was between the Secretary and CSIRO. Or was it the minister?

Mr Whelan—No, Senator, it was between officers of the department and officers of CSIRO.

Senator ABETZ—All right. Well, whoever the officer was then in the department.

CHAIR—Can that correspondence be made available?

Mr Paterson—I am just checking to see if I have it.

Senator ABETZ—I ask for a copy of the directive to be tabled, together with CSIRO's response, because shortly after this embarrassment—however it occurred; and I do not want to go there—we had this announcement with great fanfare that there would be a charter of rights. Whereabouts are we up to with that?

Senator Carr—We are in the process of discussing the development of the charters with the boards, with management and with the staff of the various agencies within the portfolio.

Senator ABETZ—Who is drafting the charter of rights? Who has the responsibility for that?

Senator Carr—It will be drafted with the department's assistance and with the officers of the agencies, after consultation with the management, staff and the boards of the respective agencies. Obviously there will be different charters for each of the agencies.

Senator ABETZ—Will it be vetted by the Prime Minister's office?

Senator Carr—Frankly, I think you should see this in context. There is currently a requirement for me to provide a statement of expectations to each of the agencies, which I would do once a year. This is an unenforceable arrangement, and it has existed since the URIC changes occurred. It is my intention to strengthen those arrangements in order to strengthen the independence of the agencies in their capacity to contribute to public debate, and also to make clear their responsibilities to work within the government. In terms of the relationship between government and the agencies, this is a way we can explain these things to all the people concerned.

Senator ABETZ—When might we have those charters ready?

Senator Carr—Clearly I am required to provide statements of expectations within a year, I believe, so we will have them within that time period. If you are going to have a process of dialogue with the agencies concerned, it is not on a proscriptive basis; it is a genuine process of discussion.

Senator ABETZ—Was it part of your election commitment to have this charter of rights?

Senator Carr—We have indicated that there would be a charter for the agencies, CSIRO in particular, for quite some time. It was an election commitment that I made sometime ago in terms of a charter for the CSIRO.

Senator ABETZ—Is a charter for the CSIRO different from a charter of rights for the individual scientists?

Senator Carr—You are calling it a charter of rights. We have used the term ‘charter’. We have put it in the context of the ABC’s charter. It is a matter that we discussed in opposition publicly over a great length of time.

Senator ABETZ—But this specific charter of rights for—

Senator Carr—No, you call it a charter of rights. That is a term that you are using. I used the term ‘charter’.

Senator ABETZ—All right. The charter to which you refer will apply to individual scientists?

Senator Carr—They are part of the organisation.

Senator ABETZ—Will apply to individual scientists?

Senator Carr—It is not our intention to sign individual agreements with every member of the staff on the CSIRO.

Senator ABETZ—Who is talking about signing?

Senator Carr—A charter applies to everyone in the organisation. That is the nature of these arrangements.

Senator ABETZ—Yes, but sometimes it might be collective that a scientist can only speak out in the event he or she has approval from whoever—let us say the approval of Dr Garrett. A charter might say that, if there is a scientific debate going on within CSIRO with different scientists, they both can go public indicating what their view is, albeit those views might be in conflict. Right? So will each individual scientist have the capacity to say, ‘I know this is what

a CSIRO report has told the Australian people but I happen to be in a minority on this, and I happen to believe that the sky is in fact green and here is my scientific evidence for it'? Will that be allowed under this charter? What are we actually trying to get at with this charter?

Senator Carr—There is an existing public comment policy with the CSIRO. We are adding to and developing that. I have canvassed these issues at some length. We have said that, as far as I am concerned, there is an expectation and obligation to make comment on matters relating to discovery. However, we have also said that, because these issues are often contestable, as new ideas often are, there is no simple answer quite often, and that people in this context can expect that others will take different views. That is the nature of debate—different points of view being expressed about important scientific issues.

Senator ABETZ—Thank you for that.

Senator Carr—What is more, I have said that if individuals wish to make public comment consistent with the existing arrangements at the moment and, in turn, the arrangements under the charter when they are fully developed, there can be an expectation that others have rights. So, in that way, I also say that people have the right not only to make public comment but also the right to be wrong. There will be occasions when people are making statements that are contested.

Senator ABETZ—Of course. That is exactly what I was seeking to explore, but it looks as though there is still a bit of confusion or fuzziness around it, so—

Senator Carr—No, there is no confusion.

Senator ABETZ—let us see what actually develops out of all of this, and when the charter—

Senator Carr—There is no confusion. A press release was issued on 16 January. I would have thought your research would have covered that.

Senator ABETZ—Are you saying that it covers everything that will be in the charter?

Senator Carr—I have indicated in that—

Senator ABETZ—Are you?

Senator Carr—The principles were outlined in that press release.

Senator ABETZ—Yes, the principles, but not the detail, and that is what I am drilling down to. Instead of you giving me a smart-alec answer about your press release, we are trying to get to the detail, and that is what is fuzzy at the moment.

Senator Carr—What is your next question?

Senator ABETZ—The same as the one before, and that is: when will we know what will be the detail of this charter?

Senator Carr—That will be developed after discussions. The fine detail, the agreements, will be developed with each of the agencies after consultation with the board, the management and staff of each of the organisations. That will be done with assistance from the department, and they will be consistent with the principles that were outlined in the press release, as I have already indicated.

Senator ABETZ—We will see whether they are or are not, and that will be a matter for future discussion and analysis. I understand that you have to go through a whole range of steps, and that is proper procedure; consultation has to take place. Do you hope to have this bedded away by 30 June this year, the end of this calendar year, in two years time—give us an idea?

Senator Carr—I would like to have these matters wrapped up as soon as possible. I have indicated there are existing statements of expectations put in place by the previous government. I have to respond to those within a year. Obviously I would prefer to have these charters in place rather than continue with what is a policy which I have already indicated to you is not adequate.

Senator ABETZ—You are not willing to put a time on ‘as soon as possible’?

Senator Carr—We can go round and round this as many times as you like, but the principles remain the same.

Senator ABETZ—I would have thought you might have set a benchmark for the department and for the bodies and the boards, that they give this urgent attention so it can all be squared away, let us say, by the end of the year. I would have thought that is not unreasonable for a minister to request.

Senator Carr—I think I have answered this question now, and this will be the fourth occasion. This is not an ultimatum; this is a process of consultation.

Senator ABETZ—And we cannot have time limits. Tell me about the national nanotechnology strategy of the current government?

Senator Carr—I will have more to say on this in a speech tomorrow. I would invite you to consult the departmental website.

CHAIR—Senator Milne has been waiting for some time to ask questions.

Senator ABETZ—Does the government have a national nanotechnology strategy?

Senator Carr—Yes.

Senator ABETZ—The detail of that will be announced tomorrow—is that you are telling us?

Senator Carr—No, we were talking about the charters.

Senator ABETZ—I had moved on, and I had asked: what is the government’s national nanotechnology strategy, and I was told that that would be announced tomorrow. We now know, if I may backtrack, that an announcement will be made tomorrow about what—the charter?

Senator Carr—We were discussing the charters, and I have indicated to you I will have more to say about the charters tomorrow.

CHAIR—Senator Abetz, if you have moved on to a different subject I would like to invite Senator Milne to ask her questions.

Senator ABETZ—It is still under CSIRO.

Senator MILNE—This is on CSIRO. I preface these questions by saying my concern at the moment is the amount of climate change research that is going on between CSIRO, Bureau of Meteorology, Bureau of Rural Sciences, CRCs, universities generally and so on. From the public point of view, it is very hard to see if there is an overall strategy on climate change research, an overarching framework, and how everybody fits into that. I notice you have your one CSIRO strategy; could you just explain to me how CSIRO climate change research fits into any kind of overarching strategy, or how that is accessible to the public?

Dr Garrett—There is a number of dimensions to this, and perhaps I can take this answer in two bites because one of my colleagues, the group executive responsible for the environmental area, will be here shortly and will have more detail. One of the issues that plays to this space is a recent joint research operation between us, CSIRO and the Bureau of Meteorology which is designed to bring together, under one strategy, the respective work programs that each individual institution has been doing separately in the past. So, point 1, in a ‘Team Australia’ sense, recognising the fragmented approach that perhaps has a historical bent to it, you are correct: we believe that, in terms of the climate prediction work, two groups coming together adds a lot of value. This was launched in November. It is bringing together more than 200 climate scientists from both sides, and we believe this will add great value with the partnerships around that predictive work in the university environment, locally and internationally, to get clarity around what are the particular objectives for the continent of Australia. That is point 1. Point 2, in the area of climate adaptation, is that I think with the launch of our climate adaptation flagship, with the relevant department’s climate adaptation strategy through the centre, again there is a coming together to work out a more robust and definitive Australian strategy in this space.

So my response is that (1) you are correct in making the assertion that hitherto the various efforts could appear to be fragmented, though obviously there were informal contacts over many years from the individuals involved; but (2) there are a number of strategic and structural initiatives that have been brought about in the last few months that enable the staff engaged in this to come together with a much clearer path of the priorities going forward. The third dimension to your comment, around availability to the public, is a communication exercise that I think will be part of both of those operations and the responsibility of them to communicate much more effectively. I think that is work in progress, too.

Senator MILNE—Further to that, several of your outcomes in your annual report say ‘informing policy.’ I have not noticed that there has been a lot of informed government policy in what is coming out of CSIRO. In terms of the new Ministry for Climate Change, how will this whole combined effort that you have just described feed into that new department in the Department of Prime Minister and Cabinet?

Dr Garrett—My colleague, Dr Johnson, will join us to add to my comments. Obviously, in the first instance, we have been establishing close linkages. We have already briefed Senator Wong about our role and contributions in this domain. We have had longstanding good relationships with the senior officials, so the work we are doing has informed the evolution of policy initiatives in this country very significantly. We will continue to do so through those formal and informal channels, at both the ministerial and departmental levels. Andrew, do you want to further pick up on that aspect of how we inform policy?

Dr Johnson—If I understand your question, it is how CSIRO's science feeds into policy. Is that correct?

Senator MILNE—That is right. I have no doubt that you have been feeding in. The claim is that it has informed policy.

Dr Johnson—The primary mechanism for CSIRO's engagement with the government around climate science issues is through our relationship with what was formerly the Australian Greenhouse Office in the previous government and which is now the Department of Climate Change in this current government. We have a close relationship with the department in its program of work and also a close relationship with the national climate change adaptation research facility that the previous government announced and which is being led by Griffith University. They are the primary mechanisms. Our advice goes through the Department of Climate Change and its various programs and policy initiatives.

Senator MILNE—I did ask this previously, but I may not have fully understood what Dr Garrett was saying. How does it fit with, say, the Bureau of Rural Science's climate work and, more generally, academic institutions around the country that may not be part of the CRC programs that you will be interlinked with?

Dr Johnson—Picture in your mind two axes on a graph. On one axis—perhaps the y axis—there is a continuum from policies and programs down to strategic research. Visualise on the x axis everything from, say, incremental innovation all the way through to whole system solutions at regional level or whole of sector level. CSIRO sees its work being predominantly down in that bottom right hand corner, so it is a combination of strategic and applied research at the whole of nation, whole of region, whole of sector level. Many of our partners in the other sectors, such as the universities, are more in that incremental innovations and strategic science area. Some of the other agencies within the Australian government are much more up towards the policy program end. It is a continuum along those axes, and we are very careful to make sure that our work is differentiated from the efforts that those other agencies make, and that, where partnerships and linkages make sense, those connections are made.

Senator MILNE—I will now go to some specific programs that CSIRO has been working on. In particular, I want to talk about the energy futures work. In relation to that, one of the two areas that I am particularly interested in is the outcome of the work that is going on with the solar thermal technology and particularly the multi-tower solar array. I would like an update on where that is up to and what that is finding about solar thermal. The other area is the reduced emissions from coal-fired power stations—the carbon capture and storage issues. Where is that low emissions technology work at the moment?

Dr Garrett—I will ask my colleague Dr Beverly Ronalds, who is group executive responsible for our energy portfolio of divisions and flagships, to take that question.

Dr Ronalds—Would you be able to repeat your question? I did not quite catch it all.

Senator MILNE—There are two areas on which I want an update. One is on the multi-tower solar array under the solar thermal; give me a snapshot of where that is up to now and what your conclusions or statements are around the viability of solar thermal as a technology for now. The other issue that I put on notice is: where is CSIRO's work in relation to carbon

capture and storage from coal-fired power stations? Just to give you more detail on that, where is the aqua-ammonia process? Are you still working on that? Has that been abandoned? What is the current state of play on CCS—carbon capture and storage—pre and post combustion?

Dr Ronalds—I might take the second part first. We have an active program at the moment in carbon capture and storage for coal-fired power stations, and that includes a gasification program, a gas separation program, a post-combustion capture program and a sequestration program in particular through the CO₂ CRC. Active work is happening in all four of those programs, including several post-combustion capture pilot plants that are currently in the process of being designed and built for installation on existing power stations, both in Australia and overseas. It is a large ongoing program.

Senator MILNE—Where is the pre-combustion capture? Where are these pilot programs, the post-combustion and the CCS? When do you expect them to start?

Dr Ronalds—We expect the initial post-combustion capture pilots to commence this year. In fact, the first may be able to commence as early as next month. It is certainly a program for this year.

Senator MILNE—Where?

Dr Ronalds—I believe the first will be at Loy Yang in Victoria. In terms of gasification, we have some existing facilities but there are no firm dates around any pilot plant that I am aware of.

Senator MILNE—Okay. That is very much still at the drawing board stage?

Dr Ronalds—Yes. I think it is at the planning stage.

Senator MILNE—What happened to the aqua-ammonia process?

Dr Ronalds—I do not know the detail of that. The post-combustion plants can use either an amine or an ammonia process, but I am not across the detail of our progress to date on particular processes.

Senator MILNE—On notice, how much has been spent on that process, where it is up to now, has it been abandoned or is work still going on on that particular part of it?

Dr Ronalds—Okay.

Senator MILNE—In terms of the carbon capture and the storage aspect, what work are you doing in terms of sequestration?

Dr Ronalds—Our program of sequestration happens through the CO₂ CRC and, again, there is a pilot plant there that I believe the CRC expects to start operating in late March as well.

Senator MILNE—Where will that be?

Dr Ronalds—In the Otway area in Victoria.

Senator MILNE—What is the scale of that?

Dr Ronalds—I had better take that on notice. I am not sure of the exact size.

Senator MILNE—Also on notice, who are the commercial partners in each of those particular pilot programs? I presume there are commercial partners in relation to them.

Dr Garrett—In terms of the normal way in which the CRC operates in this area, there is a number of partners, and we will put that in our answer on notice. I might add with reference to your question around post-combustion capture and pilot plants, as I think Beverley intimated we are also working with the Huaneng power group in China in terms of retrofit to one of their power stations in Beijing, a 3,000 tonnes per annum pilot plant.

Senator MILNE—What technology are you using to bolt on in these pilot plants?

Dr Garrett—It is basically as we indicated, through amine technology or capturing the CO₂ and then subsequently releasing it for subsequent storage. Obviously it significantly depends on the type of coal and type of process that runs, so it needs to be very carefully tailored. That is why the scale-up from the laboratory to the pilot plant is a very important part of those programs. Those programs have historically been supported through the original department and what were previous called AP6 programs.

Senator MILNE—Obviously, if you are moving to pilot stages, you must have some confidence that this can be an economically viable technology, given that I understand the problem currently exists that the efficiency of the station is significantly reduced by the existing technologies.

Dr Ronalds—The purpose of the pilots is to take it to that first stage of deployment. Generally speaking, with new technologies, as you move from the laboratory to pilot to demonstration to commercial, we learn more about the technology and we are able to bring the costs down. We are at that initial step.

Senator MILNE—Do you have an expected time frame? I understand, of course, that if the pilots fail there will be no time frame, but I assume you have a best case scenario of if the pilot works. How many years before we could expect a commercial application?

Dr Ronalds—That is very uncertain because there are a number of uncertainties. And of course it is not just technology; it is also around market forces and other factors. Broadly speaking, probably around 10 years.

Dr Garrett—On the issue of costs, and you mentioned geosequestration, with our partners obviously as part of the CO₂CRC, there are three major goals. The first is the reduction of costs for the whole carbon capture and sequestration technology—what do you do to reduce that cost? The second is identification of sites where the technology can be appropriately applied, which is why the Otway pilot is so important. The third is ensuring that long-term confinement is effective in terms of atmospheric carbon dioxide reduction safety and security.

Senator MILNE—Moving to solar thermal as a comparison, what can you tell me about the progress on the multitower solar array and the conclusions about the viability of solar thermal as a commercial application now?

Dr Ronalds—I cannot give much detail on that. I am not as familiar with that program. Certainly we have our solar centre at Newcastle that is performing well. Again, there is some early planning around some additional facilities. I cannot go into more detail on that right now. I just do not know more detail.

Senator MILNE—With the permission of the minister, I would be interested in an update from somebody working in that area.

Dr Garrett—We will certainly do that, Senator, and perhaps we can invite you to come and see what is happening in Newcastle. I recently had the opportunity to spend some time with colleagues in the US in the energy field, and they are significantly impressed with the work that we are doing in solar thermal. I think in their country they believe they are underinvesting so far in this domain, and as we indicate, we are very enthusiastic about the progress being made here. We would be happy to (a) provide that on notice and (b) invite you.

Senator MILNE—In terms of money spent on the two different types of technologies, do you have a ballpark figure of what is being spent on solar thermal research compared with what is being spent on carbon capture and storage, from capture at the station to geosequestration?

Dr Ronalds—Broadly I think I have some numbers. Overall, the complete low emissions coal technology program, including the precombustion, the postcombustion, the separation and the storage, is of the order of \$15 million this year. Sorry, I apologise; I have the wrong numbers there. Our renewables program is about \$15 million this year.

Senator MILNE—But that is not just solar thermal, is it?

Dr Ronalds—No.

Senator MILNE—Specifically I would like to know what you are spending on solar thermal compared with what you are spending on carbon capture and storage.

Dr Garrett—We will get you that data.

Senator MILNE—Thank you. If you can just give me a breakdown of that; in fact I would be keen to see a breakdown on the renewables generally. The other one I wanted to ask you about was the work you are doing in lignocellulose as alternative fuel research. I saw something recently that suggests CSIRO have made some breakthrough in that area and second-generation biofuels. Could you update me with that and tell me how much you are spending on that in this year?

Dr Garrett—I am not sure that we can give you the precise detail, but my colleague Dr Daly, who is involved in that program, might have some additional information.

Dr Daly—We will just have to look up the data for you. It is actually part of the Energy Transformed Flagship, so my colleague is looking up the data.

Senator MILNE—There are two other programs where I am keen to know how the information is being conveyed to the relevant authorities; in particular, the Murray-Darling authority in relation to the work that you have been doing on the ecological and indigenous values feeding into the Murray-Darling—the whole water initiative. I think there is a forest in particular on which work has been done. The other is in relation to the Great Barrier Reef and how the information in relation to river plumes is being fed into GBRMPA. Can you provide some information on those two programs?

Dr Johnson—I could start with the river plumes and GBRMPA first. CSIRO is a partner of the Reef and Rainforest Research Centre Ltd, which is a company to implement and oversight

the implementation of the Marine and Tropical Science Research Facility. GBRMPA is a partner to that as well. The core aim of that facility is for research conducted by agencies such as CSIRO to directly feed into agencies such as GBRMPA. It is a partnership between CSIRO, the universities, agencies such as GBRMPA and industry partners. We see that as a very effective and direct line of communication of our work on sediment plumes and other phenomena in the reef through to managing agencies such as GBRMPA. As to the first part of your question, I will make sure I understand what you are looking for with respect to the Murray sustainable use project.

Senator MILNE—I will come back to it in a minute, but can I just continue on the GBRMPA program. Given the likelihood of more extreme weather events, as indeed we have seen over the last month, and with this technology now able to quite accurately show the plumes from the rivers that will obviously be even worse than you anticipate or than you have been able to measure to date in view of the extreme weather events, what conclusions have been drawn from the program in terms of management? Or do you merely do the data and GBRMPA does the interpretation in terms of management of coastal agriculture and management of the Great Barrier Reef Marine Park?

Dr Johnson—CSIRO's work and that of our partners has primarily been focused on measuring the fluxes, quantities and quality of those particular plumes as they exit into the marine park itself. That data, as you suggest, is directly taken on board by management agencies—not only Commonwealth agencies but also state agencies and, importantly in that region, also natural resource management groups such as FNQNRM Ltd—and those outputs are taken on board as a basis for formulating both policy and programmatic responses in the reef.

Senator MILNE—Yours is a measurement and information data transfer role rather than an interpretive role.

Dr Johnson—We play a link in the interpretation and often we conduct experiments on behalf of those agencies to understand what the consequences of different management interventions may be. For example, we have a long track record of working with the grazing industry in GBRMPA and understanding what the impacts of different stocking rates in the upland regions of those major river catchments would be. We look at things like tree density and river bank stabilisation. We have a close partnership with those agencies, but always on the basis that CSIRO's role is to provide science and knowledge to the policy and programmatic process.

Senator MILNE—Can you comment on how the current data that you have provided might change management regimes? What is it telling us—that the situation is much worse than we thought?

Dr Johnson—I am not in a position to comment on that explicitly. It is a very complex situation because you are dealing with large-scale events that do not happen very often. I am not really in a position to comment on whether they are worse or better in a historical context. All we do know is that they are significant phenomena in the operations of the marine park and of those coastal regions, and our science is trying to work with those folks who have a responsibility for managing, to better understand the phenomena going on there.

Senator MILNE—The other question is in relation to the Murray-Darling and the work you have been doing for the National Water Initiative as part of that. I note that some of the work you have been doing is on measuring the non-market recreational values, in particular at the Barmah Forest and the Coorong. Are you measuring biodiversity values and putting a price on those, or is this just recreational or tourism values? If not, and since they are intangibles in a sense as well, why are we not looking at the biodiversity values of these places?

Dr Johnson—I cannot give you a straight answer because it is a level of detail that I am not on top of. I can take that on notice and find that out. Having done some of that work in a former life, I do know that it would encompass the full spectrum of values that you have identified. That would be routine methodology. But I am not on top of the level of detail of that part of the project. If it is something you would like me to follow up, I would be happy to do that.

Senator MILNE—Yes. I am very keen to know how the biodiversity values were quantified, your methodology in putting a price on them, and the price in the context of this report, particularly of the biodiversity values?

Dr Johnson—Sure. I am happy to do that.

Senator EGGLESTON—I have questions of the Australian Nuclear Science and Technology Organisation and the Australian Institute of Aboriginal and Torres Strait Islander studies.

Senator MILNE—I was going to get some answers on lignocellulose work. Do you have it yet?

Dr Daly—No, we do not have the financial figures. If you could ask the question again, we will follow it up. You want to know how much we were investing in biofuels, is that right?

Senator MILNE—I want an update on where you are with second generation biofuels, in particular, the work you are doing on lignocellulose and conversion to a biofuel, and the level of investment in that program, since that is one of the most promising areas, it seems, of biofuels. Also, can you tell me anything about how far away from commercial application that might be? I put those questions on notice.

Dr Garrett—Thank you, we will do that.

Mr Paterson—I will clarify something for the record. Senator Abetz raised a question with Minister Carr on the review of the Cooperative Research Centres program. There was a difference in the dates of the media releases. Senator Abetz invited us to check our website, and our website did have a media release there dated 22 February. It should have read 22 January. As senators will know, 22 February is tomorrow. We do not have releases up there in advance. It should have been 22 January, but it was a mistake by the officers who loaded that on to the website. For the record, I indicate that Senator Abetz had seen it on our website, but it was our mistake, and the true date of that media release was 22 January.

Senator Abetz also asked, when we were having a conversation in relation to the clearance of media releases, whether I would be prepared to table the advice that was given by the department to the four agencies that I mentioned. I table that advice, entitled, 'Clearance of

Media Releases'. We were also asked if we could table the response from the CSIRO. Once again, that is not dated correctly; when you reprint documents they seem to update the date.

CHAIR—If it is just a matter of the date, I am sure we can table it with that correction.

Mr Paterson—Ignore the date; I will cross it out on the document that I table, which has the response of the CSIRO and attaches to it the policy on public comment by CSIRO staff that was referred to earlier. I table that. I table a third document: a copy of the Statement of Expectations and Intent that was entered into by the former Minister for Education, Science and Training, Hon. Julie Bishop, with CSIRO, and that is the current Statement of Expectations and Intent between the commonwealth and the CSIRO. That has in it the communication policy that CSIRO had in place as a result of the expectations of the former government, but that is the policy that stands at the present time. I table that.

CHAIR—I thank the CSIRO officers for their earlier than expected attendance. We appreciate that.

[2.51 pm]

Australian Nuclear Science and Technology Organisation

CHAIR—Senator Eggleston, I understand you have questions.

Senator EGGLESTON—I would like to ask ANSTO about some issues to do with the availability of medical radioisotopes in Australia. First, I understand that about 400,000 Australians a year benefit from the medical procedures using isotopes supplied by ANSTO, and about another 80,000 from radioisotopes produced in the National Medical Cyclotron. Do you agree with that?

Dr Smith—That is correct—about 500,000 in total.

Senator EGGLESTON—The use of radioisotopes is very important in modern medicine, as I am sure you would agree. I understand that we do have some problems with the production and supply of radioisotopes at the moment. First, as I understand it, the new Opal research reactor built last year closed down just some three months after its official opening. Is that the case?

Dr Smith—Yes, that is correct. The fuel that was loaded into the reactor, which was supplied to us from the manufacturers in Argentina, actually failed and we had to get a new start-up core—the core that you need to start the reactor from the beginning. We had to seek another one to be manufactured. That is being manufactured in France now, and is in fact ready to start. At the moment we are waiting for regulatory approval to start the reactor.

Senator JOHNSTON—What are you going to do if it fails?

Dr Smith—The core?

Senator JOHNSTON—The fuel failed—

Dr Smith—The fuel consists of aluminium plates with uranium embedded in them, and they are held in a fuel element. In fact it was the connection of the plates to the element body that allowed some movement and, as soon as that was discovered, the reactor was stopped and the problem identified. It was not recoverable as it was, so we had to get fuel remade in France.

Senator JOHNSTON—At whose cost?

Dr Smith—That is a matter we are still discussing, but it is certainly my intention that it will be at the cost of the Argentinians.

Senator EGGLESTON—The question of cost is an issue. Will ANSTO be seeking to recover those costs?

Dr Smith—Exactly. At the moment our main focus is to get the reactor running again, and that needs everybody to cooperate. We will then settle down to come to the commercial settlement, although at this point we have had initial meetings in which we have made what might be called the full claim of the damage that has occurred.

Senator EGGLESTON—What is the scale of that damage? What sum are you seeking?

Dr Smith—I believe that \$2 million is the total.

Dr Cameron—It is made up of different elements and, as Dr Smith said, part of it goes to the cost of the fuel, and that is what he has identified. Clearly there are other areas in terms of the rectification process that we will also be pursuing contractually. In addition, we will also be pursuing any other assurance for business continuity disruption.

Senator FORSHAW—Do you mind if I just jump in on costs, to save me coming back to it? You said \$2 million—

Dr Smith—That is the direct cost of the fuel part.

Senator FORSHAW—There were reports that it was costing around \$100,000 a week for the importation of—

Senator EGGLESTON—Yes, I am going to come to that.

Senator FORSHAW—I thought you were moving off costs, that is all.

Senator EGGLESTON—We are, but we will come to the replacement cost. At the time of this shutdown, Senator Wong put out a media release in October last year referring to the shutdown as an important public safety issue. Was she correct in saying that? Was there any sort of issue of public safety? Was there any issue of radiation affecting the public in the area where the plant was?

Dr Smith—No, there was not.

Senator EGGLESTON—We would not agree with Senator Wong's view that it was an important public safety issue. You are happy that your procedures and the mechanisms that were in place were enough to protect the public from any danger?

Dr Smith—Yes.

Senator EGGLESTON—Did Senator Wong consult you about the issue of public safety?

Dr Smith—No.

Senator EGGLESTON—She simply made this press release without any consultation whatsoever with you on this matter.

Senator CARR—Since you have raised the question, despite the fact that this was in the caretaker period, I actually requested a briefing on these issues and the former minister denied

me a briefing on these matters directly in correspondence that I sent to her on 25 October. It is most unusual, I might say, in a caretaker period for the shadow minister not to be granted a briefing, particularly in these circumstances.

Senator EGGLESTON—That is interesting, but I suppose that it is Senator Wong who appears to have made a rather inflammatory statement without any kind of basis of consultation with the relevant authority, and not you.

Senator CARR—What I can say is that, as the responsible shadow minister, I sought a briefing from the officers who are present at the table today, and that was denied. It was blocked by the previous minister, which, I repeat, is extremely unusual.

Senator EGGLESTON—Thank you very much for that information.

Senator CARR—Perhaps you could ask Mrs Bishop why she chose to do that.

Senator EGGLESTON—I can only commend you on the fact that you sought a briefing and note that Senator Wong jumped in publicly creating fear in the public of that area about possible nuclear radiation hazards. We were told that the shutdown was expected to last for about eight weeks, but I understand that on 10 January it was reported that the water leak had been repaired and delivery taken of newly designed rods. When can we expect this plant to actually be back in production?

Dr Smith—We are awaiting regulatory approval at the moment.

Senator EGGLESTON—What does that involve?

Dr Smith—It involves ARPANSA satisfying itself that the reactor is perfectly safe.

Senator BUSHBY—You have your new fuel?

Dr Smith—Yes, the new fuel has arrived. We are awaiting the regulatory process to reach a conclusion.

Senator EGGLESTON—Senator Forshaw referred to the cost of replacement isotopes. Could you provide some information about that? How much does it cost to bring in isotopes from overseas, and where have they come from?

Dr Smith—At the moment most of the isotopes are coming from South Africa, but we also get some from Canada. The cost is approximately half a million dollars a month.

Senator EGGLESTON—What isotopes does the reactor produce?

Dr Smith—The main isotope that is produced in the reactor is molybdenum-99 which is used in making technetium-99 generators, which is used in approximately 60 per cent of nuclear medicine procedures, and the iodine isotopes—the isotopes that are made within the reactor.

Senator EGGLESTON—What has been the total cost of these imports of molybdenum-99 and the other relevant isotopes over the period?

Dr Smith—The net cost to ANSTO, because in fact we buy molybdenum and then we sell it to hospitals, in the additional cost compared with manufacturing it, is about half a million dollars a month. We anticipate that will rise to be a total of \$8 to \$10 million.

Senator EGGLESTON—Okay, that is quite a significant sum.

Dr Smith—Yes.

Senator EGGLESTON—You will have the Opal reactor up and running, I suppose, within a short period of time. Do you feel it is completely safe, that there is no danger to the public in the area it is located?

Dr Smith—I do.

Senator EGGLESTON—No problems at all?

Dr Smith—No problems.

Senator EGGLESTON—It is interesting you say that, because the Greens have put out a statement saying that they called for permanent closure of the Opal reactor. Senator Nettle put out a press release calling for permanent closure. Would you like to comment on the impact this would have on medical services provided in Australia, since it seems that these isotopes can be imported, or is it much cheaper to produce them in Australia?

Dr Smith—We have the experience of trying to import isotopes and in the period we have been importing isotopes we have had a failure to import once every 2.4 weeks on average. The security of supply of isotopes to Australia would be greatly lessened by an importation strategy, and equally, of course, the short-lived isotopes lose quite a lot of their activity during the delivery. If you talk to the nuclear medicine specialists, they tell you that some procedures are simply not possible with imported isotopes.

Senator EGGLESTON—In other words, for security of supply of isotopes, we need to have a plant like the Opal plant in Australia producing isotopes?

Dr Smith—That gives Australia the greatest security of access to modern nuclear medicine facilities.

Senator EGGLESTON—Do we supply New Zealand?

Dr Smith—We supply New Zealand—not all of New Zealand's activities, but the activities that require short-lived isotopes.

Senator EGGLESTON—The other issue I raise is that Professor Baldock, the Director of Sydney University's Institute of Medical Physics, has expressed the view that the growing demand for radioactive pharmaceuticals in hospitals and nuclear medical diagnostic technology has created the need for more trained specialists in the field of nuclear science. You have told us about the needs on an ongoing basis for medical isotopes in Australia, but I understand that, while Professor Baldock proposed a training program to graduate 15 postgraduate nuclear scientists a year, that program has not been continued or developed. In fact, I believe that it has been abandoned. Would you like to comment on that?

Dr Smith—It is true that the previous government had a program for training up to 15 nuclear technology graduates in a four-year training program, and that has been abandoned by the current government.

Senator EGGLESTON—Do you know why the current government has abandoned that program?

Senator Carr—It is a budget measure.

Senator EGGLESTON—It is a budget measure. So, even though we need nuclear scientists to work in this field to ensure that there is a security of supply for the treatment of Australians requiring imaging with radioisotopes, you are abandoning the program as a budget measure. What was the cost of this program?

Dr Smith—It was \$6 million over three years.

Senator EGGLESTON—That is \$2 million a year. For the price of \$2 million a year—

Senator Carr—No, it is one, two and three. It is on page 72.

Senator EGGLESTON—What are you saying the cost was?

Senator Carr—It is one, two and three—six million. It is not two million a year.

Senator EGGLESTON—I am sorry, but it is still a relatively small amount of money, isn't it? It is a very small amount of money.

Senator Carr—Indeed.

Senator EGGLESTON—It seems very hard to understand the thinking behind abandoning such an important project, Senator Carr.

Senator Carr—These are often difficult decisions that have to be made in the context of the budget. We have been left with a difficult budgetary situation as a result of the neglect of the previous regime, and it has placed this country in quite a difficult inflationary situation. The current government is moving to address that, and this is one of the measures as part of the fiscal discipline that we are imposing.

Senator EGGLESTON—So, for a relatively small amount of money, the government is willing to put in jeopardy the health of a lot of Australians who require medical isotope technology. Is that the case? It seems to be a very irresponsible decision to me.

Senator CHAPMAN—If you change workplace relations you increase inflation.

CHAIR—Senator Chapman, we are trying to hear Senator Eggleston.

Senator CHAPMAN—Let us have some commonsense.

Senator EGGLESTON—Let us hear it from Senator Carr. I think it is quite scandalous, Senator Carr. This is a major requirement for modern medicine and here you are, for a few paltry million dollars, abandoning a training program so that we would have qualified people to provide these sorts of services in Australia.

Senator Carr—This is a budget measure that is required—

Senator EGGLESTON—You said that before, but it is a fairly lame sort of excuse.

Senator FORSHAW—Coming from a government that cut 10 per cent off universities—

CHAIR—Senator Forshaw!

Senator CHAPMAN—When we were facing a \$10 billion deficit, not a national surplus.

CHAIR—Senator Chapman, we are trying to hear answers and questions. Please proceed, minister.

Senator Carr—This is a budget measure that has been made necessary because of the profligate manner in which the previous government chose to manage the finances of this country.

Senator JOHNSTON—You've got 20 billion bucks in that bank.

Senator CHAPMAN—A \$20 billion surplus.

Senator Carr—It is my understanding that ANSTO has reordered its priorities to ensure that the training is maintained.

Senator EGGLESTON—At what cost, and whereabouts? Will they be additional people to the previous number of qualified scientists being produced in Australia?

Dr Smith—ANSTO's contribution is in fact to take graduates and to give them a training program at ANSTO and perhaps overseas to get the training. There are no straight nuclear engineering or nuclear science courses in Australia, so ANSTO's program, which is the one obviously we are continuing with, is to take graduates. We have recruited 12 graduates—12 bright young people—and they have started at ANSTO. They are coming to learn about all aspects of nuclear science and technology, and that includes nuclear medicine and radio pharmaceuticals, and they will be part of ensuring the future for ANSTO.

Senator EGGLESTON—How will you fund that?

Dr Smith—We are reordering our priorities to use the money that we get.

Senator EGGLESTON—What does that mean, though? Could you provide some information about what that means? Are you cutting other programs?

Dr Smith—It means we have to find an extra \$1 million in the coming year, \$2 million in the year after, and \$3 million in the year after that.

Senator EGGLESTON—Will that mean your services will be less effective by so doing?

Dr Smith—We hope to do it by increasing efficiency.

Senator EGGLESTON—It is still a relatively small amount of money. Wouldn't you prefer that the federal government simply gave you a grant for this purpose?

Senator Carr—I am sure every agency head would prefer that the Commonwealth government increased the grants available to it, and that is particularly the attitude that has caused this problem. I draw your attention to the new fiscal discipline that is being imposed by the new government.

Senator EGGLESTON—When people around Australia find that they cannot have their radioisotope scans and those sorts of tests done to diagnose tumours and heart failure and so on, you will tell them that it was a budget measure?

Senator Carr—I do not think this measure has anything to do with anyone having heart failure, other than coalition senators who will have to vote for many of these measures in due course.

Senator EGGLESTON—Senator Carr, you will be renowned around Australia, I assure you, for the remarks you have made today about this. It seems totally heartless and totally irresponsible to me.

Senator BUSHBY—You are currently awaiting regulatory approval for the Opal reactor. When do you expect to get that?

Dr Smith—We can never have a firm expectation. I could say we hope to get it in a matter of weeks, but we do not know—

Senator BUSHBY—How long have you been waiting since you first applied for re-regulation?

Dr Smith—I think we submitted the application on 21 December.

Senator BUSHBY—Would the period of time that has passed so far be what you would normally expect an approval of the regulation to take? When you lodged the application, were you expecting that it would be approved by now?

Dr Smith—We had hoped that it would have been approved by now.

Senator BUSHBY—Have any issues with respect to your re-regulation been presented to you, or do there appear to be any obstacles at this point?

Dr Smith—We have a letter from ARPANSA, the regulator, which contained I think 69 questions to be answered, and we have three teams of people set up to answer those questions as promptly as we can.

Senator BUSHBY—Without casting any aspersions, did you consider those 69 questions that have been raised to be reasonable in the normal course of a process such as this?

Dr Smith—I think people who work in the nuclear area understand that the role of the regulator is essential for both safety and public confidence in the safety regime. We work in an industry where you respect that regulation. I cannot say that that means you always smile and are happy with it, but you respect that that is part of the building of public confidence in the safety of what we are doing.

Senator BUSHBY—In general, the process that has been followed in order for the re-regulation to be achieved is, in your view, in order? It is just a matter of working through it?

Dr Smith—We have no choice but to work through it and to put our maximum effort to give the regulator the information that they require to make their decision.

Senator EGGLESTON—That is all on ANSTO. I now wish to go to the Australian Institute of Aboriginal Affairs and Torres Strait Islanders.

Senator FORSHAW—I have some questions on ANSTO, just to follow up on a couple of things. Let me say at the outset that, as you know, I have followed these issues for many years, and I am fairly familiar with them. What would have been the consequences of continuing to operate the reactor once you discovered the problem with the fuel source?

Dr Smith—It was not an option because the regulator required a full analysis of what had happened and a full solution to be produced.

Senator FORSHAW—This issue of public safety has been raised, and I do not want to take that too far. There is the safety of the operating of the plant that does not of itself mean that it has some huge impact on public safety through a radiation leak, but at the same time I

would assume that it would not have been in the best interests of the high level of safety you require to continue to operate the plant. is that right?

Dr Smith—That is correct. There was no radiation leak; there was no hazard involved, but clearly once we saw that there was a problem with this fuel, it was our immediate intention to stop the reactor and to repair it. Unfortunately, it came down to being a root cause of the fuel that had been delivered with the reactor from Argentina, and we had to get a new core to start the reactor, and that has taken the time.

Senator FORSHAW—Would you have been able to continue to produce radioisotopes with that flawed fuel source?

Dr Smith—No.

Senator FORSHAW—If I can just stay on this safety issue for a moment, earlier in 2007 there was a discovery of a small radiation leak, was there not, which I understand—

Dr Smith—Not that I am aware of.

Senator FORSHAW—Let me just quote from ANSTO's background information:

Earlier in 2007 a leak was detected allowing normal water from the reactor pool the reflector vessel containing the heavy water, which surrounds the reactor core. This was not affecting safety or operation, over a period of years it would ultimately degrade the performance of the reactor.

The shut down—

that is the one relating to the fuel source—

has allowed a rectification process to be completed.

That is the context in which I raise it. You took the opportunity to fix an earlier problem that had been discovered?

Dr Smith—I guess in complex machinery, when you stop it, there is a risk that has been built up of things that you take the opportunity to fix.

Senator FORSHAW—Yes, considering that this is over a fairly short period of time, not like a refinery or a plant—

Senator JOHNSTON—There was not a leak as such.

Dr Smith—No, it was in fact—

Senator FORSHAW—A leak was detected.

Dr Smith—Normal water was leaking into the heavy water at the rate of something like a cup of day.

Senator FORSHAW—I am not saying there is a radiation leak into the atmosphere or anything; I am just saying—

Senator JOHNSTON—As long as we establish that.

Senator FORSHAW—Senator Johnston, if you know my experience with this issue, I think you would appreciate that I hope I know what I am talking about and that I do not try to overdramatise the problems. It is clear to get that on the record, because the other

modifications or changes that you would have had to make would have been considered also by ARPANSA in its assessment—

Dr Smith—In due course.

Senator FORSHAW—Yes, but are they now being assessed?

Dr Smith—Now they are, yes.

Senator FORSHAW—Which goes to the issues raised by Senator Bushby. Going back some years to earlier Senate inquiries, my recollection is that there was discussion about whether or not the new fuel source would be available from Argentina to coincide with the start-up of the reactor. I have some recollection that there were some optional interim arrangements being looked at to use a different fuel source for the first year or so, and then swing over to the more permanent source. My memory is hazy, but this whole question of the availability of the new fuel source for the new reactor was looked at in the inquiry.

Dr Cameron—I think that refers to the fact that the Opal reactor was designed to use what is called a uranium-molybdenum fuel type, and it was hoped that that fuel type would be available when we began the reactor. There was an international development program under way to develop that. It was not ready in time, so we have reverted to using what everyone else was using in the world, which is uranium silicide.

Senator FORSHAW—That answers my query.

Dr Smith—Transition to uranium molybdenum is possible when uranium molybdenum is qualified fuel.

Senator FORSHAW—You have clarified it, because I wanted to see whether there was any connection, if you like, between the problems that arose with this fuel source and the concerns expressed earlier.

Dr Smith—The problem with the fuel was a mechanical problem that did not relate to the nuclear part of the fuel.

Senator FORSHAW—Okay. I hope you get it up and running soon, too.

Senator NETTLE—For how long has the reactor been shut down?

Dr Smith—Since about the middle of July 2007.

Senator NETTLE—I want to ask some questions about the waste dump. I understand that the new government, during the election campaign, committed to repealing the Commonwealth—

Senator Carr—Can I indicate that this matter is another portfolio. This is not in this portfolio. Questions relating to the radioactive waste management facility should be directed to DRET. While ANSTO has some responsibilities under its act, the matters that you are pursuing I think would probably be more appropriately directed to the next portfolio.

Senator NETTLE—After this one?

Senator Carr—Yes.

Senator NETTLE—Could you tell me when to ask them?

Senator Carr—I am not responsible for the waste management facility under the current administrative orders. That would come under the Department of Resources, Energy and Tourism.

CHAIR—Which is next.

Senator NETTLE—Okay.

CHAIR—Are there any further questions for ANSTO?

Senator NETTLE—No, they are all about nuclear waste dumps.

Senator Carr—I would suggest we take them up with that department.

Senator NETTLE—Okay.

CHAIR—Any further questions from other members for ANSTO?

Senator JOHNSTON—Dr Smith, when you say the fuel failed, do you mean the structural composition of the frame of the fuel failed?

Dr Smith—In this case, the fuel was enclosed in aluminium as plates, and those aluminium plates moved in the framework that effectively holds them. Normally those fuel plates are trapped by compression by deforming the aluminium to grip it, and there was a manufacturing failure that some plates did not have sufficient grip.

Senator JOHNSTON—Have you ever had that problem before?

Dr Smith—No. We have asked about it around the world and it is a very rare problem. Certainly the French tell us that they have never seen that kind of failure in their manufactured fuel.

Senator BUSHBY—What is the source of the uranium that ends up in Argentinean fuel rods?

Dr Smith—It will be a mine, because it was discovered and used before nuclear science was underway. The material will be directly as mined.

Dr Cameron—If you are talking about the source of where we buy uranium, we buy it from the United States.

Senator BUSHBY—Where would it have come out of the ground?

Dr Smith—I thought you were talking about what had happened in Hunters Hill.

Senator BUSHBY—No.

Dr Smith—Our uranium is generally purchased from the United States.

Dr Cameron—As you know, uranium is mined as natural uranium, as yellowcake, but it needs to be enriched. There are only a few places where enrichment occurs. The Americans hold enriched uranium. We purchase that. It then goes to Argentina to be made into fuel elements, and then it is trans-shipped to us.

CHAIR—Thank you to ANSTO for participating in the discussions.

[3.22 pm]

Australian Institute of Aboriginal and Torres Strait Islander Studies

CHAIR—Welcome to the Australian Institute of Aboriginal and Torres Strait Islander Studies.

Senator EGGLESTON—I just have a few questions. What is the scope of the research undertaken within this program? Is it limited in its scope, or is research undertaken on anything so long as it is tied to Indigenous issues?

Dr Taylor—It is primarily social research. The type of research that we do has been structured into the organisation over its 40-year history. We have a number of specialty areas that would include Indigenous social and cultural wellbeing, which includes health research, language and cultural expression and education and cultural transmission. We also have another group, Indigenous country law and governance, which looks at Indigenous country management and governance activities. We also have a native title research centre.

Senator EGGLESTON—Are these research areas, such as language, education and cultural transition, law and governance, designed to provide bridges to mainstream Australian culture, or are they to preserve and protect existing Indigenous culture?

Dr Taylor—They are absolutely to provide bridges. We also have a grants scheme that is open internationally, which addresses many of those topics. We have many university people approaching those things, but much of the research is to enable Aboriginal and Torres Strait Islander people to take a full place in Australian citizenship.

Senator EGGLESTON—You mentioned university people. Do you work in association with any particular universities?

Dr Taylor—We have a MOU with Australian National University. We have an agreement with the Charles Darwin University. We also have a number of university based people on our council. We are free to work with universities across the country.

Senator EGGLESTON—How big is your council? How many people are on it?

Mr Larkin—There are nine.

Senator EGGLESTON—Where are they drawn from?

Mr Larkin—We have a membership under the act. Four of those members of the governing council are elected by the membership, and the remaining five are ministerial appointments, one of which has to be a Torres Strait Islander. They are drawn from broad areas of expertise within Indigenous studies.

Senator EGGLESTON—When you said ‘elected by the membership’, who comprise the membership?

Mr Larkin—The act allows us to set up a membership of the institute. People apply for membership, and they have to satisfy one of six criteria. That is overseen on recommendation from the research advisory council, which assesses the applications and then goes for approval to the council.

Senator EGGLESTON—Can you just quickly list the criteria?

Mr Larkin—I do not have the act in front of me, but it is certainly something we could provide to you on notice.

Senator EGGLESTON—What are they in general terms?

Mr Larkin—They are generally concerned with demonstrating experience and expertise in fields of Indigenous study. It could be through employment; it could be through the academy—any number of areas.

Senator EGGLESTON—What is the membership? Numerically speaking, how many members do you have on your books?

Mr Larkin—Approximately in excess of 600.

Senator EGGLESTON—They are drawn from around the country?

Mr Larkin—Yes, and even internationally.

Senator EGGLESTON—What kind of people are the international members?

Mr Larkin—Generally people who have studied indigenous cultures and may have, for example, undertaken field work in the past in Australia, so they can have a continuing interest in the work we do.

Senator EGGLESTON—Do you produce a publication and research papers?

Mr Larkin—We do. We have a journal that comes out twice a year. We also publish books and discussion papers.

Senator EGGLESTON—Discussion papers on a broad range of issues, I presume?

Mr Larkin—Yes.

Senator EGGLESTON—I notice that in your report you state that you spent \$207,971 on consultancies. Can you give us some idea what these consultancies were about?

Mr Larkin—Yes.

Mr Hobson—I will take that on notice to address that specifically.

Senator EGGLESTON—Okay, that is quite acceptable. You have a digitalisation program. Presumably that is for preserving and protecting art and other documents and artefacts?

Mr Larkin—Cultural materials—not so much artefacts, more audiovisual material.

Senator EGGLESTON—Are we talking about songs and dances?

Mr Larkin—We are talking about audiovisual material that concerns languages to do with film, video, photographs and even manuscripts.

Senator EGGLESTON—Last year another Senate committee that covers the arts did a report on Indigenous art in Australia. It came to the attention of that committee that pieces of Indigenous art valuable in financial and cultural terms were being lost or were at threat of being lost because of inappropriate storage conditions in terms of temperature, humidity, light exposure, et cetera. Would your digital program provide a means of at least preserving those images? And has the new government, with its concern about climate change and the impact of higher temperatures and flooding et cetera, advised you that it is giving consideration to assisting you in the protection of collections of Indigenous artefacts and art in your care?

Mr Larkin—The institute, as you may be aware, is a relatively new building. It is about six years old. The difference between that building and the previous one is that it is purpose built. In the new building that we occupy now, we have temperature-controlled vaults that are based on international standards for preserving materials. I suspect that it is not a discussion we have had with the new government, because in fact we have the facilities available to us.

Senator EGGLESTON—You do not feel the need for extra funding to be able to protect artefacts, art and other material you may have?

Mr Larkin—I do understand that the new government is honouring the commitment made by the previous government to continue the funding for digitisation from July this year. That is one thing. I suspect that, in the long term, issues may arise, but at the moment we are able to provide a good service overall in terms of preservation and conservation.

Senator JOYCE—I draw your attention to page 64 of the budget departmental balance sheet. My first inquiry is: in the heritage and cultural assets, your actual of \$6,569,000 becomes \$6,459,000 in the revised budget, then reverts back to \$6,569,000 as a continuum. What is the reason for that \$100,000 difference?

Mr Hobson—That would be acquisition or proposed acquisitions, and then of course there will be disposals or revaluation and changes in valuations.

Senator JOYCE—Why is there a \$100,000 difference—a \$100,000 depreciation of your heritage and cultural assets?

Mr Hobson—Heritage and cultural assets also include our library collection, manuscripts and journals et cetera, and at times their values are adjusted accordingly.

Senator JOYCE—Why is it adjusted down by \$100,000 and then straight back up to its original number?

Mr Hobson—That is in the subsequent year?

Senator JOYCE—Yes.

Mr Hobson—That could be estimates based on possible acquisitions or additions to that.

Senator JOYCE—It just seems peculiar that you have such a perfect number and you have gone down by \$100,000 and then back up to its original number as it was right at the start. Are you proposing in your revised budget to sell exactly \$100,000 worth of heritage and cultural assets and then buy back again that exact number?

Mr Hobson—No.

Mr Larkin—It is an area in which prices can fluctuate because it is quite difficult at times to place a lasting cost on some of these things. They do change. They are not actually always costed according to market values. There is also a lot of cultural value to it, but I suggest we take that on notice and provide an answer back.

Senator JOYCE—I think that would be good. It just seems peculiar. If you adjust them down, you would keep them down. Why would you adjust them back up again?

CHAIR—We can come back after afternoon tea.

Senator JOYCE—I have other questions that I want to pursue afterwards.

Senator Carr—Are there many questions?

Senator JOYCE—I have a few. Do you want to finish?

Senator Carr—It depends how long it is going to take.

CHAIR—I am in the hands of the committee.

Senator Carr—It is my understanding that we are due to finish this whole portfolio by 4 o'clock.

CHAIR—I think we will still manage that timetable, even if Senator Joyce has a number of questions.

Senator CARR—When is the department of resources scheduled to come on?

CHAIR—Senator Joyce, will you be more than about five or 10 minutes?

Senator JOYCE—No.

CHAIR—Perhaps you can continue, then.

Senator JOYCE—I refer you to page 65 and the \$106,000, which represents proceeds from sales of property, plant and equipment. Does that relate also to the \$2,000 gain in the income and expense schedule? In your statement of cash flows, is the \$106,000 cash received pertinent to the \$2,000 gain?

Mr Hobson—It would be related. For detail and clarification, I would take that on notice.

Senator JOYCE—In taking it on notice, I want to know what was involved with that. I imagine that \$2,000 gain is against the written down value, which would mean it was sold extremely close to cost. I want to know where that money went, to whom it was sold and what was going on there.

Mr Hobson—Yes.

Senator JOYCE—Are you involved with collecting material for the preservation of indigenous languages?

Dr Taylor—Absolutely. Some of the research that we do is on linguistics. That produces original tape materials, which do go into the archive and then are publicly available.

Senator JOYCE—With the languages you are working on at the moment, what areas are involved? Can you give an example? Is it the Kamilaroi or Murrindindi areas?

Dr Taylor—We probably have the best national collection in the country. We used to run a program where we produced composite CD collections of individual languages and we responded to groups from all over the nation asking for those sorts of materials. We do not run that program specifically anymore; nevertheless, through the digitisation program, we are able to make language materials available. I cannot tell you exactly where we are working on in Australia right now, but I could obtain that information if you would like it.

Senator JOYCE—Again referring to page 65, your investing activities and cash received, you refer to '\$70,000 from the proceeds of sales of property, plant and equipment'. That is the equivalent of a \$70,000 gain in your income and expense schedule. If, by the same nature, these things are based on written-down values, that would mean their written-down value is

zero. I want you to confirm exactly what is going on between those two figures. Why are they exactly the same? If the previous figure of \$106,000 in sales only equals a \$2,000 gain, why in every subsequent year does \$70,000 of sales equal a \$70,000 gain?

Mr Hobson—I will address that at the same time, if that is all right.

Senator JOYCE—Thank you. I want those answers to come back.

Dr Taylor—I have some additional information about the language questions. We do have material on every language in the country—

Senator JOYCE—Do you have Nulla?

Dr Taylor—Yes, absolutely—including languages that are not spoken. We are currently working in the Lockhart River and Victoria River district. We supply our language materials, on request, to people all over the country. Similarly, we are very interested in constructing digital resources to allow people—

Senator JOYCE—Do you also provide a facility where people can give information about the reason for certain indigenous locations being named as they have been and do you then also provide access to that information?

Dr Taylor—Absolutely. Yes, we can do that.

Senator JOYCE—Unless it is personal, I would be very interested in that.

CHAIR—We thank the institute for their attendance. Thank you, Mr Paterson and officers of the Innovation, Industry, Science and Research portfolio. That is the end of the portfolio questioning. After the afternoon tea break, we will move on to the resources, energy and tourism portfolio. We will take a short adjournment until 3.55 pm.

Proceedings suspended from 3.39 pm to 3.55 pm

[3.55 pm]

RESOURCES, ENERGY AND TOURISM PORTFOLIO

Consideration resumed from 28 May 2007

In Attendance

Senator Carr, Minister for Innovation, Industry, Science and Research

Department of Resources, Energy and Tourism

Executive

Dr Peter Boxall AO, Secretary

Mr John Ryan, Deputy Secretary

Enabling Services

Ms Jo-Ann Rose, Chief Financial Officer

Mr Robert Towner, Acting General Manager, Enabling Services

Resources Division

Mr John Hartwell, Head of Division

Mr Bob Pegler, General Manager, Offshore Resources Branch

Ms Margaret Sewell, General Manager, Projects and Taxation Branch

Mr Chris Stamford, General Manager, Mining Industries Branch

Ms Marie Taylor, General Manager, Fuels and Uranium Branch

Ms Naomi Ashurst, Manager, Alternative Fuels, Fuels and Uranium Branch

Mr Patrick Davoren, Manager, Radioactive Waste Management, Fuels and Uranium Branch

Energy and Environment Division

Mr Drew Clarke, Head of Division

Ms Sarah Clough, General Manager, Energy Futures Branch

Mr John Griffiths, General Manager, International Energy Branch

Mr Brendan Morling, General Manager, National Energy Market Branch

Mr Christopher Short, General Manager, Energy Policy Branch

Mr Bruce Wilson, General Manager, Environment Branch

Mr Ralf Ernst, Acting Manager, Energy Technology and Research

Ms Louise Vickery, Manager, Energy Efficiency Opportunities

Mr Andrew Lewis, Manager, Energy Efficiency Compliance and Regulation

Tourism Division

Ms Tania Constable, Head of Division

Mr Wayne Calder, General Manager, Business Development Group

Ms Helen Cox, General Manager, Market Access Group

Dr Peter Tucker, General Manager, Industry Sustainability Group

Geoscience Australia

Dr Neil Williams, Chief Executive Officer

Dr Chris Pigram, Deputy CEO and Chief, Geospatial and Earth Monitoring Division

Dr Clinton Foster, Chief, Petroleum and Marine Division

Dr James Johnson, Chief, Onshore Energy and Minerals Division

Mr Tony Robinson, General Manager, Corporate Branch

Tourism Australia

Mr Geoff Buckley, Managing Director

Mr John Hopwood, Executive General Manager, Corporate Services

Ms Rachel Crowley, General Manager, Corporate Communications

Ms Sally Lee, Government Relations Manager

CHAIR—I reopen the committee hearings and welcome officers from the resources, energy and tourism portfolio. This afternoon we will start with resources and energy and continue in the order shown on the agenda. For the benefit of officers, I advise that the committee is due to report to the Senate on 18 March 2008 and has fixed Friday, 11 April 2008 as the date for the return of answers to questions taken on notice. I remind everyone to switch off their mobile phones or render them inaudible.

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

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

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

If a witness objects to answering a question, the witness should state the ground upon which the objection is taken and the committee will determine whether it will insist on an answer, having regard to the ground which is claimed. Any claim that it would be contrary to the public interest to answer a question must be made by the minister and should be accompanied by a statement setting out the basis for the claim.

An officer called to answer a question for the first time should state their full name and the capacity in which they appear, and witnesses should speak clearly and into the microphones to assist Hansard to record proceedings. I welcome again Senator Carr, representing the Minister for Resources and Energy, and officers of the department. Minister, is there an opening statement that you wish to make?

Senator Carr—No.

CHAIR—Does the department wish to make an opening statement?

Dr Boxall—No.

Senator NETTLE—I have questions about the nuclear waste dump. I understand that the Labor Party's position during the election campaign was for a repeal of the Commonwealth Radioactive Waste Management Act. Firstly, is that the position of the new government?

Senator Carr—The Labor Party's election commitments remain.

Senator NETTLE—Is there a timeline for the repeal of that act?

Senator Carr—That is a matter for the new minister. I will have to take that on notice.

Senator NETTLE—Thank you. Will the affected communities and stakeholder organisations be contacted by the department to notify them about the process for the repeal of the act?

Senator Carr—I will leave with the secretary the process that the department has undertaken.

Dr Boxall—The government has these matters under consideration at the moment.

Senator NETTLE—The process, or whether the act will be repealed?

Dr Boxall—It has the process under consideration.

Senator NETTLE—Is there any idea about a time frame in which that might be resolved?

Dr Boxall—No. That is part of the consideration.

Senator NETTLE—Does the commitment entail not pursuing any of the sites that have been assessed under the former government's site selection process?

Senator Carr—I have been given detailed advice on this matter now. The minister is presently reviewing the work undertaken by the previous government in regard to the site selection for the radioactive waste management arrangements. There are issues in terms of contracts entered into by the previous government. I am not able to add anything further than that at this time.

Senator NETTLE—Have contracts been entered into in relation to the proposed Mukarty site?

Senator Carr—I will ask the department to deal with the contractual arrangements.

Ms Taylor—A contract has been entered into with Parsons Brinckerhoff to do site characterisation work at a number of sites, including the Mukarty site.

Senator NETTLE—What can you describe about the nature of the contract?

Ms Taylor—The contract is to undertake site characterisation studies.

Senator NETTLE—What is the time frame for that?

Ms Taylor—That work will be finished around the middle of the year.

Senator NETTLE—Is there anything in the contract prohibiting the government from making a decision not to proceed with any of those sites?

Ms Taylor—No.

Senator NETTLE—No compensation or anything like that would be required as a result of a government decision in that direction?

Ms Taylor—In the contract with Parsons Brinckerhoff?

Senator NETTLE—Yes.

Ms Taylor—No.

Senator NETTLE—Is that the only contract in relation to these waste dump sites that has currently been entered into?

Ms Taylor—There is an arrangement with the traditional owners and the Northern Land Council in relation to the Mukarty Station site, so there is that agreement as well.

Senator NETTLE—Since the new government has come into office, has it had any discussions with the Northern Land Council about the Mukarty site?

Ms Taylor—That matter is under consideration by the government.

Senator NETTLE—Whether or not to have discussions?

Ms Taylor—I am sorry?

Senator NETTLE—The question was: have they had discussions with the Northern Land Council?

Ms Taylor—The department has not had discussions.

Senator NETTLE—Do you know whether the government has?

Ms Taylor—I am not aware.

Senator NETTLE—Do both the department and the minister accept that the Mukarty site nomination is a contested one, in terms of some of the traditional owners and the adjoining Central Land Council? Is it accepted by the department that it is a contested nomination?

Senator Carr—In terms of Mukarty Station, the current site investigations are obviously being undertaken, consistent with agreements that were entered into by the previous government, with the traditional owners of the land and the site investigator's contractor, Parsons Brinckerhoff.

Mr Davoren—I am aware that the Central Land Council does not support the establishment of the repository at Mukarty Station or, in fact, anywhere else in the Northern Territory, but Mukarty lies outside the jurisdiction of the Central Land Council.

Senator NETTLE—Is the department aware of the issues that have been raised by a number of Mukarty traditional owners, who have concerns about the approval process for the Mukarty site?

Mr Davoren—I know that the land was nominated by the Nappa estate clan. I am aware there are members of some other estate clans that do not support that nomination. However, under the relevance legislation, it is the view of the land-owning clan that is relevant.

Senator NETTLE—If or when the Commonwealth legislation in relation to the radioactive waste dump is repealed, will nominations for potential dump sites such as the one

submitted by the Northern Land Council for Mukarty need to be resubmitted in order to comply with the land rights legislation?

Mr Davoren—That would be a matter for detailed consideration at the time.

Senator NETTLE—So, there has been no decision on that at this point?

Mr Davoren—It is a matter that is under consideration.

Senator NETTLE—Has the department been instructed to do anything in terms of the process for repeal of the act?

Dr Boxall—That is a matter that is under consideration by the government.

Senator NETTLE—Going back to the contracts in terms of the site characterisation studies, can you explain a little bit more about what that involves and includes?

Mr Hartwell—The current work at Mukarty Station is consistent with the agreements entered into between the previous government and traditional owners of the land and with the site contractors, Parsons Brinckerhoff. We are not in a position to go into any further detail on that.

Senator NETTLE—Can you explain why you are not able to go into any more detail about the site characterisation study and what that involves?

Mr Hartwell—Essentially it is work that has been taking place for a little bit of time but there is further work going on. We are not in a position to go into all of the details of that particular work.

Senator NETTLE—I want to know the kind of work that it involves. I do not need to know all of the detail in terms of where it has got to so far. I want to know what kind of work it involves.

Mr Hartwell—As we understand it—and this is only very, very high level—it would involve surface hydrology, geomorphology, meteorology, flora and fauna and things of that nature.

CHAIR—Are there any further questions on waste management?

Senator NETTLE—The date of the contract was mid-July in terms of the completion of that work; is that right?

Mr Hartwell—Mid-year.

Senator NETTLE—What is the cost of the contract?

Ms Taylor—It is just over \$2 million but bear with me and I will get you the exact number. It is \$2,018,916.

Senator NETTLE—Including GST. Thank you.

CHAIR—That concludes questions on waste management. We move to general questions.

Senator JOYCE—I refer you to page 12 of the additional estimates. What will the cut to the ethanol production subsidy entail? \$10.8 million is being cut from the production subsidy. I will combine with that the \$5 million cut to the ethanol distribution program.

Ms Taylor—Essentially those represent savings in those two programs. Essentially we have done forecasts as to the annual yearly expenditure, and these are savings in the program.

Senator JOYCE—Do you think we have been effective in getting ethanol into the market? Do you think the uptake of the program is working well? Are cars now using more biorenewable fuels and helping to reduce our carbon footprint?

Ms Taylor—Over the last 12 months there has been quite a substantial increase in ethanol usage and program. I can give you some numbers in relation to the volumes. For the 2007 calendar year the program funded 110, 304, 231 litres of ethanol. That was up from 60 million litres the year before.

Senator JOYCE—So, that was 110 million litres?

Ms Taylor—Yes, 110.3 million litres. That is essentially about an 80 per cent increase over that calendar year.

Senator JOYCE—Is that uptake by independents? Where did that uptake happen?

Ms Taylor—I do not have those details.

Senator JOYCE—Can you take that on notice?

Ms Taylor—I am not sure that I can find that information.

Senator JOYCE—Tell me if you cannot. I will understand. Would it not be counterintuitive to the move towards trying to reduce the price of fuel to put an alternative product onto the market, and also reducing our carbon footprint by using a renewable resource as opposed to a fossil fuel? Should we not be increasing our investment in ethanol rather than reducing it? That is probably a question to the minister.

Senator Carr—This is essentially a budget measure and I think the officers are better placed to deal with the details of the reasons that underpin that. I cannot assist you in terms of the process that went into making up the budget measure itself.

Mr Hartwell—The savings that you refer to are projected underspends for both of those programs. The original estimates have been revised on the basis of the grant applications, and these savings are projected for the remainder of the fiscal year. That is based on what has been coming forward.

Senator JOYCE—If they are predicted budget underspends—I imagine you would like to claim credit for that—why did you not include them into your efficiency dividend and what is in the efficiency dividend, the \$141,000? Can you quantify that purely beyond it just being two per cent of your overall figure?

Dr Boxall—The efficiency dividend is applied to the departmental, which is the cost of running the department. These savings are savings against an administered item, because it is a program administered by the department. In the way that the budget operates they are separate issues. The efficiency dividend is the two per cent efficiency dividend on the running costs or departmental expenses. These are savings against programs that the department administers on behalf of the government where the demand for these subsidies has been less than originally anticipated.

Senator JOYCE—The demand for the subsidies is less. Has the question been asked why the demand for the subsidies is less? I know the answer. The capacity for people to actually get ethanol to the market is obfuscated by reason of the major oil companies refusal to buy the product. Therefore, they are not taking up your subsidies because they have no-one to sell the ethanol to.

Mr Ryan—There are probably two points to make. On the first point, whether we could have used these savings to offset our efficiency requirements, we would like to, but under department of finance arrangements these are seen as fortuitous savings. Because it is an entitlement program people will get paid either up or down depending on what happens. In terms of what has happened in our estimation, lots of factors come in when estimating for an entitlement program. There are changes happening in the marketplace all the time.

Senator JOYCE—I will be more direct. If we had a mandate on ethanol would it not be more likely that we would not have to worry about those savings because the uptake of the production subsidy savings and the ethanol distribution program would have been a lot more fulfilled by reason of the fact that people who were going into ethanol production would have had someone to sell their product to rather than the current oligopoly arrangement where the oil companies are basically trying to obfuscate the process? I take onboard what you say about the 110,000 litres. But that is still below their own targets.

CHAIR—I think most of that is a policy question.

Senator JOYCE—With respect to the efficiency dividend, can you quantify in your department where you envisage finding that 141,000?

Dr Boxall—Not yet. As you probably know, our department is a new department. We are just being established. The total funding for our department will be the subject of deliberations in the budget. We do not know what our total funding will be. Once we find that out, we will then work out how to manage our department's new budget.

Senator JOYCE—Correct me if I am wrong, but they are going to set up a department, give you the funding and then after they give it to you they will ask for 2 per cent of it back?

Dr Boxall—They set up the department and funding is transferred from the former Department of Industry, Tourism and Resources. We had three divisions transfer over and we received funding for those three divisions. We have received funding from some smaller machinery of government changes from the former Department of Education, Science and Technology. But there is a issue about the overall funding of the department which will be considered in the budget context. We, like everybody else, will be subject to the two per cent efficiency dividend.

Senator JOYCE—How do you determine a two per cent efficiency dividend when you do not actually have a base to jump it from?

Dr Boxall—That is the two per cent based on the monies that we have been given thus far.

Senator JOYCE—So, there is no previous year to determine an efficiency from? 'We give you this money and we expect you to spend 98 per cent of it?'

Dr Boxall—It is basically an efficiency dividend that is based on the money primarily that we receive from the former Department of Industry, Tourism and Resources.

Senator JOYCE—When do you think you will be able to start determining where your efficiencies will lie? How can you explain to us where those efficiencies lie when we do not know where you are actually inefficient because you did not actually exist, so to speak?

Dr Boxall—The department didn't exist but the three divisions existed in the previous Department of Industry, Tourism and Resources. What the government has decided is that there should be efficiencies from the operation of those three divisions in the previous department.

Senator JOYCE—I am not having a go at you. My issue is: do you believe this is just a figure that has been plucked out of air and it is *obscurus per obscurum* as to how anybody is going deal with it, because no-one can actually quantify where these cuts will come from? They have just been foisted on you and now you have to somehow deal with it. We will hold you to it. How are you going to explain it to us?

Senator Carr—I think it is appropriate that you might want to return to this matter at subsequent estimates committees. The secretary has explained that the efficiency dividends will apply and he has explained the manner in which it will apply. The mechanism by which it will be applied are matters that will be reported back to the committee in due course.

Senator JOYCE—You would already have your 1.25 per cent efficiency dividend to meet; correct? This is on top of that?

Dr Boxall—This is a government decision that has impacted on all departments and is an additional two per cent efficiency dividend.

Senator JOYCE—Additional to the 1.25 per cent?

Dr Boxall—Exactly; that is what it says on the table on page 12.

Senator JOYCE—So, you have a 3.25 per cent efficiency dividend in toto?

Dr Boxall—Yes, that is correct.

Senator JOYCE—That will obviously mean that whatever you are budgeting for you will have to look for cuts already?

Dr Boxall—That means that we have to live within the money that is appropriated to us by parliament and make the necessary adjustments to do that.

Senator JOYCE—Have you had discussions with your staff and senior members as to where these cuts might occur?

Dr Boxall—We have had some preliminary discussions amongst senior staff. But as I mentioned, we are not going to finalise this discussion process until we have the outcome of the budget deliberation on our total funding. We are in somewhat of a unique situation because we are a new department. Other agencies are ongoing and they are able to deal with this earlier than we might be able to.

Senator JOYCE—So, you take across their terms of employment from wherever they came. Are they new? Have they been transferred on to your books, so to speak?

Dr Boxall—Yes.

Senator JOYCE—It would be hard to look for attrition from the staff, because you have only just kicked them all off?

Dr Boxall—Sorry?

Senator JOYCE—You have only just started with all of your staff so you cannot say when these people retire or move on; they have only just all started with you.

Dr Boxall—That is true, but it is up to us as managers to manage within the money appropriated to us. As Senator Carr said, we will be able to report back on that at budget estimates.

Senator JOYCE—You might even have to consider laying off some of them.

CHAIR—That is not a question.

Senator JOYCE—I will make it a question. Would you consider laying some of them off?

Dr Boxall—We will look at our budget once we have the result of the deliberations by the budget committee and we will make the necessary adjustments.

Senator JOHNSTON—Do we have only one agency in this department, Geoscience Australia?

Dr Boxall—There is the Department of Resources, Energy and Tourism, and at the moment we are doing Resources and Energy. There is also a prescribed agency called Geoscience Australia, which is next on the agenda.

Senator JOHNSTON—All I am interested in knowing is the structure of our new department. I am just asking the question: we have one agency under the umbrella of Resources, Energy and Tourism?

Dr Boxall—Two.

Senator JOHNSTON—Tourism Australia.

Dr Boxall—We have the department plus three agencies in total. But within Resources and Energy, because the minister is the Minister for Resources and Energy, on the one hand, and the Minister for Tourism on the other, within Resources and Energy we have two agencies. One is a prescribed agency, Geoscience Australia. The other is NOPSA, the National Offshore Petroleum Safety Authority.

Senator JOHNSTON—The reason they are not in our estimates list is because I said I did not want to ask any questions; is that right? What is the third agency?

Dr Boxall—Under Tourism—the minister is the Minister for Tourism—we again have the Department of Resources, Energy and Tourism plus one agency, which is called Tourism Australia.

Senator JOHNSTON—Thank you for clarifying that. In terms of your departmental structure, what does Enabling Services do?

Dr Boxall—Enabling Services is our corporate services. It comprises the Chief Financial Officer, Ms Rose.

Senator JOHNSTON—Of course. I see your name here. Nice to see you.

Dr Boxall—And also the general manager of corporate. It provides human resource services, IT services, parliamentary liaison, security and services such as that.

Senator JOHNSTON—Who did the structuring of the department? Was it you, Dr Boxall?

Dr Boxall—Basically, yes.

Senator JOHNSTON—That makes me feel very confident that it is running properly. Let us go on to the Resources Division. I have a few very general questions. This portfolio strikes me as not having too many issues. You probably know a lot more about those issues than me. But it strikes me that it seems to run itself. The former minister told me that in something like nine years he never got one question in question time. It is all very mundane. Can we talk about one of the hot topics, which is uranium? At the moment we have two producing mines, I think?

Mr Hartwell—No, we have three producing mines at this point.

Senator JOHNSTON—We have Roxby Downs?

Mr Hartwell—Yes. Olympic Dam, the Ranger mine in Northern Territory and Beverley in South Australia.

Senator JOHNSTON—Beverley is the new one. Can you tell me what the royalty is in South Australia? Is it a percentage or is it per tonne with respect to uranium?

Mr Hartwell—I would have to take that on notice unless one of my colleagues knows. We obviously do not have responsibility for administering uranium royalties in South Australia. That is a matter for the South Australian government.

Senator JOHNSTON—Given we have only two states participating in the mining of that mineral, I am interested to know what the revenue lost to Western Australia and particularly Queensland would be. Do the department and your division ever analyse that? We have Kintore and Yalleroi. We know how many tonnes are in there. Have we looked at that?

Mr Hartwell—Not in the precise terms that you would put it. Obviously, we are aware of the Kintore and Yalleroi uranium deposits in Western Australia. The Western Australian government has a policy of no uranium mines at this point in time. Depending on your valuation of the resource you can make some judgment on the sorts of royalties that might accrue to the Western Australian government. You could do that, I suppose. It is not something that we have done.

Senator JOHNSTON—Could you take that question on notice for me on South Australia?

Mr Hartwell—On South Australia? I am not sure what that means. These deposits are in Western Australia.

Senator JOHNSTON—I am interested to know what South Australia is getting.

Mr Hartwell—I can take that one on notice.

Senator JOHNSTON—Let me tell you why I am asking the question. I am taking a national approach. Who is responsible for the export permit with respect to Beverley, Roxby Downs and Ranger?

Mr Hartwell—This portfolio is responsible for issuing export permits.

Senator JOHNSTON—What do you take into consideration when you issue the permit?

Mr Hartwell—We take into account essentially the arrangements that relate to all Australian uranium exports, which are bilateral safeguards.

Senator JOHNSTON—The non-proliferation treaty and who is receiving it?

Mr Hartwell—Yes, absolutely.

Senator JOHNSTON—All of the necessary safeguards that you are looking for. Over a long time you have had plenty of practice in doing this. We have been exporting for 20 years now, have we not?

Mr Hartwell—Yes.

Senator JOHNSTON—Who pays for us to do that as a Commonwealth?

Mr Hartwell—Essentially it is a part of the appropriation to this portfolio.

Senator JOHNSTON—So, the taxpayer pays for us to administer the export of uranium from South Australia and from the Northern Territory. And we get nothing back in return?

Mr Hartwell—You could put it in the way that we do of course get some corporate taxation from the operation of uranium mines, which accrues to the Commonwealth.

Senator JOHNSTON—We do not get a royalty.

Mr Hartwell—We do not get any specific fees placed on a particular mining operation.

Senator JOHNSTON—And yet we have a lot of responsibility to see that that uranium does not end up where it should not. How many people do we have retained to investigate whether a permit should or should not be granted?

Mr Hartwell—We have a uranium section at the moment of some six people or thereabouts, who have other responsibilities as well. A lot of the compliance arrangements in terms of our bilateral safeguards arrangements are the responsibility of the Department of Foreign Affairs. We work closely with them on that. We essentially need to get their final tick-off before we will approve the uranium export.

Senator JOHNSTON—Would you say that your department has primary responsibility?

Mr Hartwell—In terms of administering safeguards, no.

Senator JOHNSTON—In terms of granting the permit?

Mr Hartwell—Yes. We essentially sign off on all permits. But administering the safeguards regime is the responsibility of the Department of Foreign Affairs.

Senator JOHNSTON—Who does the buck stop with for each of our tins of yellowcake?

Mr Hartwell—Where does the buck stop?

Senator JOHNSTON—Who is responsible for saying, yes, it has gone to the right person and all the safeguards are being followed?

Mr Hartwell—We get advice from the Safeguards Office.

Senator JOHNSTON—Which is in your department.

Mr Hartwell—No, it is in the Department of Foreign Affairs and Trade. Then we would approve the export.

Senator JOHNSTON—The answer to my question as to with whom the buck stops?

Mr Hartwell—Essentially it does lie with the Minister for Resources, Energy and Tourism.

Senator JOHNSTON—But we do not get any return for that responsibility from the states?

Mr Hartwell—In the way that you are framing the question in a precise financial return, if you are putting it in that context, no.

Senator JOHNSTON—The non-proliferation treaty is important, is it not?

Mr Hartwell—Absolutely.

Senator JOHNSTON—We do not want to be funding terrorist bombs with our uranium.

Mr Hartwell—That is correct.

Senator JOHNSTON—We take all the responsibility and we get no revenue back. That is the situation with uranium export in Australia today.

Mr Hartwell—There is the corporate taxation, which I have already mentioned.

Senator JOHNSTON—Everybody pays that.

Mr Hartwell—The uranium industry generates employment and wealth—

Senator JOHNSTON—Not everybody has to comply with the non-proliferation treaty, though, do they?

Ms Taylor—I can shed some light—

Senator JOHNSTON—Which branch are you from?

Ms Taylor—Fuels and Uranium. I can perhaps shed some light on your question in relation to royalties that South Australia receives from Olympic Dam. This is royalty proceeds that arise from copper, uranium, gold and silver, so it is not just the uranium. But from Olympic Dam in 2006 it was \$60.965 million.

Senator JOHNSTON—But as you say, that is a metallurgical mix of minerals.

Ms Taylor—That is right.

Mr Hartwell—It is a polymetallic mine, as we would call it. Uranium is really only one part of the operations at Olympic Dam.

Senator JOHNSTON—What about Ranger? Does the Northern Territory government or the Commonwealth get a royalty from Ranger?

Mr Hartwell—Yes. On the value of uranium sales there is a royalty imposed of the equivalent of about 5.25 per cent, of which 1.25 per cent accrues to the Northern Territory government for their day-to-day administration of the Ranger mine and four per cent is paid back to the Indigenous people.

Senator JOHNSTON—So, the Commonwealth still gets nothing?

Mr Hartwell—The way you are framing your question, in terms of does anything accrue specifically on a fee-for-service basis to our department for the role that we play there, that is correct.

Senator JOHNSTON—Yes.

Mr Hartwell—As I said, there are other benefits that accrue to the Commonwealth.

Senator JOHNSTON—How much does that five per cent equate to on a per annum basis?

Ms Taylor—In 2006-07 the royalties that accrued to the Northern Territory in total were just under \$16 million; \$12.35 million went to the Aboriginal benefit account; and \$3.6 million to the Northern Territory.

Senator JOHNSTON—About \$16 million in total per annum gross royalties?

Ms Taylor—That was the latest number, yes.

Senator JOHNSTON—Gross accumulated royalty. It is a percentage royalty. Do we have any statistics on JORC reserves of uranium in Australia?

Mr Hartwell—My colleagues at Geoscience Australia may have a more precise estimate than we could give you at this point. The commonly used figure is that we sit on around 35 per cent to 36 per cent of the world's low cost uranium resources. In terms of precise JORC figures, I will see whether my colleagues from Geoscience Australia can help out on that.

Senator JOHNSTON—Does that place us in the top three with Canada and the former USSR?

Mr Hartwell—Indeed.

Dr Johnson—Could you repeat the question, please?

Senator JOHNSTON—What is the JORC reserve of known uranium deposits in Australia at the moment? Do we have a figure? If it is not JORC I am interested to know that it is not JORC; if it is JORC, I am—

Dr Johnson—The figure I can give you is not JORC; it is economic demonstrated resources. It is 714,000 tonnes of uranium.

Senator JOHNSTON—What do we export every year approximately?

Dr Johnson—We export 8,700 tonnes of U308.

Senator JOHNSTON—That is a lot of years, is it not?

Dr Johnson—That certainly is. Of the order of 75 years.

Senator JOHNSTON—At that rate.

Dr Johnson—At current production rates, yes.

Senator EGGLESTON—Is that figure for all of our reserves of uranium?

Dr Johnson—It is for our economic demonstrated resources, which includes some resources that are not yet in operation.

Senator EGGLESTON—Would you speculate what percentage of our total reserves that figure is, mined and unmined?

Dr Johnson—Can you clarify the question? You have given a figure. What percentage of the total reserves in Australia of uranium, known reserves, does that figure represent? Is it 100 per cent?

Dr Johnson—No, it is not 100 per cent. That is a difficult question to answer, because there is another category that we refer to as inferred resources. All we can say in concrete terms is that a proportion of that will probably be mined, but we cannot say what proportion. It certainly will not be 100 per cent.

Senator JOHNSTON—So, we have three nomenclatures of reserves. At the top we have inferred resources?

Dr Johnson—Inferred are one of the lower categories.

Senator JOHNSTON—So, at the top is economically demonstrated resources.

Dr Johnson—We are talking about two different schemes. The JORC code that you have referred to includes measured indicated.

Senator JOHNSTON—Which is our prospectus standard?

Dr Johnson—Yes, it is. Economic demonstrated resources includes the measured and indicated resources categories. But when you speak of reserves, that implies a demonstration of what is economic already—in other words, a mine design that demonstrates economic extractability. Economic demonstrated resources does not go that far. We cannot take on the role of mine design.

Senator JOHNSTON—So there is potentially a figure beyond economical demonstrated—

Dr Johnson—That will ultimately be extracted?

Senator JOHNSTON—Sorry, say that again? I have division bells ringing in my ears.

Dr Johnson—Are you saying there is potentially more to be extracted in the long term beyond the economic demonstrated resources?

Senator JOHNSTON—I am not so much interested in extraction, because I think if we are talking extraction we need to talk JORC. But I am talking about known deposits. I think economically demonstrated is reasonably nebulous. Inferred, you are saying, is less than that?

Dr Johnson—I am saying it is less certain than the economic demonstrated resources.

Senator JOHNSTON—So, economically demonstrated is the top? Is there anything beyond that?

Dr Johnson—No, not unless you go to the industry scheme of JORC reporting.

Senator JOYCE—What is JORC reporting?

Dr Johnson—Joint Ore Reserves Committee.

Senator JOHNSTON—That is a standard, is it not?

Dr Johnson—Yes, it is.

Senator JOHNSTON—It is a standard that is acceptable as in the ground economic resource?

Dr Johnson—That is correct.

Senator JOYCE—Briefly, what is the government's position on the construction of nuclear reactors in Australia for power?

Senator Carr—I think we have made that very clear.

Senator JOYCE—Just give it to us again.

Senator Carr—The government does not support the construction of nuclear reactors in Australia.

Senator JOYCE—Why?

Senator Carr—We have made it very clear that the economic argument for such a proposition has yet to be demonstrated. The government believes we have ample coal supplies and other energy resources to see this country through for a great length of time.

Senator JOYCE—So it is nothing to do with a moral argument; it is just purely an economic argument?

Senator Carr—There are many arguments, but that will do for a start. On economic grounds the proposition—

Senator JOYCE—That is the premise of your argument—it is an economic one, not a moral one?

Senator Carr—There are many grounds.

Senator JOYCE—So, it includes a moral one?

Senator Carr—There will be those who will put moral grounds, there will be those who put economic grounds.

Senator JOYCE—If it includes moral grounds, how do you deal with the juxtaposition that it is not moral to use it here but it is moral to use it somewhere else?

Senator Carr—The government has a stated position on the export of uranium. I have no particular desire to go over that position. I support the government's policy.

Senator BUSHBY—Does the government's policy of no nuclear reactors include OPAL-type ones?

Senator Carr—We are committed to the research reactor.

Senator BUSHBY—You said no reactors?

Senator Carr—The OPAL reactor is in a different category entirely. It is a research reactor.

Senator BUSHBY—I was just clarifying that.

Senator Carr—By international standards it is regarded as a very small-scale operation.

Senator JOHNSTON—I am finished with uranium, unless anybody else wants to talk about uranium.

Senator EGGLESTON—I have one question. We do have the three mines policy in Australia but we seem to have vast—

Senator WEBBER—No, we don't.

CHAIR—Senator Webber! Continue, Senator Eggleston.

Senator EGGLESTON—There seems to be a great demand for uranium around the world. Do you foresee a situation in which we may be willing to increase the number of mines in this country?

Senator Carr—Clearly the current policy provides for such a possibility. I am not aware that there are any matters before the government to actually expand the number of mines currently operating.

Senator JOYCE—Why not?

Senator Carr—It is my understanding that that is a question for the proponents of such mines to come forward.

Senator JOYCE—No-one has come forward wanting to open up another mine?

Senator Carr—I will leave it to the officers. That is my understanding.

Mr Hartwell—There is the distinct possibility that another mine in South Australia which has completed all its approvals, that is the Honeymoon mine, may come into production some time in the near future.

Senator JOYCE—When would it be envisaged that that would come online and what would be its extraction?

Mr Hartwell—Again, that is a commercial decision by the proponents. I could not give you a precise date for when it might come online. In terms of its rate of extraction, again, that is a commercial decision, but compared with, say, the Ranger uranium mine or with Olympic Dam, it will be relatively small.

Senator JOYCE—Apart from Honeymoon are there other consortiums before you that also have applications that are in train at the moment?

Mr Hartwell—Not that I am aware of.

Senator JOYCE—Have none tried to approach you? Only one in the whole of Australia, with the biggest uranium resources in the world? Only one person has approached you about opening up another mine?

Mr Hartwell—As is well known, there are extensive uranium deposits in Australia. But then it is up to the commercial holders of those deposits to make decisions whether they wish to go forward and establish a uranium production facility. It is not within the government to determine that.

Senator EGGLESTON—Who are the proponents of the Honeymoon proposal? Are they domestic Australian companies or not?

Mr Hartwell—We might need to take that one on notice. I am sorry about that. I do not have the partners in the Honeymoon.

Senator EGGLESTON—As a follow-up to that question, what would your attitude be to an application from a foreign company, a company registered in another country, say, Germany or Italy or somewhere else, to explore for and open a uranium mine in Australia?

Mr Hartwell—You must remember that essentially this is onshore mining and that is the responsibility for the appropriate state or territory jurisdiction. Any application to open a new uranium mine would go through the relevant state and territory authorities.

Senator EGGLESTON—But in the end it would also have to be considered by the Commonwealth under perhaps the foreign acquisitions and takeovers legislation or the Foreign Investment Review Board, something like that?

Mr Hartwell—That may be the case if it has foreign participation. But as we have already noted, certainly the export approval would be a Commonwealth responsibility, as would be some of the environmental approvals under the Environment Protection and Biodiversity Conservation Act.

Senator EGGLESTON—I understand that. I suppose what I am looking for is some sort of sense of your feeling about whether or not such a proposal would be approved. You may not be able to provide that answer. Perhaps Senator Carr might like to comment.

Senator Carr—Perhaps you could repeat the question. What would you like me to comment on?

Senator EGGLESTON—Suppose you had a foreign company or a state owned corporation from another country—a sovereign fund—that wished, either as a joint venture or solely, to open a uranium mine in Australia and export uranium, what would the government's attitude be to such a proposal?

Senator Carr—As the officials have drawn to my attention, there are at least three questions that need to be addressed. That is the question of export permits. There are of course environmental standards that need to be met. There are also the Foreign Investment Review Board issues that need to be attended to. The minister is seeking to remove impediments to uranium exploration in mining, and they go to broader questions, including issues of transportation, skills development, regulation and ensuring the appropriate socioeconomic outcomes for Indigenous communities are protected. There is a range of issues that address the development of the uranium industry in this country. The government has no policy restriction other than meeting those criteria as I have outlined.

Senator EGGLESTON—So in effect you are saying that the government is seeking to lift the restrictions, facilitate in fact, I suppose you could almost say, the further development of uranium mining in Australia?

Senator Carr—The government is working to remove impediments to uranium exploration and mining. This is by necessity a highly regulated industry. There is a range of issues that needs to be satisfied if any proponent wishes to come forward and develop uranium activities in the country.

Senator BUSHBY—Do you believe that—

CHAIR—I would like to invite some input from a South Australian senator.

Senator BIRMINGHAM—A brief input. Following on from Senator Eggleston's three mines related question, as long as the Honeymoon project meets the environmental criteria and other criteria, there are no additional barriers aside from the export licensing criteria that it would have to meet to be granted such an export licence?

Senator Carr—As I indicated, I am not aware of any new developments other than Honeymoon, which I am told is a fair way down the track in terms of negotiating the regulatory issues. There is no reason why you would not expect that those matters would be resolved in due course.

Senator JOYCE—It seems peculiar that people are crawling all over us to open up iron ore mines, yet we only have one proposition to open up a uranium mine that has come before you. Might I suggest that some people just give up because they believe it is far too bureaucratic and it is not worth going down that path.

Senator Carr—Clearly there are issues to do with the regulation of the industry by the state jurisdictions. There is a range of economic considerations. I saw a program last night on television on the resource supply coming out of South Australia, which will satisfy the industry requirements for some considerable time. There is a range of economic issues to be addressed as well.

CHAIR—Are there any further questions on uranium?

Senator JOHNSTON—Can I go on to oil and gas?

CHAIR—Yes.

Senator JOHNSTON—Is Mr Pegler in charge of oil and gas?

Mr Hartwell—I should explain that the resources division encompasses all petroleum upstream and downstream, all coal and minerals, including uranium. Certainly Mr Pegler is in charge of that.

Senator JOHNSTON—Sorry, Mr Hartwell. Forgive me; I am new to this.

Mr Hartwell—He heads up the Offshore Resources Branch, which essentially has the focus on administering our offshore petroleum legislation and Petroleum (Submerged Lands) Act.

Senator JOHNSTON—Help me with the way the department assesses new projects. Do we have specific descriptions of the state of progression of each project? I would have thought we would have pre-feasibility, feasibility, start-up, commission, et cetera. What does the department use in that structure?

Mr Hartwell—I am assuming you may be talking about gas projects here. The majority of our oil and gas is found offshore. Under the offshore constitutional settlement the Commonwealth has jurisdiction from three nautical miles out. In doing that we work closely with the appropriate state and territory jurisdiction. In the assessment of projects, as you mention, there is a whole range of regulatory approvals that need to be gone through in terms of production licences, pipeline licences, issues related to environmental management plans where, depending on the circumstances we work with either the state authorities or the Commonwealth authorities. There is a broad range of issues that each project has to go

through and we do work closely with the appropriate Commonwealth authorities and also the appropriate state or territory authorities from the time of the project concept development to the final investment decision. There is a whole range of activities that we are involved in, yes.

Senator JOHNSTON—Forgive me if I sound a bit tedious, but I want to work through what we have actually got happening out there. How many offshore oil and gas licences have we issued?

Mr Hartwell—At this point in time, I can take you through both exploration, production licences and pipeline licences.

Senator JOHNSTON—Let us start with exploration first.

Mr Hartwell—Explorations leases, I will turn to Mr Pegler in a moment, but I think we have some 200 current offshore exploration leases?

Mr Pegler—We have 204.

Senator JOHNSTON—Is there somewhere I can go and see the identifying numbers of those leases? Do we call them leases?

Mr Hartwell—Yes.

Senator JOHNSTON—And the proprietor of that lease? Is that on the website?

Mr Pegler—No, they are all contained within the state registers of titles, petroleum titles. The states administer the gazettal and the register system on behalf of the Commonwealth. They maintain the registers.

Senator JOHNSTON—So, the state Department of Minerals and Energy in Western Australia, for instance, records and does all of the transactions with respect to those titles? We do not conduct a register, in other words?

Mr Pegler—We do not conduct a register but a lot of the transactions and arrangements are done under a joint authority process where both the Commonwealth and the state jointly sign off.

Senator JOHNSTON—And, what, we remit funding to the state for their administration costs of our leases?

Mr Pegler—There are a number of fees and charges applied to the administration of all permits and titles. Those are returned to the states from the Commonwealth for the administration work they undertake.

Senator JOHNSTON—So, I have to go to the states to find out who the lessees are. I am just talking about exploration permits at the moment. I have to go to the states to find out who the lessees are. who sets the fees, the rent on those leases?

Mr Pegler—The fees are set by the Commonwealth, so they are payable to the Commonwealth. But they are jointly agreed with the states.

Senator JOHNSTON—Do we get a net return or do we pay money to the states?

Mr Hartwell—We pay the fees back to the states.

Senator JOHNSTON—So any fees derived from our tenements, our leases, we give to the states?

Mr Pegler—In terms of exploration, yes, that is correct.

Senator JOHNSTON—Do we charge rent on our exploration leases? What are the fees approaching an exploration lease, an offshore petroleum lease, roughly?

Mr Pegler—There are a large variety of fees. For instance, you must pay a fee of \$4,400 to lodge an application for—

Senator JOHNSTON—That is the application fee, yes.

Mr Pegler—Then there are ongoing annual administration fees. There are fees—

Senator JOHNSTON—Just before you go any further: what ‘ongoing administration fees’?

Mr Pegler—I do not have the exact figures for each individual fee. We can give you a complete fee structure if that is all right.

Senator JOHNSTON—I would like that, yes, please. There are ongoing administration fees. That is the annual rent, I take it? What other fees are there? I do not want to know how much but what are the hidden?

Mr Pegler—There are fees charged if there are changes in ownership, for instance.

Senator JOHNSTON—There is transfer of registration fees—

Mr Pegler—Transfer fees, those sorts of things, yes.

Senator JOHNSTON—Are you saying that all of those fees, the \$4,000, the transfer fees, the ongoing administration rent, all of that sort of stuff, stays with the states?

Mr Pegler—No. It is paid to the Commonwealth and the Commonwealth then transfers it back to the states.

Senator JOHNSTON—Do the states collect it?

Mr Pegler—No, it is paid to the Commonwealth. The states actually receive it but it is paid into a Commonwealth account.

Senator JOHNSTON—That is what I meant, sorry. Yes, that is right. The states physically receive it?

Mr Pegler—Receive it.

Senator JOHNSTON—Then send it to the Commonwealth?

Mr Pegler—No, it is paid directly into a Commonwealth account.

Senator JOHNSTON—All right. They put it into a Commonwealth account. The Commonwealth then takes it out of the Commonwealth account and gives it back to the states?

Mr Hartwell—Yes. You would see in our annual portfolio budget statement an amount there for petroleum administration fees as an income and then it is matched as an expense as a payment to the state.

Senator JOHNSTON—Where are we at with the outgoings and ingoings with respect to the administration costs? Let's just talk about exploration leases first. Do we make any money out of those?

Mr Pegler—The Commonwealth does not take any money out of them.

Senator JOHNSTON—Do we lose money?

Mr Pegler—I would not say we lose any money on them, either.

Senator JOHNSTON—Is it a cost to the Commonwealth? It is not a big cost, but is it a cost to the Commonwealth to have the leases administered by the states?

Mr Pegler—No, because the fees that are collected pay for the entirety of the states' costs in administering those fees.

Senator JOHNSTON—So is it a break-even position?

Mr Pegler—Yes. It is an in and out.

Senator JOHNSTON—And we have 204 of those exploration leases. Do we call them licences or leases?

Mr Hartwell—They are corporate licences and there are some 70 production licences.

Senator JOHNSTON—Seventy production licences? How many new production licences are being sought at the moment?

Mr Hartwell—The figures that I have in front of me would suggest that in 2007-08 we will either grant or renew six production licences.

Senator JOHNSTON—Grant or renew? What is the term of a production licence?

Mr Pegler—Under the current legislation it is for the life of the project. Under previous arrangements it was up to 21 years, in some cases, so some do come up for renewal but none of the new ones would come up for renewal.

Senator JOHNSTON—The question I would like to know is how much potential production are we aware of in the nature of projects that have not commenced?

Mr Hartwell—Are we talking about oil or condensate here or are we talking about gas?

Senator JOHNSTON—Let's deal with each separately. What do we know is on the horizon with respect to gas?

Mr Hartwell—On the horizon, of course, we can talk about the reserves of gas that have been identified in Australia and, again, it gets into some technical definitions about known resources at certain levels of probability and inferred resources, but broadly we believe that there is around 140 trillion cubic feet of gas that has been identified in Australia. Our present production rates, including domestic gas and export gas, would account for 1.5 to 1.8 trillion cubic feet, so that gives you an idea of the reserves of gas that we have, which are quite substantial.

Senator EGGLESTON—Could you go back to that figure again? I just missed that.

Mr Hartwell—Essentially, we would talk about a figure where we have identified resources in Australia of gas of 140 trillion cubic feet and, at the moment, we are using gas at

the rate of around 1.5 to 1.7 trillion cubic feet a year. That is both in domestic gas production and in our exports of liquefied natural gas. There are a number of projects, which I assume you are talking about, on the horizon for us which will increase considerably that consumption of gas. But all of that being said—

Senator JOHNSTON—Sorry, consumption or production?

Mr Hartwell—Production. When I am talking about consumption, I am talking about consumption of gas—

Senator JOHNSTON—As a finite resource?

Mr Hartwell—Yes, use of the gas against the resources that we have.

Senator JOHNSTON—How does the department go about, at any given moment, saying what is on the go? When I say ‘what is on the go’, I want to talk about projects that are drilled up but are not in production. I think I need to try and tie this down. What is happening out there is a picture that I think we all need to know and understand, for policy reasons. What can you tell me about what is drilled up but is not yet in production but that we think will go into production?

Mr Hartwell—Again, I have to qualify my answer by saying these are commercial decisions and—

Senator JOHNSTON—Let’s say all things being equal?

Mr Hartwell—There are a number of projects on the drawing board in Australia in relation to gas, some of which I would imagine you are familiar with—for instance, the Gorgon project in offshore Western Australia. As well, as you move further up the coastline in Western Australia, there are the Browse projects and the Scarborough project. Then as you move around to the Timor Sea there are some areas there which are prospective. We would suggest that what is mainly to the fore at the moment in terms of proposals would be the Gorgon project, if you are talking about LNG projects. There is certainly a lot of work going forward on the Scarborough project. There are two projects in the Browse: the INPEX-operated project and the one there operated by Woodside out from Scott Reef. Then as you move around there is the Sunrise project which is shared between Australia and the joint area that we have with East Timor. They would be the major headline projects but then there is a whole range of—and we can provide you with a list—smaller gas deposits which are being looked at as various possibilities of development. So there is no shortage of possible projects.

Senator JOHNSTON—I am interested in the way you do an analysis of what we have got out there in terms of the stages of progression of development such that we can anticipate a commissioning date?

Mr Hartwell—We work with the project proponents, as I mentioned earlier, in relation to all the processes that might be required at the Commonwealth level or the state level to facilitate these projects going forward. What might happen, the dates they might be commissioned, when they make a final investment decision is purely a commercial decision that they make themselves. That is not—

Senator JOHNSTON—You cannot look into your crystal ball. But do we actually conduct a scope as to, all things being equal, where we are going to be in five, 10 and 20 years time if

all of the nine projects come to fruition at a reasonable time giving them the full benefit—do we have an analysis like that?

Mr Hartwell—We and others do this work as well but, should all the major LNG projects come forward in the next 15 to 20 years, we would expect that we could be exporting up to 50 to 60 million tonnes of LNG. That is a figure that has been out there for some time. That is an aggregation of all those projects. Some of them may happen, others may not. But there is that capability and all things going well that could happen.

Senator JOHNSTON—Do you have a documentary analysis of that figure?

Mr Hartwell—We have a documentary analysis to the extent that we aggregate what we have seen from each of the project proponents and, if you put it all together, that is the sort of figure you end up with.

Senator JOHNSTON—Is there actually a document that is at the end of all this analysis?

Mr Hartwell—No.

Senator JOHNSTON—You have to go and fish it all out and put it all together?

Mr Hartwell—Yes, that is true, but it is not hard to put together if you just look at the major projects and what their project concept is at this point in time and what they would like to do. If you make maybe the heroic assumption that all of it will come to fruition these are the sorts of numbers that will be exporting in relation to LNG—

Senator JOHNSTON—With all that tonnage of LNG do you have a corresponding figure for capital investment?

Mr Hartwell—That is a figure that would be very, very large. All project development—

Senator JOHNSTON—Do we do the figure?

Mr Hartwell—We get the figures occasionally from the project proponents and you can look at some of the projected expenditure that is contained in the Australian Bureau of Agricultural and Resource Economics report. They do a six-monthly survey of major minerals and energy projects in Australia which are on the drawing boards at various stages, either in feasibility studies, committed or even those that are in construction. When you look at that, the figures are very substantial.

Senator JOHNSTON—Are you saying that, as a department, we defer to the ABARE figures with respect to the prospective production and with respect to the capital investment to produce that production, and the department does not have any real capacity or data for government in that regard?

Mr Hartwell—No, I would not say that. We do quite a bit of independent analysis of these projects. I think the point I am making is that ABARE publish it; we do not actually publish it. We work with the companies—

Senator JOHNSTON—I think you have an idea of where I am going with this.

Mr Hartwell—I think I do.

Senator JOHNSTON—We have got something coming over the horizon that is going to create absolute mayhem in the capital planning for these projects. You know what it is. Is it

our responsibility in this department to tell government what effect greenhouse gas carbon credits and emission controls are going to have on our capital investment in this area? Who is telling the government about that? Is it us?

Mr Hartwell—This portfolio plays a role in the whole climate change area but I will defer to some of my colleagues who are more directly involved in this at this point in time. But certainly this portfolio has a major role.

Senator JOHNSTON—Are we doing any modelling?

Mr Ryan—As you would be aware, the Department of Climate Change has primary responsibility for the development of the emissions trading scheme. Within government, other portfolios participate in those discussions and deliberations. We do that. Then the government is also—

Senator JOHNSTON—I like the words ‘deliberate’ and ‘participate’ because I think our role is to defend this industry on what is going to be a huge capital cost burden to it. I just want to know whether we have done our homework to work out what those capital costs are going to be and how we are going to come through it all.

Mr Ryan—One of the things is that we are still in the design phase of the emissions trading scheme and a lot of these questions are being taken up in that design and modelling work that is taking place.

Senator JOHNSTON—The point I am making is, sure, that is all going to happen, but what we have to be ready for is to say, well, this is the capital dollar to produce the tonne of LNG, the barrel of oil, the minerals, the tonne of mineral concentrate—whatever it is. We have got to have the statistical analysis of the cost of production almost project by project in order to defend those projects. I would have thought this department is responsible to defend those projects and say to other departments of government, ‘This is what you will do to resources unless you (a) pay compensation in certain areas and (b) mitigate the impact on our export industries.’ Am I wrong in that?

Dr Boxall—Our minister is on the subcommittee for climate change and so he has an input there and we advise him on issues such as you have just outlined.

Senator JOHNSTON—Tell me the ammunition you are giving him?

Dr Boxall—We cannot go to what advice we give him but we advise him on issues that are directly relevant especially to the resources and energy sector but also to the tourism sector, and he is in a position to make those points through the cabinet subcommittee and also through other deliberations with his colleagues.

Senator JOHNSTON—I do not want you to tell me what you tell the minister. You are quite right to correct me in that. But where is the data analysis? Where is the work we are doing? Where is the modelling? Shouldn’t we be doing it now?

Mr Ryan—Modelling is taking place but there are a variety of ways of doing that work. Some of the modelling is a whole economy type modelling—

Senator JOHNSTON—Are you doing that?

Mr Ryan—There are a number of different groups that are doing that modelling, the Treasury—

Senator JOHNSTON—Do I need to go and ask Treasury about this?

Mr Ryan—If you want the detail but we are—

Senator JOHNSTON—I do want the detail.

Mr Ryan—Different portfolios are involved in the work that is being done in the modelling. We are advising how the modelling might be done, what type of modelling should be done. All of the major models that run for Australia are being used by Treasury. Then in addition to that, the Garnaut review is doing its work in bringing it forward. There is a whole variety of information sources coming forth.

Senator JOHNSTON—What are we doing? Tell us what we are doing? When I say ‘we’ I mean the Department for Resources, Energy and Tourism. I do not expect that we are doing that much in tourism on this. But I am rather more interested in what we are doing in terms of resources and energy?

Mr Ryan—In the area of climate change modelling work or research work, if I can put it in those terms, the best way I can capture that for you is that we pay for a lot of research work that is done through ABARE.

Senator JOHNSTON—You contract it out?

Mr Ryan—Yes. And a significant portion of that contracted work relates to climate change issues.

Senator JOHNSTON—When you say ‘relates to climate change issues’, give me the detail of what climate change issues you are seeking to address? Why are we saying to ABARE, ‘Give us the numbers’? Tell me what your thought process is on this? I hope we are at one on this.

Mr Ryan—When we commission the work for what ABARE does on climate change, that work can vary from us getting our specific model work done on impacts of different forms of interventions.

Senator JOHNSTON—When you say interventions, you mean emission caps and controls?

Mr Ryan—It could be. It could be other forms of work in terms of targets for renewables. It can be a range of—

Senator JOHNSTON—You factor in the credits that will flow from use of renewables into these industries to offset the emission targets and to assist in reaching the targets?

Mr Ryan—What we have done with the ABARE models is that we have looked at a whole range of questions relating to climate change. They can be questions relating to assumptions about adoption of different technologies and the impacts that they will have and the impacts they will have on the economy as we go forward.

Senator JOHNSTON—Are you in a position to provide us on notice a brief as to what areas of concern you have enlisted ABARE’s assistance with.

CHAIR—Unless the minister wants to answer that, that is a policy advice to government.

Senator JOHNSTON—I do not think it is policy at all. I think they have incurred expenditure, they have gone to a contractor and I want to know what they have asked the contractor to do.

Mr Ryan—We can give you a breakdown.

Senator JOHNSTON—Thank you. I am not interested in dollars or any of the commercial arrangements with ABARE. I just want to know what areas the department is concerned to prepare for, because I know there are a lot of constituents, if we can call them that, out there who want to know where this is all headed.

Senator EGGLESTON—We have been talking about huge volumes of gas reserve in the Gorgon, Pluto, Scarborough, Browse and so on up the Western Australian coast. When the North-West Shelf was developed, Sir Charles Court imposed a 20 per cent, I think, strategic reserve on the North-West Shelf which he wanted quarantined for domestic use in the future. The Carpenter government has, over the last couple of years, talked of the same sort concept of strategic reserve so that there is gas available for domestic consumption quarantined from international sale. This is really a question I suppose most appropriately directed to Senator Carr, since it is a question of government policy. Has the federal government considered this concept of a strategic reserve to preserve gas for future energy requirements for Australia or given any consideration to it?

Mr Ryan—Western Australia have their reserve policy. The government has not considered any reserve policy.

Senator EGGLESTON—The federal government. Would you consider it prudent to do that?

Mr Ryan—That is one for the minister.

Senator Carr—I will take that on notice. I do not have any advice from the minister on that issue.

Senator EGGLESTON—Thank you. I would be grateful if you would take it on notice.

Senator JOHNSTON—I will go to the question of minerals. There is a policy out there with respect to flow-through shares. Do you understand what I mean by flow-through shares?

Mr Hartwell—Yes, I am familiar with flow-through shares.

Senator JOHNSTON—Have we done any modelling with respect to the enhancement of exploration in Australia that such a scheme would yield for us, as we have observed in Canada?

Mr Hartwell—The previous government, as you would be familiar with, did look at this issue a number of times. We have done some work on it. I cannot really comment any more than that at this point in time.

Senator JOHNSTON—Okay. But we have done some work on it? I do not want to know the results of the work, but what did you look at to evaluate the project?

Mr Hartwell—The list goes back a little period of time because, under the previous government, it was—

Senator JOHNSTON—We have been talking about it for a long time, haven't we?

Mr Hartwell—Yes, we talked about that. The work was around the design of such a scheme, who might be eligible and what integrity we could put around it in terms of the fact that flow-through shares had been tried once before in Australia and had foundered on the basis that people milked the scheme. There were a whole range of issues—

Senator JOHNSTON—Avoidance issues?

Mr Hartwell—Avoidance issues and so forth. I would suggest to you that a reasonable amount of work has been done on it.

Senator JOHNSTON—Since 24 November has your department done any more work on it?

Mr Hartwell—Since 24 November I understand that the new government has said that they would consider a flow-through share scheme. That is still under consideration. We continue to work with the minister.

Senator JOHNSTON—It is a little more than considering a scheme. I think they actually had it as an election platform plank. But, nevertheless, my question was: since 24 November, have you been doing any more work on flow-through shares?

Mr Hartwell—I would not say at this point in time that we have done any detailed work but, as I mentioned to you, we have had some discussion with the minister and we have looked at the possibility. But all I can say is that this is work in progress.

Senator JOHNSTON—I accept that—a work in progress. Miss Sewell, I note that you have come up to the table to talk about something. I think we have moved on from that now. Geosequestration. Am I in the right ballpark with this department?

Mr Hartwell—Yes.

Senator JOHNSTON—How many projects have we got on the go, what is our attitude to them and where are we going with this topic? I note that there was a Senate candidate in the last election whose original policy was that geosequestration is rubbish. I will name him: Dr Karl Kruszelnicki. I heard him on the radio say that he was very, very sceptical and I think he used the word 'rubbish'. How many projects have we got on the go here? There are a lot of power stations. A lot of energy is going to be generated into the future that is going to depend on this, I think. Help me with this. How many projects have we got on the go? Are we watching what is happening?

Mr Hartwell—There are a number of projects at various stages of development which involve sequestration and they involve in some cases power generation and capturing the CO₂ and sequestering or storing it. There are also oil and gas projects that are looking at sequestration. As you would be aware, the Gorgon project, which we have talked a bit about, will sequester the CO₂ from the liquefaction process. When you say 'on the go', there are a number of projects that have got some mention and are at various stages. Some projects are

being supported under the Low Emissions Technology Demonstration Fund and they are at various stages—

Senator JOHNSTON—Do we have a formal register and a formal brief to surveil these projects?

Mr Hartwell—Do you mean what stage they are at? Who is in them? Where—

Senator JOHNSTON—Who is in them, how successful are they and when are we going to see the first entry subterranean of carbon?

Mr Hartwell—We can do that for you. Many of these projects are still very much in their development phase and seeking finance. Some of them are advanced a bit past the proposal stage, but all that being said we can provide you with—

Senator JOHNSTON—I really do not need it because I think I know pretty well what is happening out there, I think. The point is that you do have a formal approach to watch and monitor and surveil those projects involving geosequestration. Have we funded any of those projects?

Mr Hartwell—Under the Low Emissions Technology Demonstration Fund we have, and also under the Asia-Pacific partnership.

Senator JOHNSTON—The minister might want to pop in here. Through the change of government, has there been any change to the government's attitude to the funding of such schemes?

Mr Ryan—Not a change of attitude.

Senator JOHNSTON—Do we still have some faith that that is a partial solution to the problem?

Mr Ryan—Yes.

Senator JOHNSTON—I am pleased to hear that.

Senator BIRMINGHAM—Has there been no change to any of the programs either? Change of attitude is one thing; change of program arrangements is another.

Mr Ryan—There are some subject to budget consideration at the moment. I cannot say any more.

Senator JOHNSTON—Sorry, could you just repeat that again for me? I am always interested when you cannot say anything. I am interested in what you said before you said you could not say anything.

Mr Ryan—The way the question was put was: was there any change to any of the programs? Some of these programs may be subject to budget consideration.

Senator JOHNSTON—That is fine. At the end of this year, will we have an accurate evaluation of projects that are seeking to sequester carbon vis a vis the emissions caps and the carbon trading scheme such that we will know how many tons can be credited to these organisations? I ask that because I want to know whether we are going to formulate a basis of measurement. For instance, if I have got a power station, 20 per cent, 80 per cent or 90 per cent of its carbon might be going subterranean. How are we going to assess that? How are we

going to evaluate that? It our responsibility in this department to formulate a process and an approach to that, isn't it? We are doing that work.

Mr Ryan—The Department of Climate Change and the Department of Environment do the reporting of emissions for the economy and the various sectors. What we are responsible for is in the promotion of technologies getting demonstration projects which will have identifiable emissions savings in them. The broader question that you are referring to is really a question that will come up through the emissions trading scheme where the price on carbon will end up driving a lot of the change but the change will be assessed because the reporting mechanisms are going to require that we assess the changes taking place.

Senator JOHNSTON—I am pleased to hear you say that. I think that is right. But we are forgetting one thing. Whose responsibility is it to approve the location of the sequestration?

Mr Hartwell—That depends on whether it is offshore or onshore. Onshore, out to three nautical miles, it is the responsibility of the appropriate state or territory. Offshore will be the responsibility of the Commonwealth.

Senator JOHNSTON—Are you saying, in the face of a national electricity cross-border grid structure where a New South Wales generator is generating for Victoria, that New South Wales will be responsible for the sequestration of the carbon of that power station? I am worried about that.

Mr Hartwell—It depends on where the CO₂ is transported to for sequestration. It may be the case that there are not suitable sequestration sites immediately in the locale of the power generator and they may need to transport it elsewhere onshore or offshore.

Senator JOHNSTON—You open up a Pandora's Box of who is now looking for science. We are funding the projects; who is looking for science? Is it our responsibility or the states'?

Mr Hartwell—You would say that one is a shared responsibility. As far as the Commonwealth is concerned we have been working for some time in putting together a legislative and regulatory framework to allow for carbon storage in offshore waters. We would hope very much in the near future to be able to bring that forward. We are working with Minister Ferguson on that.

Senator JOHNSTON—Can I ask the minister, has COAG addressed this question?

Senator Carr—I am not certain COAG has but I know that the minister is considering a legislative framework—

Senator JOHNSTON—A national legislative framework?

Senator Carr—A legislative framework to access to property rights for carbon capture storage regime in Commonwealth offshore waters.

Senator JOHNSTON—I am talking about onshore. I do not want seven different systems to operate.

Mr Hartwell—We have worked with the Ministerial Council on Mineral Petroleum Resources in developing the Commonwealth's offshore regime which, hopefully, will be revealed in the near future. But in addition to that, the Commonwealth chairs a group working with all our state and territory colleagues to hopefully—and we cannot guarantee that but this

is our approach and the approach of the minister—get consistency in relation to carbon storage as to the legislative and regulatory frameworks.

Senator JOHNSTON—It does not worry me so much about Western Australia, but the question of when with respect to Victoria, New South Wales, Queensland and South Australia, and maybe even Tasmania, is crucial, is it not?

Mr Hartwell—It depends.

Senator JOHNSTON—Give me some comfort on that.

Mr Hartwell—Whether or not it is crucial is something that we can only answer when we have more technical details of where the best sequestration sites are. All I can say in answer to that question is that possibly it is crucial.

Senator JOHNSTON—Are the states investing any money in finding and approving the sites and doing all the environmental and other regulatory approvals that are needed?

Mr Hartwell—Yes, there is some state money involved and there is some cooperation occurring between Geoscience Australia and the various state geological survey organisations on this issue. Some of it is in early days. To answer your question, yes, there is state money.

Senator JOYCE—Just a second ago you mentioned property rights in regard to carbon sequestration and carbon capture. Could you please elaborate on exactly what you meant by ‘property rights’ there?

Senator Carr—It is my understanding that the minister is considering a legislative response to establish access to property rights for a carbon capture storage regime in offshore waters. I understand that is pretty close to completion.

Mr Ryan—The way to think of it is this is like releasing acreage, if you release acreage for oil and gas exploration and then people may find something in that acreage. What you would also do under legislation is release acreage for people to determine whether it is a good site.

Senator JOHNSTON—I relate to that.

Senator JOYCE—In any discussion of property rights and acreages, are we going to consider the acreages of country that are currently held by the Australian farming community which are locked up by reason of the tree clearing guidelines, which is really how we have managed to meet our Kyoto protocol, but these people have lost their property rights. Is that going to come into the calculations of the compensation of those?

Mr Ryan—Now you are talking about the state’s legislation and what they will do.

Senator JOYCE—You infer that it was inspired by the Commonwealth.

CHAIR—I do not think that this comes under this resources section. You are talking about—

Senator JOYCE—We are talking about sequestration.

CHAIR—climate change and you are talking about a state-based regulation.

Senator JOYCE—With all due respect, I think it does come under Commonwealth jurisdiction because it is an issue that we are now finding a common—

CHAIR—It may come under Commonwealth jurisdiction but not this portfolio.

Senator JOYCE—It was brought up here when they talked about property rights. It was obviously—

CHAIR—This was property rights for geosequestration, I am sure.

Senator JOYCE—It is still to do with the sequestration of carbon. The displacement of carbon is going to be in a number of fields.

Mr Hartwell—I might ask Ms Sewell to comment on this because she is chair of this Commonwealth-state working group in relation to sequestration issues.

Ms Sewell—The issue of property rights is being addressed by the ministerial council's working group. The property right issue varies around the country so states have different interpretations of property rights to the Commonwealth. But I think it is probably important to keep in mind that we are talking about sequestering carbon dioxide some kilometres underground. Part of the complexity of the approach that is being taken across different jurisdictions is driven by the need to consider other users of that space, whether it be, for example, in Queensland, coal and gas operators, coal bed methane operators, people who have an interest in water table rights. The issues for the offshore areas are not necessarily as complex as the issues some of the states are facing in trying to take a national approach to this.

Senator JOYCE—There is a definite parallel when you talk about the other occupiers and users of that space that comes to the initial property rights in other areas, such as vegetation, their use of that property right, and now the use of that space for the benefit of the Commonwealth to trade around the world or domestically as a carbon credit. Surely, in your discussions people bring up that they are removing a property right that has been bought and paid for by the Australian citizen, Australian individual, Australian farmer, whatever, that is now a tradeable right held by another entity which they have never received any compensation for.

Ms Sewell—I can assure you there certainly are discussions along those lines and, in the mind of the Commonwealth, there is no intention for compulsory acquisition of existing rights without adequate recourse to compensation—

Senator JOYCE—Unfortunately it has already happened.

Senator EGGLESTON—That is a federal concept, section 52, but the states do not have to adhere to that. The Western Australian compensatory system is totally different from the Commonwealth's.

CHAIR—Can we get back to the resources and energy portfolio?

Senator BIRMINGHAM—In the opinion of the department or other officials there, or in the opinion of Geoscience Australia, does the development of clean energy targets that exclude carbon sequestration hinder the development of that industry?

Mr Hartwell—I cannot comment on that.

Senator JOHNSTON—We have got our ministerial council and I think we are going to have a national emissions trading scheme, we are going to have a national greenhouse gas

credit scheme, but are we going to have a national scheme of practical mitigation? What I am worried about is that a progressive state—and we will not get into the politics of state by state, but we have jurisdictions. They are going to allow carbon sequestration, they are going to provide a regulatory framework that is easy to use and everything is going to be fine. But across the border—and obviously this is an eastern seaboard problem—there is going to be a totally different approach. That is going to undermine your greenhouse gas national credit scheme unbelievably, just as we saw a long, long time ago with death duties. We can all relate to the simple example. What is the Commonwealth to tie these jurisdictions down to uniformity? That is the crucial question: what are we doing about that?

Mr Ryan—Within the trading scheme?

Senator JOHNSTON—Within the trading scheme and within the way we mitigate the trading scheme. Geosequestration is just one small part of what is going to happen.

Mr Ryan—I think this is really a question for the Department of Climate Change which have primary responsibility for the trading scheme.

Senator JOHNSTON—Well, they are our constituents. When I say ‘our’, I am talking about this department, this portfolio’s constituents, who are going to be at sixes and sevens—

CHAIR—Nevertheless I think that is right, the overall responsibility for that area is—

Senator JOHNSTON—They are on tomorrow.

CHAIR—And we have dealt quite extensively with what this department is responsible for.

Senator JOHNSTON—I acknowledge that you note the problem. I can just tell by the looks on your faces.

Senator EGGLESTON—Can I ask a question about alternative energy, since you cover energy? There has been a lot of talk about the hydrogen economy and the development of production model cars by companies like BMW. Do we have a unit working within your department on the future of hydrogen as a fuel? Could you give us some information about that?

Mr Clarke—Yes, you are right. There is a lot of interest around the world as to whether hydrogen will be—we are talking in potentially 50 to 100-year cycles—whether this will be the energy carrier of the next millennium. It is of this order. Australia is a member of the US-initiated International Partnership on the Hydrogen Economy which is a forum in which government and research organisations in this area share experience, look at technology programs, demonstration projects, et cetera. Domestically, COAG agreed last year to initiate a hydrogen energy road map process and so we are participating in that. That will result in a review that essentially says: what is Australia’s unique competitive advantage in the hydrogen field? Is there anything that Australia should be doing that relates directly to our national interests in this field? It is a strategic question in which there is ongoing research.

Senator EGGLESTON—That is very interesting. So you would be looking at the question of using hydrogen as a fuel for everything from domestic appliances to cars to perhaps even base load power?

Mr Clarke—Indeed. The issue is that you have to manufacture the hydrogen, and that consumes energy. So it is competing. The various scenarios that are painted are, for instance, whether a hydrogen fuel cell might be an alternative power source for road transport. It will have to compete with battery technology, for example. If the electricity to charge the battery is a clean source then from an emissions perspective that is a head-to-head competition that will be solved on the basis of cost and performance. There is the potential to manufacture hydrogen as a by-product from carbon capture, coal gasification. There are lots of different technology scenarios that are being considered for the so-called future hydrogen economy.

Senator EGGLESTON—You talk of costs. I think Perth was one of the 11 cities in the world where a hydrogen bus experimental project was taking place. I think there were two or three hydrogen buses running around Perth. This project has now been abandoned in Perth by the Metropolitan Transport Trust because the cost of running the buses was too expensive. Has that been the experience in the other cities around the world where this project was being carried out?

Mr Clarke—I am unable to give you a specific answer to your question with regard to the Perth trial but I observe that these are demonstration projects. They are not intended to operate in a commercial manner. They were always going to cost a lot of money. The issue is what were the engineering, technical and policy learnings that came out of those projects.

Senator EGGLESTON—That is a very good point. Perhaps the Perth Metropolitan Transport Trust was a little bit too cost conscious in terms of carrying out the experiment, do we think?

Mr Clarke—I could not speculate on their reasons.

Senator EGGLESTON—Thank you for that information.

Senator JOYCE—I do not pretend to be proficient in this subject but an immense amount of energy is required to create hydrogen; is that correct?

Mr Clarke—There are different ways of creating it. The technology that may be used to create the hydrogen is one of the active areas of research. Let me suggest three that are currently in consideration. The conventional way is an electrolysis process, just electricity and water. So that does beg the question that, if the electricity is emissions intensive, you really have not gained much but there are low emission electricities. That is the conventional technique. Another would be as a by-product through coal gasification, that a large coal gasification power station could have a take-off point and produce very large volumes of hydrogen in conjunction with gas that would then be used to fire gas turbines to make electricity. So you could get electricity and hydrogen as a product in such a power station.

Senator JOYCE—Symbiotically cost effective?

Mr Clarke—Yes, potentially. And the third is splitting methane. For example, CSIRO have a demonstration project at their Newcastle facility that is using solar energy to focus on a natural gas source and splitting out the hydrogen which is so-called solar hydrogen, which is a very innovative approach. There is a lot of research trying to find cost effective and emissions effective ways of producing hydrogen.

Senator JOYCE—The first approach to create hydrogen through electrolysis could only be carbon effective if you did it through a nuclear power plant, or something like that?

Mr Clarke—Or a renewable source, yes.

Senator JOHNSTON—I suppose geosequestration is all about energy to some extent. In terms of our national market structure, have we hived off Western Australia and the Western Australian situation from any national regulatory framework?

Mr Clarke—Yes.

Senator JOHNSTON—Good. Tell me more.

Mr Clarke—There is one very large, one small and one very small electricity market operating in Australia today. The so-called national energy market is everything except WA and the Northern Territory. By volume of electricity, the NEM, as we call it, constitutes around I think 92 per cent of the Australian electricity sector. Then there is the WEM, the West Australian electricity market, which is in its early stages of development. They have created an institutional architecture, restructured the sector, et cetera. Then there a number of smaller grids. The Northern Territory is still in the vertically integrated monopoly stage, quite naturally, for its scale of operation. There are a small number of remote grids, in addition.

Senator JOHNSTON—Everything we do relates broadly to that three-part segregation in terms of regulation, planning and all of the things that we are doing in trying to get our market reform agenda up.

Mr Clarke—The COAG energy market reform agreement is largely driven around the NEM, as I have described it. It makes a number of points clear, though, in regard to Western Australia and the Northern Territory. First, the so-called national energy market institutions that we are establishing through the COAG process, the Australian Energy Market Commission and the Australian Energy Regulator. If WA and the NT wish to join and have those bodies supervising their market then they are at liberty to volunteer to do so. In the area of gas they are taking some advantage of those national structures. Because the design of the NEM is very different to the design of the WEM, quite logically so given their relative sizes, it would never be exactly the same market rules or exactly the same regulatory structure that might apply. So there will always be a point of difference as no one can envisage a scenario where they will be physically interconnected.

Senator JOHNSTON—Thank you. Did we send anybody from this department to Bali?

Mr Clarke—Yes.

Senator JOHNSTON—How many?

Mr Clarke—Two of my staff were part of the Australian delegation at the Bali conference.

Senator JOHNSTON—What role did they play up there in Bali?

Mr Clarke—Perhaps I will ask one of them to come to the table and he can explain that.

Senator JOHNSTON—Very good. Whose decision was it to send you to Bali and in what capacity did you go?

Mr Clarke—I should say that the energy function in its various incarnations through structures of government has been part of the Australian delegation at the COPs, the conference of the parties of the UN, for many years, so Mr Wilson has carried most of that load over recent years.

Senator JOHNSTON—Have we got a section in our energy division that deals—

Mr Clarke—It is the climate change section that reports to Mr Wilson, correct.

Senator JOHNSTON—What role did you play up there in Bali?

Mr Wilson—I was leading in the delegation on technology transfer issues. Under the United Nations framework convention on climate change there are some standing items on technology transfer and the resources, energy and tourism portfolio and previously the industry, tourism and resources portfolio has traditionally had the lead within the delegation on technology transfer issues.

Senator JOYCE—In your role at Bali—and this leads on from my previous question—were the discussions there in amongst all the people dealing with carbon trading and sequestration about the property rights issues through other sections of the world, of how other countries are dealing with the aspect of who owns the carbon that gets traded and who gets paid for it?

Mr Wilson—That issue was not specifically discussed at Bali. International emissions trading was not discussed in any particular detail. What was discussed was the international architecture for climate change going forward but specifics about issues relating to international trading were not discussed. There is another convention, the London convention, on the oceans that does deal with issues relating to geosequestration in the ocean or under the sea floor.

Senator JOYCE—Have there been any indicators in the marketplace about exactly how much a tradeable unit of carbon will be worth? If we call it a tradeable tonne, or something, what sort of benchmark prices are they looking at?

Mr Clarke—The question of what will be the price—and per tonne is the unit of carbon—will ultimately be a matter for the market to determine. The nature of a cap in trade system is that the government will determine the cap and the market will determine the price in order to economically deliver the cap. They are clearly related and the setting of the cap has an impact on the price but the government will not be determining the price, as such.

Senator JOYCE—You do not even have a rough idea of what sort of money we are looking at?

Mr Clarke—We would not speculate on that in any public forum. This is a brand new market that is in the design stage. It would never be appropriate for officials to speculate about what will be the price of the tradeable unit in that market.

Mr Wilson—I could point to the European scheme. They have markets over there trading in European trading entitlements and there are units traded by way of the clean development mechanism under the UNFCCC that are under the Kyoto Protocol that are trading internationally but they are not related to the Australian emissions trading scheme but that would give an indication of world prices.

Dr Boxall—I think it is best that these sorts of questions are directed to the Department of Climate Change. Otherwise, we are going to end up answering questions on areas which are not our prime responsibility.

CHAIR—Exactly; thank you.

Senator JOHNSTON—I thank Mr Wilson for that. I think it is good to know that the department was there. My last question relates to infrastructure bottlenecks. Are we privy to infrastructure bottlenecks? Is our department noting, for instance, Dalrymple Bay, and the common user facilities there? I take it that is the definition of an infrastructure bottleneck. Can we identify what is defined as an infrastructure bottleneck? I hear this expression a lot. What is it? How many are there? What can we do about them?

Mr Ryan—There is no specific definition of what a bottleneck is. We have a good understanding of where we have got constraints that are impeding the flow of what we want in terms of resources and some of those indicators are that, for instance, the number of ships that are queuing in a harbour, or whatever. In recent years, because of the rapid demand for mineral exports in particular areas we have been actively involved, as have other institutions like the ACCC, in looking at how we might address those bottlenecks. More widely across the economy there is really a question that you might consider for the department of infrastructure. The government has announced that there will be an audit looking at what we might identify as priority areas for infrastructure. But that is really that department's responsibility.

Senator JOHNSTON—Correct me if I am wrong in this, but when we talk of an infrastructure bottleneck the Commonwealth controls virtually no infrastructure save for international airports.

CHAIR—As has been pointed out, this is a question for the infrastructure area rather than resources and energy. If we are discussing—

Senator JOHNSTON—We are talking about minerals bottlenecks and resources bottlenecks.

Mr Ryan—Just in one part, your question is that the Commonwealth does not have responsibility but, if you take an area like energy, what we have set up are national institutions and the energy market operator, NEMCO, does produce outlooks of what it calls statements of opportunity. That is, these are the investment opportunities coming forward where they look at future demand flows and what existing capital infrastructure is. That is not a Commonwealth-run operator but it is a mechanism by which within the energy sector those opportunities are identified.

Senator JOHNSTON—Your department is responsible for the administration of resources, which converts to minerals, oil and gas, by and large, which are predominantly making up our balance of trade account. I would have thought you would be aware of the threats and opportunities to that part of our economy.

Mr Ryan—Yes.

Senator JOHNSTON—When I ask you about an infrastructure bottleneck in the context of that part of our economy, the part that is your responsibility, I would like you to identify an

infrastructure bottleneck that we have a direct jurisdictional control over and can fix tomorrow.

Dr Boxall—We are aware of infrastructure issues that pertain to the industries for which our department is responsible and our minister is responsible, but the prime carriage, as you well know, is Minister Albanese's department. We work with them, we consult with them, we provide input to their work, but they have the prime carriage. If you would like us to identify an infrastructure bottleneck in resources and energy—

Senator JOHNSTON—I would.

Dr Boxall—We will take that on notice and see what we can do about it.

Senator JOHNSTON—What is the date for the provision of that information?

CHAIR—11 April.

Senator JOHNSTON—11 April. Do we have budget estimates before or after that?

CHAIR—After.

Senator JOHNSTON—11 April would be lovely.

CHAIR—Thank you.

Senator JOHNSTON—Can we go to tourism?

CHAIR—I think Senator Eggleston has one more question.

Senator EGGLESTON—One resource issue. I notice that the government has issued some guidelines on foreign government investment proposals, six-point guidelines. Today I notice the *Mayne Report* has put out a list of 50 foreign-owned companies in Australia with \$500 million-plus investments in this country. So foreign investment in our economy and our resources, in particular, has been around for a long time. I notice that Channah, for example, one of the Pilbara mines, is 40 per cent owned by the Chinese. Japan owns 85 per cent of Ensham, which is a thermal coal mine in Queensland. The Singapore Government Sovereign Wealth Fund actually owns Optus, which is one of our major telcos. Would the minister like to make any comment about what the government's views are about foreign investment by other governments and sovereign wealth funds, and does this suggest that we are going to take a more stringent approach to such investment in Australian resource companies and other companies in the future?

Senator Carr—Mr Swan made a public statement on this issue on Sunday. I refer you to that. I have nothing further to add to that statement. If there are issues they probably are in another portfolio responsibility.

Senator EGGLESTON—This is resources, of course.

Senator Carr—I understand the point you are making. The Treasurer has made a statement. He is responsible for FIRB. I am indicating to you that the Treasurer has made a statement on this matter as recently as Sunday. If there are further inquiries you have in regard to that statement, I suggest you take them up with the officers directly concerned with the FIRB. I have nothing further to add to what the Treasurer said on Sunday.

Senator EGGLESTON—Thank you.

CHAIR—Senator Johnson, you indicated you wanted to go to tourism. So we have concluded with the resources and energy divisions and Geoscience Australia?

Dr Boxall—Mr Hartwell has a bit to add to one question.

Mr Hartwell—This is some additional information which I have subsequently got back from the department. I think there was a question earlier on, who is the project proponent for the Honeymoon uranium mine. It is Uranium One, which is a Canadian company.

CHAIR—Thank you for your attendance, officers of the resources and energy divisions. Call the officers for the tourism division. Senator Johnston, do you have questions?

Senator JOHNSTON—I do. Thank you, Madam Chair.

Dr Boxall—We have the department people here for tourism and Tourism Australia is also available.

CHAIR—Do you have any objection to doing it together?

Dr Boxall—I will be frank. I would prefer to do them seriatim.

Senator EGGLESTON—We are not sure which issues belong to which group.

CHAIR—It is a new area, I suppose. So if you could just advise us as we go through which question should be delayed.

Senator JOHNSTON—Ms Constable, do we keep tabs on expenditure with respect to the promotion of tourism in all jurisdictions in Australia?

Ms Constable—Thank you for that question. The question really should be directed to Tourism Australia.

Senator JOHNSTON—Excuse my ignorance. Tell me what areas of responsibility you actually have. This is a new department and I have a very scant description of what each department and person in charge is responsible for. Give us a quick rundown of your position and what your role is and responsibilities are.

Ms Constable—The department's role is in providing policy advice to the minister on areas of tourism. Tourism Australia's responsibility relates to promotional activities and brand Australia. So anything to do with marketing of tourism belongs to that part of the portfolio and we handle all the policy advice.

Senator JOHNSTON—We have six states and two territories that want as many tourists as they can each get. I would have thought our overall objective was to assist them in that.

Ms Constable—That is correct. We work very closely with the states and territories. We have a tourism ministers council that meets once a year. That ministerial council is due to meet in July. We do work together on the facilitation of tourism both domestically and internationally.

Senator JOHNSTON—As part of our role, do we watch what the eight jurisdictions are doing in terms of expenditure on tourism?

Ms Constable—From time to time discussions are held about the costs associated with activities on tourism, but that is up to the jurisdictions regarding their own expenditure within states.

Senator JOHNSTON—So we do not have an overall oversight of what is happening state by state, territory by territory?

Ms Constable—As I said, discussions are held through the ministerial council. Where we can collaborate on activities we certainly do that and within Tourism Australia, and I am sure that Mr Buckley will explain to you how he works specifically with the jurisdictions on promotional activities.

Senator JOHNSTON—I am happy with all of that but I am just looking at the expenditure trends in this area. For instance, I would have thought we needed to know if there had been a dramatic movement away from funding tourism in, say, Tasmania. It is something the Commonwealth should be aware of, isn't it?

Ms Constable—In what areas are you specifically talking about?

Senator JOHNSTON—Just the appropriation from the state parliament.

Ms Constable—We are very aware of what we spend in the Commonwealth. As I said, each jurisdiction is responsible for its own expenditure on tourism. Those issues are discussed at the tourism ministerial council meetings from time to time but our own jurisdiction has no authority over each of the states about what they spend. As I said, where we can collaborate we certainly do.

Senator JOHNSTON—I am not so much concerned with whether we have any authority. I just want to know whether we have a good picture of what is happening out on the ground.

Mr Ryan—What might help here is that part of the role of Tourism Australia, when it was created, was that it absorbed into it what used to be known as the Bureau of Tourism Research. The Bureau of Tourism Research, a Commonwealth-state funded body, now has a new title, Tourism Research Australia, but it fits within the umbrella of Tourism Australia. It might be that we could get Tourism Australia to explain the information they collect, but they certainly collect a lot of data, what is happening in the states as well as what is happening across the nation.

Senator JOHNSTON—So they have a better understanding of what is actually happening out there in each of the jurisdictions?

Mr Ryan—And they provide information to the policy part of the—

Senator JOHNSTON—Let us go broader. Ms Constable, if I wanted, in very minimal words, a snapshot of what is happening in tourism nationally, how would you describe it? Would you say it is growing, recovering, moribund or decaying? How would you describe tourism into Australia at the moment?

Ms Constable—I think there is a good picture of tourism. If I rely on the Australian Bureau of Statistics Satellite Account, which collects information on tourism and which was released on 11 May 2007, tourism accounted for \$37.6 billion, which is around 3.9 per cent of total GDP, and that is an increase of 5.5 per cent on the previous year.

Senator JOHNSTON—That sounds good. Do we have any later figures than just under a year ago?

Ms Constable—We do have international arrivals. There was an increase in arrivals of 2.3 per cent or 125,000 visitors compared to the same time last year.

Senator JOHNSTON—What do you think the drivers of those improved figures are?

Ms Constable—It is a combination of factors. I think there is an enormous amount of effort put into our marketing activities.

Senator JOHNSTON—When you say ‘our marketing activities’ who do you mean? Do you mean the Commonwealth?

Ms Constable—Australian marketing activities.

Senator JOHNSTON—The jurisdictions and the Commonwealth?

Ms Constable—Jurisdictions and the Commonwealth. But Mr Buckley can talk about his marketing activities.

Senator JOHNSTON—So you think we are getting a good return on investment from what is happening, state and federal, in terms of marketing?

Ms Constable—As I said, that is up to Mr Buckley to talk about the—

Senator JOHNSTON—All right. But—

Ms Constable—But to answer your question—

Senator JOHNSTON—I would like to hear your opinion because I think you have an overview.

Ms Constable—I think it has been made clear, in terms of marketing activities, that Mr Buckley will talk about that. In terms of the department, we are satisfied with the work that is being conducted across a broad range of areas, including marketing, and certainly the minister has made that clear that he is satisfied.

Senator JOHNSTON—What are we doing differently from this time last year—anything at all in terms of the department’s oversight of this area, given it is three per cent of GDP?

Ms Constable—There are a number of things that the department continues to work on. You will have noted recently that the minister has announced that he will put in place an accreditation scheme to encourage tourism in Australia. We are certainly working on a climate change action plan that will encourage drawing tourism that surrounds green issues. They are a couple of things that we are working on at the moment.

CHAIR—Senator Birmingham has some questions.

Senator BIRMINGHAM—Ms Constable, you just mentioned the government’s proposed new national accreditation system, which I understand is to be in place by July—is that correct?

Ms Constable—That certainly is a date that has been mentioned.

Senator BIRMINGHAM—I gather it is a date that the minister has flagged. Have guidelines for the accreditation system been developed?

Ms Constable—At the moment there are a number of accreditation systems across states and certainly within industry. You would appreciate that, with a number of accreditation

systems, the Commonwealth will be working with each of the states and the industry to look at an overall framework that will take into consideration all of those current accreditation schemes.

Senator BIRMINGHAM—So national guidelines are not yet developed?

Ms Constable—It is not to say that there will be national guidelines. We are, as I said, working with states and industry at the moment to determine what accreditation schemes are in place.

Senator BIRMINGHAM—Ms Constable, we are going to have a national accreditation scheme without national guidelines?

Ms Constable—What we are going to have is a framework that will take into account the accreditation schemes that are currently in place. That framework could take a number of different paths but at this particular stage we are working with the states and industry to determine what might be appropriate.

Senator BIRMINGHAM—So there is no guarantee there will be national benchmarks. Will there be nationally accredited accreditors?

Ms Constable—I am not at liberty to discuss the details of such a scheme. As I said, we are working with the states and industry to determine what the framework might actually look like.

Senator BIRMINGHAM—What consultation with industry has there been to date?

Ms Constable—There has been quite a bit of consultation with industry. My staff are meeting with industry associations. Certainly over the last couple of weeks I have had my own discussions with various industry associations. We will also be talking to the states, and the minister has written to each of his state counterparts looking for support for an overarching accreditation scheme and has gained informal support at this stage.

Senator BIRMINGHAM—How many tourism operators are there in Australia—estimate?

Dr Tucker—I do not have an answer in exact terms.

Senator BIRMINGHAM—Tens of thousands.

Dr Tucker—There are tens of thousands and—

Senator BIRMINGHAM—Tens of thousands of small, medium and large businesses for a national accreditation scheme without national guidelines that you are hoping to have operational by July.

Ms Constable—As you would appreciate, we already have quite a bit of information on the accreditation schemes that are available, and a number of the industry associations have provided us with information about those accreditation schemes and certainly we have information on the state accreditation schemes. We think that we will be in a good position to work on putting a framework in place.

Senator BIRMINGHAM—What are the target numbers for accreditation in the first year?

Ms Constable—As I said to you before, the details of such a scheme have not been finalised so I am not at liberty to discuss what we would have as an overall framework.

Senator BIRMINGHAM—When can Australia's tens of thousands of small business and medium-sized business tourism operators expect to have finalised details of a new national accreditation scheme?

Ms Constable—There is no hiatus at the moment. The operators that you are talking about operate within current accreditation schemes. What we do not have at the moment is consistency, and I am not talking uniformity but consistency across accreditation schemes.

Senator BIRMINGHAM—It seems to be an interesting line between consistency and uniformity, I would have thought. You could not tell me before whether the accreditors would necessarily meet consistent standards and it does not sound as if the standards for accreditation will be consistent, either. So it strikes me what are the problems that are seen with the current state system, because it looks to me like the minister is trying to take credit for establishing a national system when in the end all he is doing is putting a national badge to a whole range of existing state systems.

Ms Constable—What we have is different approaches to accreditation across jurisdictions. We do not have a brand Australia, and the minister has spoken to jurisdictions and to industry about potentially what would add value to the schemes that are currently in place. We will be working with the states and the various industry associations to put into place something that each of those parties are able to work with.

Senator BIRMINGHAM—How worthwhile is a brand Australia accreditation scheme if the accreditation differs from state to state, though?

Ms Constable—It is very important that parties involved in such a thing can take ownership, and ownership is gained through appropriate and proper consultation. That consultation is occurring at every level at the moment.

Senator BIRMINGHAM—It sounds to me like this idea is being rushed through extremely quickly. If you wanted a true national scheme, the minister should be taking a little longer to get it in place and doing it properly and correctly the first time. That aside, has the minister consulted you about the introduction of legislation to deal with rogue operators in the tourism industry?

Ms Constable—I have had discussions with the minister's office. I have had discussions with industry about legislation for rogue operators.

Senator JOHNSTON—Can you tell me what a rogue operator is?

Ms Constable—'Rogue operator' is a term that is loosely used in terms of unethical operations in tourism. It relates to tourism operators that may not be operating within the bounds of the code of conduct or the rules that are set in place for tourism activities.

Senator JOHNSTON—Could you give an example? I would be interested to know. Someone who is running a fishing charter business and just sets up a shingle and starts doing it—is that what we are talking about?

Dr Tucker—A rogue operator is someone who, as Ms Constable said, behaves unethically in the market. It may be that they are breaching trade practices laws or other laws that exist in their jurisdiction. To give an example, it might be misrepresentation about the product they are selling, things of that nature. They would be considered rogue operators.

Senator BIRMINGHAM—Is legislation being developed to deal with these so-called rogue operators?

Ms Constable—No.

Senator BIRMINGHAM—No, because I understand the minister who called for the legislation as the shadow minister, as late as 30 August last year, has obviously been advised by the department since that that is not such a good idea.

Dr Boxall—You cannot assume that, Senator Birmingham.

CHAIR—No.

Senator BIRMINGHAM—Has the department advised the minister that legislation—

Senator Sherry—You do not reasonably expect to get that, do you?

Senator BIRMINGHAM—Always worth a try. What policies are being proposed to deal with such rogue operators?

CHAIR—You cannot ask about policies either.

Senator Sherry—No, it is advice to the minister.

CHAIR—You can ask if advice has been provided but not what.

Senator BIRMINGHAM—Has advice on how to deal with rogue operators been provided to the minister?

Ms Constable—There are a number of things that we have in place. For example, where we have unethical operations occurring with some markets such as inbound tourism operators, and I will give you an example, Korea, we have a Korean action plan implementation group that has developed a voluntary code of conduct for members of the Korean Inbound Tourism Operators Council of Australia, commonly known as KITOCA. That particular code provides a voluntary framework to assist inbound tour operators to conduct tours fairly and honestly. That is actually monitored. We have a consumer protection working group that will meet annually to look at any complaints that are coming in through that particular forum.

Senator BIRMINGHAM—Have any programs or arrangements been put in place for the naming and shaming of rogue operators, which the minister said would be happening on 20 December last year when he backed down from his previous promise to introduce legislation?

Ms Constable—Discussions are being held with the fair trading groups in each of the jurisdictions, and I can say that some jurisdictions have certainly considered naming and shaming particular operators.

Senator BIRMINGHAM—So once again we are looking for a state based solution, despite the fact that this minister as shadow minister called for the adoption of national legislation similar to state legislation only in the middle of last year. Fair enough.

CHAIR—Can I just interrupt to point out to the committee that we agreed that this would finish at 6.30 and we have not yet called Tourism Australia. I am just pointing out that questions can be taken on notice for this group or we can continue with this group. I am in the hands of the committee.

Senator BIRMINGHAM—We can probably bring Tourism Australia on now.

Ms Constable—Senator, you just talked about the states. Certainly the ACCC has taken a very keen interest in the operations of unethical operators and this is a question that you could refer to them.

Senator BUSHBY—I just want to ask quickly: in terms of tourism, is the department talking about targeting overseas tourism or are you talking about domestic activity of tourism as well?

Dr Tucker—Both.

Senator BUSHBY—So when you are talking about three per cent of GDP, that figure looks at tourism both domestically and from international sources?

Ms Constable—That is correct.

Senator BUSHBY—On the figures you gave on how tourism was growing, were they based on monetary figures?

Ms Constable—Yes.

Senator BUSHBY—What about current overseas arrivals for tourism purposes—how is that looking? Do you have any latest figures on those and on trends?

Ms Constable—International visitor arrivals increased, as I said before, 2.3 per cent, 125,000 visitors, compared to the same period in the previous year.

Senator BUSHBY—Given that, you would not say that the exchange rate is having a negative effect? Or what effect do you think the exchange rate is having?

Ms Constable—The exchange rate is certainly having an effect on tourism. It is one of the factors that is driving our tourism numbers at the moment.

Dr Boxall—The exchange rate has an effect on the inbound tourists. It also has an effect on outbound tourists, where it makes tourism overseas more attractive for Australians relative to what it was before.

Senator EGGLESTON—I would like to ask a question about the newly announced open skies policy on the Pacific. I am not sure which group this should be directed to.

Dr Boxall—You can ask that now.

Senator EGGLESTON—First of all, what are the implications for inbound tourism and outgoing tourism? I would have thought it would enhance it.

Dr Boxall—It will mean more seats.

Senator EGGLESTON—In my memory there have been other airlines operating across the Pacific: American Airlines, and I think Continental once. I do not know whether Pan Am did, do you know? But where I am going is that the market did not sustain extra carriers, so what are the prospects, do we think, about the future for the introduction of extra carriers or perhaps different kinds of carriers on the Pacific routes which might range from low-cost carriers to perhaps mainstream carriers such as Singapore Airlines?

Dr Boxall—As you would realise, this is primarily the responsibility of the department of infrastructure and transport but, nevertheless, we did have one of our officers as part of the negotiating team for the open skies. As you know, this is just for US and Australian based

carriers. It is not Singapore Airlines, and that is an issue for the other department. We would expect that there would be an increase in the number of flights available and, hence, should help in terms of inbound tourists coming into Australia.

Senator BUSHBY—Given what we said about the exchange rate, the net effect really could just make it easier for people to go off and spend money overseas?

Dr Boxall—Senator Bushby, given the exchange rate, we expect that the open skies would assist in terms of inbound tourist numbers.

Senator BUSHBY—And would also assist Australians taken holidays elsewhere?

Dr Boxall—That is true.

Senator EGGLESTON—Could we go back one step because I did not realise it was just for US and Australian based operators, so perhaps could you outline the open skies agreement to us?

Dr Boxall—No, I think it is best that the department of infrastructure and transport do that because they have the carriage for the agreement. I am just answering it with respect to the tourism industry.

Senator EGGLESTON—I just meant the chief general features, the broad general features, but if you feel that you cannot or you prefer not to, that is fine.

CHAIR—I point out we now have only about five minutes left for Tourism Australia.

Mr Ryan—Basically it applies to the companies that are based in either of the two jurisdictions. It will not allow, for instance, Singapore Airlines to come into the market. It will, more than likely, from the Australian perspective see growth from Qantas and Virgin, and from the other side, as you have pointed out, there has been a history of many players, but Transport would have a better idea.

CHAIR—That is all the questions for this section. I thank the departmental officers.

[6.25 pm]

Tourism Australia

Senator BIRMINGHAM—How is Tourism Australia going to meet its efficiency dividends, which will take more than \$2.7 million out of the four-year budget in the forward estimates?

Mr Buckley—We are currently evaluating that process now. We undertake an annual operating planning process, which has begun, but it will not complete until we get a final understanding of our budget in May. Certainly, that process is currently in play and we will take a first draft to our board in March, so we do not have an answer to that at this point in time.

Senator BIRMINGHAM—How are you saving \$627,000 out of the current financial year?

Mr Buckley—Similarly, we do a regular review and revision of our budget progressively over the year and we have more than 100 marketing projects operating globally, so there is a lot of adjustment and flexibility to the programs in place. Again, we are pulling that together,

as management, to go to our March board meeting, which will recommend how we handle not only that revision but also a whole host of others.

Senator BIRMINGHAM—Will funds for the implementation of initiatives out of the tourism white paper be exempt from cuts?

Mr Buckey—That is a tourism white paper and its overarching delivery is a departmental responsibility. A significant chunk of the white paper, in addition, was promotion activities. We are down that track, spending those dollars as efficiently as possible. That commitment will run through to the end of the white paper process.

Senator BIRMINGHAM—Will funds for the development of emerging markets be exempt?

Mr Buckey—As for the process of identifying our markets, we market in 23 markets around the world at the moment, some of which are emerging markets. We assess the markets constantly—

Senator BIRMINGHAM—Markets such as China, India and the Middle East?

Mr Buckey—and they will be included in the evaluation process. We do a fairly substantial modelling process on the return on investment from various markets, and they are plugged into our annual operating plan. So it is not a singular program, if that makes sense; it is a geographic market-by-market assessment.

Senator BIRMINGHAM—It sounds like all areas of marketing though are on the table to meet these \$2.7 million-plus in cuts, whether they are emerging markets, the domestic market, business tourism, your visiting journalist program or any things like that?

Mr Buckey—Everything from operation to marketing dollars goes through that assessment process. That is a normal commercial review of our operations that is undertaken by management and reviewed by the board. So that is absolutely correct; it will be a full evaluation.

Senator BIRMINGHAM—Is the Japanese soap opera still proceeding or has that proceeded?

Mr Buckey—We did an expression of interest process on the Japan drama series idea and, in fact, I have just received results of that. That has not gone to anybody other than the management team at this stage, but we have undertaken a full tender review process, if you like, on that concept. I think we are at a point where we have signed that off and the board has been advised. I am just trying to think of the protocols in advice of that. We did not identify any cost-effective projects out of that process.

Senator BIRMINGHAM—So the intention is not to proceed with it?

Mr Buckey—We continue looking at that concept in all sorts of different markets. There is another opportunity within the Japan market with one of our partners that we are exploring but not of the same scope as a full drama series, more a one-off opportunity.

Senator BIRMINGHAM—The minister's criticism of the proposal, back when he was shadow minister, had nothing to do with that decision?

Mr Buckey—Absolutely not.

CHAIR—Mr Buckley and officers of Tourism Australia, thank you for attending. We will close this session for the resources, energy and tourism portfolio.

Proceedings suspended from 6.30 pm to 7.31 pm

TREASURY PORTFOLIO

Consideration resumed.

In Attendance

Senator Nick Sherry, Minister for Superannuation and Corporate Law

Australian Competition and Consumer Commission

Mr Graeme Samuel, Chairman

Mr Brian Cassidy, Chief Executive Officer

Mr Adrian Brocklehurst, Chief Financial Officer

Mr Mark Pearson, Executive General Manager, Enforcement and Compliance Division

Mr Joe Dimasi, Executive General Manager, Regulatory Affairs Division

Mr Scott Gregson, General Manager, Enforcement

Mr Nigel Ridgway, General Manager, Compliance Strategies

Ms Rose Webb, General Manager, Enforcement and Co-ordination

Mr Tim Grimwade, General Manager, Mergers and Asset Sales

Ms Helen Lu, General Manager, Corporate

Mr Michael Cosgrave, Group General Manager, Communications

Australian Prudential Regulation Authority

Dr John Laker AO, Chairman

Mr Ross Jones, Deputy Chairman

Mr John Trowbridge, Member

Mr Charles Littrell, Executive General Manager

Mr Wayne Byres, Executive General Manager

Mr Tom Karp, Executive General Manager

Productivity Commission

Mr Gary Banks, Chairman

Dr Neil Byron, Commissioner

Mr Bernard Wonder, Head of Office

Mr Michael Kirby, First Assistant Commissioner

Mr Ian Monday, Acting First Assistant Commissioner

Australian Competition and Consumer Commission

CHAIR—This is a continuation of the Treasury portfolio estimates. I call the meeting to order. This evening the committee will continue its examination of the Treasury portfolio, starting with the Australian Competition and Consumer Commission and continuing in the order shown on the agenda. I read out earlier the Senate resolutions and the conditions for this committee meeting. If anyone wants to look at that or if anyone wants me to read it out again I will be happy to do so; otherwise we will begin. We welcome the ACCC. Do you wish to make an opening statement, Mr Samuel?

Mr Samuel—Yes. Since the election of the government, in the past few weeks we have been remarkably busy in dealing with a number of issues, particularly some newer issues that have come across our table. I will provide a quick progress report on what has been happening.

On 14 December last year we submitted to government our report entitled *Petrol prices and the Australian consumers*. That followed the part 7A inquiry into the price of unleaded petrol that took place through the latter half of last year. Following and concurrent with the release of that report by the government minister, Chris Bowen directed us to conduct formal monitoring powers over unleaded petrol. That is a significant move, because contrary to perhaps either public belief or public misinformation, formal monitoring powers give us extensive powers to require production by the oil companies and/or retailers—frankly at every level—in the unleaded petrol market of any information that we require to enable us to assess the prices, the costs and the profits being earned in the petrol chain. It is very extensive indeed. We have already communicated with the four major oil companies outlining the information that we require from them. It is very extensive information indeed. It will give us the opportunity on an annual basis to report to the minister—that report ultimately of course will be tabled—on the petrol market in Australia.

That does not just cover the major oil companies, it covers all major retailers and indeed any other retailers that we think are appropriate to be the subject of the price monitoring exercise. At the same time, the obtaining of that information will be very important to us in being able to deal with some of the shorter term issues that we face with petrol, although as I have consistently said since the release of our report, as our report itself describes in some detail, the issues relating to petrol and petrol pricing in this country are not issues that can be addressed in a weekend or in a week. They are longer term fixes, which we are addressing following the release of our report. In that context we are conducting some quite extensive follow-up work on issues raised in the report, which includes undertaking a more detailed examination and ongoing monitoring of the buy sell arrangements, which are those arrangements that exist between the four major oil companies whereby they refine separately in different states but then they allocate the fuel that they refine first to themselves, that is amongst themselves, amongst the major oil companies, in, shall I call it, an advantageous buy sell arrangement and then they allocate fuel to others that are outside that buy sell arrangement on less advantageous terms, and we are examining that matter in the context of the petrol report. I will not go into more detail on that other than to say that a more detailed examination of those arrangements is taking place.

We are completing an audit of the terminals that might be suitable for importing refined petrol into Australia. I have noted on a number of occasions since the release of the report that, if I can put it in broad terms, the total control over the importing and refining of petrol in this country is controlled by the four major oil companies, and it is our view as expressed in the report that we need to break in a sense that stranglehold that the four major oil companies have over the total supply of petrol. Being the total suppliers, they also control the pricing mechanisms through the chain. Therefore, the primary area of focus in terms of breaking that stranglehold is to look at the terminals that might be suitable for importing, of which there are very few indeed. It was pleasing the note the other day the announcement by United Petroleum, one of the major independent retail chains, that it has just purchased the Hastings terminal in Victoria, which is a significant breakthrough in terms of the independent ownership of import terminals and adds to some of the import terminal capacity held by a number of the independent chains in the Australian retail market. We will be providing

ongoing monitoring of the use and the leasing and the sharing of those terminals for importing refined petrol into Australia.

I think one can say as a general statement that the ACCC would be looking very carefully indeed at any further tying up of terminals, including expanding capacity that might occur, as is currently planned for example at Port Botany, New South Wales. We will be looking very carefully at any further tying up of those terminals amongst the major oil companies. We will be monitoring the developments relating to shopper dockets as they arise, including any changes in the extent of the impact of shopper docket arrangements on competition, and we are providing advice to government on methods that might be appropriate—and let me emphasise the words ‘might be appropriate’—for increasing both the transparency of petrol pricing to consumers and giving consumers greater power in terms of determining when they might buy petrol at the most advantageous prices. They are matters on which we are providing advice to government at the present time.

The second issue that I want to mention is the criminalisation of cartel conduct. We have made no secret for the past three or four years of our keen desire and absolute necessity of providing for criminal penalties for serious hardcore cartel conduct, and we are very pleased indeed that the government has released draft legislation for analysis by all interested stakeholders in discussion. We understand that submissions on that draft legislation are due by the end of this month and that the government is keen to finalise that legislation and introduce it into parliament as early as possible in this year. If there were any doubts as to the desirability of the criminalisation of hardcore cartel conduct, I would invite senators to read the judgments of Justice Peter Heerey in the *Visy* case, where his Honour went to some length to deal with the issue of criminalisation and the desirability of it and made some interesting comments and comparisons with overseas jurisdictions. That was followed up two or three weeks later by Mr Justice Mark Weinberg in the abalone fishermen case, where again he made comments that were strongly supportive of the criminalisation of cartel conduct. I refer senators to those comments, because they provide some very interesting commentary by the judiciary as to the desirability of this legislation being presented to the parliament and passed as soon as is possible.

On 22 January this year the government and Minister Chris Bowen directed the ACCC to conduct a public inquiry into national grocery prices and to report to the government by 31 July this year. We have put out an issues paper with an extensive number of questions as to a whole range of issues in the grocery market, starting from the farm gate going right through the process line up to the checkout counter. It will be a very intensive inquiry, as was the petrol inquiry, and will look at all aspects of the grocery chain, as I say, from the farm gate to the checkout counter. We are asking for submissions to be presented to us in writing by 11 March and then we will be conducting a process of public hearings through March and April this year to obtain views from witnesses in accordance with the powers and procedures that are available to us under part 7A of the Trade Practices Act. Minister Bowen has also asked us to publish on a dedicated website a periodic survey of grocery prices at supermarkets for standard grocery items. That was a commitment made by the current government during the election campaign and we are in the process of providing advice to government on the methodology for monitoring grocery baskets across the whole of Australia to assist Australian

consumers with price comparison and looking at the most effective means of doing that to give both consumers more power in terms of determining where they shop but at the same time ensuring that the process is not capable of manipulation by retailers. And there are some processes that we will be advising on in order to deal with those particular issues.

Separately, the minister has asked us to examine fertiliser prices and we will be doing that as a separate issue from the grocery inquiry. Then a final thing worth noting of significance is that we have recently issued, back on 11 February, updated guidelines on the use of environmental claims in marketing. That has attracted quite a degree of interest, both through talkback radio, through the newspapers and through television in current affairs shows. The idea is to provide both consumers and business greater clarity in the use of many of the catchphrases that have been used in so-called green marketing. Green marketing of course is somewhat new in the Australian context and, as often happens in new marketing techniques, marketers have sometimes a tendency to overreach and to oversell and underdeliver. We are therefore pursuing that, because we think it is obviously preferable if we can nip any overreaching or overselling in the bud rather than having to wait for offences to occur. Having said that, I regret that we have had a half a dozen cases of that order over the past six months or 12 months that have indicated that, in our view, there has been an overreaching or an overselling occurring by marketers, and they have been dealt with, although in one or two cases they are currently before the Federal Court.

Senator FIELDING—Just picking up one of those issues, the forthcoming grocery pricing inquiry, which is I think well overdue, I think you foreshadowed limiting the overview or the inquiry to the past five to 10 years; is that right?

Mr Samuel—I did not think we had put a time limit on it. The main emphasis of the inquiry will be to focus on what has been happening of more recent times but also more importantly what is the future prognosis in terms of grocery prices, which would be of primary interest, I would have thought, to consumers. That won't be ignoring the past, of course, because that is equally important, particularly in the context of some of the statistics that have been produced and referred to in our issues paper, which relate the food inflation or the grocery inflation rate with that of normal inflation and with what has been happening with grocery product inflation in some other countries that are part of the OECD.

Mr Cassidy—In our issues paper we might have had some grocery price inflation comparisons in Australia and overseas over the last five to perhaps 10 years. Certainly, there is no suggestion that we have a fixed time period within which we will be operating.

Senator FIELDING—To make the inquiry complete we can learn a bit from the past. If we went back to, say, 1975 until today, we can see what has happened with the concentration over that period, we can check where farm gate price has been and go all the way through. That is very important to learning how we move forward from here. It will be very hard to undo things, but I think it would be very fruitful to send a signal to people that the inquiry would go back even to 1975, from that basis, and to see the concentration we have now. Do you have any comment on that?

Mr Samuel—I share your view, I think it is a very important inquiry because it will enable us to deal with the apparent contradiction or conflict that is occurring where those at the farm

gate are saying they are being paid far too little for their produce and those at the checkout counter are saying they are paying far too much for what they are buying. It will be very interesting for us to analyse that process chain. There have been one or two analyses/reports that have been done on this over recent years. But to analyse that chain and see where, if any, there are potential inefficiencies or processes leading to that in many cases significant margin between what is being sold at the farm gate and what is being sold at the checkout counter.

Senator FIELDING—In regard to submissions and also letting people be fully aware, there may be people who want to submit in camera. Obviously you do not want everybody going in camera, but I think this is such a delicate area for some, perhaps not the larger players but some of the smaller ones, you really need to send this signal very strongly, that in-camera submissions are definitely acceptable. Is that something you could also comment on?

Mr Samuel—We are very sensitive to some of the concerns that you are alluding to. We have been sensitive for some time to those perhaps in the process line, particularly suppliers to larger businesses at the retail end, that feel a sense of concern, maybe intimidation in providing information that may raise concerns amongst some of the larger retailers as to their process of dealing. We are very sensitive to that. These of course have been issues raised in previous inquiries that have been conducted in this house in terms of the grocery market. One of the things we are anxious to do is bring as much of this out in the open as we can, but we also have to recognise that if it is a choice between bringing something out in the open or having parties feeling so intimidated that they will not provide information, then we would clearly like to get the information. It may well be that the information is provided to us on a basis where the provider of the information is not necessarily identified but the information itself can be made public in a way that will not give rise to the sorts of concerns you are alluding to.

Senator FIELDING—The reason I mention that is obviously the larger players are fully aware of these sorts of things and they take advantage of it very well, going in camera, and therefore the public do not get to see and we cannot validate it. I am wanting to level the playing field to make sure that everybody is aware that the same avenues are available to them as well, especially in an area that is pretty important to us. We all have to pay for groceries. We really do want the lowest prices that we can possibly get and also being fair on the producers, who are taking I think a fair bit of the brunt. Will the inquiry be looking at the market power of the Coles-Woolworths arrangement? I know in the UK it had a report last year on its grocery market. I think it has five large national players and they think the market in the UK is too concentrated. We have really two dominating in Australia. Is that a major focus of the inquiry?

Mr Samuel—It has to be. If you look at the questions set out in the issues paper you will see that that is a fundamental issue that we need to address.

Senator FIELDING—One further issue on that is the own brands. I think on one hand there has been a claim that they have lowered the price to the consumers. But where you have two players with own brands squeezing out everybody else, I am interested to know that that is a focus that you will be looking at as well. That concentrates the market even further again down the supply side. So, you have backward integration happening through own brands. As I said, I do not want to get higher prices, but I would be interested to know whether in the short

term there may have been lower prices but in the long term it could actually end up producing higher prices.

Mr Samuel—Again, that is one of the areas set out in the issues paper and is one of the things that we will be focusing on. We will also be, I hope, in the context of our grocery monitoring noting the role of home brands and some of the price differentials that can occur there. They are the sorts of things that will be picked up.

Senator FIELDING—I have some other areas but I will open this up to others.

Senator JOYCE—I placed some questions on notice to you last year that were not answered. I will go through them again because we have not received a reply from you. Does the ACCC need phone tapping powers? These are questions that I placed on notice last year in the May 2007 estimates.

CHAIR—That is an important point. Do any of the other senators have issues on—

Senator JOYCE—If you want me to go in another direction I can go into another area including the introduction. But I want to cover those areas because—

CHAIR—I understand completely.

Senator JOYCE—It is out of respect for the Senate that questions on notice be answered. If they are not answered—

CHAIR—I agree.

Senator Sherry—I agree. It is a serious reflection on the previous minister and the previous government that we have been waiting so long. Has the secretariat been able to ascertain where exactly the questions are, the answers?

Senator JOYCE—I have asked the secretariat and they have just said that they never came back.

Mr Samuel—This is an important issue. It is not only a reflection on—

CHAIR—I do want to discuss this but I want to finish off on the grocery prices issue.

Senator JOYCE—We will go on to the next one.

Senator Sherry—In terms of Mr Samuel's position, the ACCC may have supplied the answers to the minister or ministers. He might like the opportunity to indicate.

Mr Cassidy—The situation is that we have answered all questions that we took on notice last time we were before this committee. The answers were provided before the election. As I understand it, the newly elected government is now considering those answers and whether they will be provided in the form they are currently in.

Senator JOYCE—As long as they are provided.

Mr Cassidy—I would like to be clear that we provided answers to all questions that we took on notice last time we were here. When we get to it, I think we are quite happy to deal with that.

CHAIR—Can you tell the committee the date that they were provided?

Mr Cassidy—I cannot give you a precise date. But they were provided by the time that they were required following the last estimates committee meeting.

Senator JOYCE—Turning to some other issues, you have said that United Petroleum purchased the Hastings terminal. Does it have the capacity to refine fuel there?

Mr Samuel—No. It is purely a receiving terminal. It has the capacity to receive refined petrol.

Senator JOYCE—In its capacity to receive fuel where will it be receiving it from and will it be curtailed anywhere it can gain fuel from because of the sulphur content rules in Australia?

Mr Samuel—I should indicate at present—don't hang me on the number—20 per cent or more of our refined petrol is in fact imported into Australia. It is imported into various terminals, including in Melbourne, Sydney, Queensland and in WA in particular. It is imported and it satisfies the Australian environmental standards. There is no shortage of fuel being produced in South East Asia and indeed elsewhere, over in the Middle East, that will satisfy the Australian Standards. The difficulty is that the terminal capacity to receive refined fuel is largely controlled by the four major oil companies. The Hastings terminal which now has been acquired by United Petroleum, is fully capable of receiving imported fuel that will satisfy our Australian Standards.

Senator JOYCE—Will it be able to receive it at a competitive price and capacity to get it out to the market?

Mr Samuel—That is not a matter for us, that is a matter for United Petroleum. I would simply observe that during the course of the inquiry it became evident that there are refineries that either exist or are opening in Asia, particularly a very big refinery that will be opening in India, that produces vast quantities of refined petrol that will satisfy our standards. If we look at that and a source in Korea, Indonesia and elsewhere in South East Asia, there is ample supply of fuel that will satisfy our standards that is not being sourced necessarily from the refineries that are controlled by associates of the four major oil companies.

Senator JOYCE—Do you have the capacity under the Trade Practices Act to prevent the other majors from undercutting their price when that fuel arrives so as to make it unviable for United Petroleum to retail their product?

Mr Samuel—If there was a deliberate act of predatory pricing that fell foul of section 46 of the act, which of course has been amended to enhance our ability to deal with predatory pricing issues, clearly we have power in that context.

Senator JOYCE—Under that part of the act, are you pursuing any cases under the Birdsville amendments at the moment?

Mr Samuel—As you know, it is not our practice to comment on matters that we might be investigating or dealing with at the investigatory stage at any point in time. There are no matters currently before the courts in relation to the Birdsville amendments. I should mention by the way that in terms of predatory pricing the Birdsville amendments, as they are called, are but only one area of section 46. As you are aware, section 46 was also amended to make it easier for us to deal with predatory pricing under the more general provisions of section 46.

They need to be also kept in mind. We do not comment upon matters that we might be investigating.

Senator JOYCE—On two occasions recently you have publicly indicated that there was a divergence between the Singapore price and where you expected the Australian petrol prices to be. On both occasions you indicated that you would seek an explanation from the oil companies. Can you tell us how the oil companies have explained the differences and do you accept the explanations?

Mr Samuel—The differences were subject to two separate explanations because there were two big divergences. By way of very quick background, in the second week of December we noticed a very significant divergence in terms of what had happened on previous occasions between the Singapore Mogas 95 unleaded price and the average Australian retail price across the five major metropolitan cities of Australia, and we lag that by about a week. The divergence that occurred was of the order of about 7c per litre, which is far more significant than had occurred on previous occasions that we had been monitoring these divergences. We sought an explanation and while one of the oil companies indicated that there had been a problem with its refinery in Sydney, the Kurnell refinery that was operated by Caltex, the explanations from the other oil majors did not seem to be in any way related to that. They simply said it was part of the way that the market was operating. The divergence subsided or diminished somewhat through the latter part of December and into early January and then in the latter part of January, about the third week of January, it suddenly shot out again to near record levels in terms of divergences in that it moved out to about 7c a litre.

Senator JOYCE—It appears that you did not accept their explanation. Did you have a course of action or some way to pursue that?

Mr Samuel—I am sorry, I will conclude that, with respect to the second divergence, we then sought explanations again. I met with each of the chief executives and/or chairmen of the oil companies to seek their explanation. Again, the explanations moved around a bit but the general theme coming through was that there had been difficulties in Sydney with both the Kurnell and the Shell Clyde refinery. And particularly the Shell Clyde refinery had had a fundamental problem that might take many months to correct. The Kurnell refinery had been down since early in December and had some difficulties there. That was creating a shortage of supply. That shortage of supply was leading to a reduction in the allocation of unleaded petrol right across the retailers of the order of about a 20 per cent reduction. So, the view was being expressed that there was a shortage of supply; there was a reduction in allocation amongst the retailers so they were less keen to be discounting petrol. The only thing I will observe is that quite coincidentally, is the kindest way to put it, within a day or two of my meetings with the CEO/chairmen of the major oil companies, that divergence that had occurred which had blown out by about 7c suddenly moved back and virtually disappeared to zero.

Senator JOYCE—Is it merely coincidental that these divergences seem to happen around public holidays and should you be waiting to see another divergence around about Easter-time?

Mr Samuel—Firstly, I do not think the evidence would suggest that they are occurring around public holidays. These divergences, we have to emphasise, are not the weekly price cycles that we receive in terms of the sudden hike in prices that normally occurs on about Wednesday morning and then gradually drops down to low levels of a Tuesday afternoon. We tend to try and flatten out or move the aberrations of the price cycles out by taking a rolling seven-day average of prices across the five major metropolitan cities. So, it is an average chart. At the same time we average out on a rolling seven-day average the Mogas 95 unleaded price, again to remove out any sort of sharp variations that might occur on a day-by-day basis. It is fair to say that these divergences did not bear any significant relationship to public holidays. They simply were divergences that had occurred in this case only six weeks apart, that is starting about 10 December through to about 17 December and then the next one that occurred was around 25 January through to about 28 January.

Senator JOYCE—Just going back to the Birdsville amendment, has the ACCC issued any guidelines on the Birdsville amendment?

Mr Samuel—Not at this stage. The extent of the guidance that we have given has been contained in two speeches that I have given of more recent times, which has given some indication of our view on the Birdsville amendments. It is to perhaps put in a commentary about what we think are some of the more exaggerated comments that have been coming from both small and more significantly from big business about the impact of the Birdsville amendments. We have not at this stage issued any guidelines.

Mr Cassidy—Also, in our petrol report that the chairman referred to we have a chapter which in part addresses the so-called Birdsville amendment, section 46(1), both of which apply to predatory pricing.

Senator JOYCE—Do you propose to issue guidelines?

Mr Cassidy—Yes.

Senator JOYCE—In relation to supermarkets and getting a fair price at the checkout and in relation to small business can you tell us whether there are any particular problem areas at the moment under the Trade Practices Act that are causing concern to small business, which is the competition and the reason for getting a fairer price. Has there been any surge in complaints from small business in any particular area?

Mr Samuel—I do not think there has been in any particular area. Suffice to say, though, that areas of franchising are a cause of constant concern to those involved in the franchising industry and, as a result, of course, are of constant concern to us. We do receive a number, but I would not say an overwhelming number, of complaints from franchisees who feel they have been treated harshly or oppressively or unconscionably and potentially in breach of the franchising code. We address those complaints, each and every one of them. In some cases we do find evidence of misleading and deceptive conduct. In very few cases to date have we found evidence of unconscionable conduct. But I do not want to comment upon particular matters that we might be investigating right at the current time; again, it is not appropriate that we do so.

We also deal with section 51AC, which is that section relating to unconscionable conduct. That has been again enhanced by the recent amendments made towards the end of last year.

We look at issues of unconscionable conduct in relation to small business. But as I have commented on a number of occasions, particularly at small business conferences and seminars, the fact that we do not take many unconscionable conduct cases to Court is not an indication that we are not interested in doing so. It is rather more an indication that most unconscionable conduct cases also involve misleading and deceptive conduct. Misleading and deceptive conduct is far quicker and far easier to prove and the consequences of proving that are exactly the same as if you can prove unconscionable conduct. We have to make a determination when we are conducting an investigation as to whether we want to achieve a quick result which provides a quick remedy to the business that is sustaining the disadvantage, the harm, and so we will tend to pursue the misleading and deceptive issue.

Senator JOYCE—Can I drill down on what you just said there. Is that test still the substantial lessening of competition test?

Mr Samuel—No. Misleading and deceptive conduct is a very simple test. It is the most litigated section of the act, section 52. It is simply a section which says don't be dishonest. Don't mislead and deceive in trade and commerce.

Senator JOYCE—Bearing on what has been said earlier, is there scope within the act to deal under the precept of 51AC with the issue of the large divergence that has become apparent between the farm gate price and the shopping basket price; that is, is there an ability to say that there is unreasonable power and unconscionable power placed on the farmer who produces the goods to reduce prices, deliver a so-called return, a gross return? There is almost a form of unilateral variation of contract as they drive down the farmers on their prices and at the same time extract an unreasonable margin from the consumer, who really has nowhere else to go to buy their milk.

Mr Samuel—Let me give you a three-part answer to that. The first is to say that there is a range of assumptions made in the question which I think need to be tested, and not necessarily tested here. But those need to be tested by us if we were to pursue those sources of action that you have suggested. The second part of the answer is that of course those assumptions amongst a range of others will be clearly the focus of a part of our grocery inquiry. As I indicated in my opening statement, we will be looking at that almost contradiction that appears at least on the face of it between the low price received by the producer at the farm gate and the apparent high price being paid by the consumer at the checkout counter and trying to understand what it is that is causing that large margin or gap to occur between the two prices.

In terms of the ability—this is the third part of the answer—of the farmer, the person at the farm gate, to sell produce at prices that are, as you describe them, fairer, we have consistently advised, indeed urged, those involved in common pursuits on the farm to work with our people in the process of establishing arrangements to collectively negotiate or collectively bargain.

Senator JOYCE—That is an interesting concept. Since the mergers and acquisitions laws went through, have you been overrun with new people wanting to collectively bargain that were not there before?

Mr Samuel—No, I would have to say that in the past 12 months under the new notification provisions that apply to collective bargaining the total number that we have received is seven.

Mr Cassidy—We have had seven applications and seven authorisation applications for collective bargaining in the last 12 months.

Senator JOYCE—So, for the mergers and acquisitions powers we have seven new collective bargains?

Mr Samuel—These were not so much the mergers and acquisitions powers. They were not powers but they were processes to facilitate collective bargaining. Prior to that we had legislation, introduced our own administration processes to very much facilitate the authorisation process for collective bargaining. But as so often is reported to me by representatives of small business, the difficulty is not at the ACCC's end in authorising or receiving notifications for collective bargaining, it is actually getting small businesses to recognise the benefits of getting together to collectively bargain.

Senator JOYCE—You say that the oil majors have locked up the industry. Over what period has this occurred? Is it a recent event or has that occurred over a number of years? Are Woolworths and Coles doing the same to lock up the supermarket sector as the oil majors have locked it up in petrol?

Mr Samuel—In terms of the locking up of the petrol industry, I would have to say that it has occurred not over years but over decades. It has been a gradual evolution and development. There have been many changes in the structure of the petrol industry particularly at the wholesaling end, retailing end. We have seen that occur particularly over the past 20 or 30 years as the smaller independent service stations have gradually demised in favour of perhaps seven or eight or nine major retail chains. They are not just the retail chains of Coles and Woolworths but the nature of those I described before, the Uniteds, the Gulls, the Matildas, the Neumanns and the like. Those retail chains do exercise some influence over the market. Ultimately at the wholesale end the control over the supply of petrol is very largely held by the four major oil companies.

In terms of the grocery market, again, let me defer to our grocery inquiry. The issues you are raising there are all issues that will be examined very carefully in the context of the grocery inquiry. I think it would be entirely inappropriate for me to be expressing any views as to that at this hearing because that would be to pre-empt the rigorous analysis that we want to undertake of the grocery market in that grocery inquiry prior to presenting our report to government on 31 July this year.

Senator JOYCE—As to the excuse that the oil refineries use that it is a maintenance issue, what stops them using that excuse every time you go to see them? I am sure that oil refineries, being multimillion dollar or sometimes hundreds of millions of dollar facilities, will always have repairs and maintenance issues going on. What stops them trotting out that excuse every time you walk in the door?

Mr Samuel—I did observe publicly when the maintenance issue was first raised back in December that this appeared to contradict some of the evidence that was given to us during the course of the public hearings and the inquiry into petrol. Each of the major oil companies that were refining did say to us that they had maintenance issues that affected their refining

capacity throughout the year. We had some difficulty in understanding that this particular maintenance issue could have such an impact on petrol prices.

As I indicated, soon after we raised this matter both with the oil companies and in a public sense, the divergence between the average retail price in Australia and that of Singapore Mogas tended to diminish and close. But I think we also need to recognise that there may be significant maintenance issues that can affect refineries, particularly those that might have occurred in Sydney with the Kurnell refinery and the Clyde refinery, that could have some short-term impacts on the availability of petrol supplies. But the majors do know that in the event that there is a problem with refining they have the capacity to import petrol. They have indicated to us that imports take potentially at the shortest time about two weeks from the issue arising and their having, for example, to divert ships on the sea into Australia to bring imported fuel into Australia. At the outside, it is between three and four weeks if they actually have to order supplies from their associated refineries up in Singapore.

Senator JOYCE—How do you differentiate between the agreements that the oil companies have at the terminal gate where they sell to each other at agreed prices—we know that we do not have a refinery of each company in each state—and collusion or trying to work out whether there is collusion at a retail level when in essence there is only a truck ride between the two?

Mr Samuel—If I might say so, I think these are two entirely separate issues. The issue of the buy-sell arrangements is a matter that I have indicated in my opening statement is the subject of further close examination by people within the ACCC, and that examination is occurring at the present time. There is no secret about that. We indicated that we would be doing that in our petrol report and the minister announced that when Minister Bowen released our report on 17 December. That is a separate issue, the buy-sell arrangements.

Senator JOYCE—Do you feel you currently have the powers under the Trade Practices Act to deal with these issues that you are investigating or are you deficient in them and need more?

Mr Samuel—We certainly have the power to deal with the obtaining of evidence using our evidence gathering powers, particularly under section 155 of the Trade Practices Act. You mentioned the issue of collusion and you mentioned that issue in respect of retail pricing and retailing of petrol. We have set out some quite detailed information in our petrol prices report that relates to concerns we have over the anticollusion provisions of the Trade Practices Act—that is, those contained in section 45. We think that that section and those provisions have revealed some weaknesses in our ability to deal with some areas of price fixing and collusion. They were revealed in two petrol cases that occurred last year. One was the full Federal Court's decision in what is known as the APCO case. The other was the single Federal Court decision in what is known as the Geelong case. We have detailed that here, including some advice from senior counsel and some recommendations in our report as to some potential redrafting of that section that might be appropriate.

Senator JOYCE—You have made the Treasurer aware of those deficiencies so that they can be pursued through the parliament?

Mr Samuel—Yes. The government has indicated that. When Minister Chris Bowen released this report to the public he indicated that these were issues amongst a range of others in this report—the report is quite detailed—that he would want to consider over a longer period than just the few days from the receipt of the report and its release to the public. I think there were only about three days. I think they are matters that the minister is examining over the next while.

Senator JOYCE—Are refiner margins growing?

Mr Samuel—The refiner margins actually move almost on a daily basis. To show you two ends of the extreme, during the height of the aftermath of Hurricane Katrina, which was 2005, I think the refiner margins moved out to something of the order of US\$19 to US\$20 a barrel, which is certainly way beyond anything that we have seen in recent history. On the other hand, some three or four months later, the refiner margins moved to negative of about US\$3.50 a barrel, which means that in terms of the price of crude oil and the price of refined petrol there was a negative factor involved. They do move on a constant basis and I do not think I could give you a specific commentary that says that they have moved out or otherwise, because they are moving constantly on the international scene.

Senator JOYCE—How are you going to deal with the issue of geographical differentiation in pricing? Motorists in one suburb are paying one price, motorists in another suburb are paying another price and motorists in the country are paying something completely different again, all from the same company.

Mr Samuel—If you have a look at chapter 10 of our report, we go into that in some detail. It is headed ‘Prices in Regional Areas’ and it talks about the city-country differential. In particular there is an analysis in chapter 10.2.2 which talks about the reason for the differential. I could go into that—

Senator JOYCE—More to the point, now that you are aware of it being there—I am glad you brought that to our attention—do you have the powers to deal with that issue?

Mr Samuel—With respect, you need to examine chapters 10.2.2 and chapter 10.3. It may well be that when you have a look at those you will see that there are factors there that are not a matter of a shortage of powers but they are factors that relate to the operation of the market and the way the market operates in what I will call a market based economy. I think perhaps they need to be examined and then we could happily discuss and debate the matter. During the course of the petrol inquiry we conducted public hearings around some five or six regional centres of Australia. We received submissions from motoring bodies, automobile associations and, in particular, retailers and indeed wholesalers in regional Australia. I think for the first time we got a very clear understanding of the reasons for the city-country and the country-country differential. In particular the country-country differential is one that had perplexed us for some time: as to why one regional area was paying one price for petrol but another regional area was paying a significantly different price. Again, in paragraph 10.3 of that report, you will see an explanation.

Senator JOYCE—That gives reference to powers that can deal with that issue?

Mr Samuel—I think when you see that you will see that what we say is there is a market based economy reason for that occurring. If we are going to deal with that differential, as you

describe it, I think that gets into quite a serious and significant issue of interference in the way that the market works, and that ultimately is a matter for government.

Senator JOYCE—Talking about the way the market works, with the new entrant that you have discussed, would you be concerned if a new entrant was not allowed by the majors to participate in the existing wholesale arrangements?

Mr Samuel—We have already expressed or raised some questions in the report concerning the buy-sell arrangements and the fact that they are the exclusive territory—the exclusive role, if you like—of the major oil companies. As you observed, the refiners are not operating in every state. They are operating in separate states and then they allocate their refining capacity or their refined petrol to others that are retailing within the state. But the advantageous prices of the buy-sell arrangements are the exclusive territory of the four major oil companies. We have expressed some issues concerning that and, as I have indicated previously, those issues are the subject of further close examination by us. I would not want to go into any more detail on that in this open forum, suffice to say that they are of concern. I think they would be of the same concern if a new entrant were to be involved. We ought to also be careful about some of the media commentary talking about new entry into the market. I would not get too excited about laying out the welcome mat for the new entrant. I think there was a bit of a media beat-up on that particular issue. I can certify absolutely without any question of contradiction that the ACCC and the federal government are not currently negotiating a joint venture to open up a new refinery in this country.

Senator JOYCE—I was about to say that I thought you might have been the source of some of that media beat-up after a story on Channel 7.

Mr Samuel—I have seen the transcript of that. I think that I would claim innocence.

CHAIR—There are other senators waiting.

Senator JOYCE—I have many more questions.

CHAIR—I am aware of that, but I am sure other senators have questions.

Senator JOYCE—Can I just ask one more?

CHAIR—Yes.

Senator JOYCE—Does the availability of ethanol as a substitute have any existing or potential competitive benefits? If there were wider availability of ethanol, would that lead to greater competition?

Mr Samuel—All I can do is comment on observations, if you like, that we have been able to make as to what is occurring in the retail area and particularly information and evidence provided to us by representatives of United Petroleum. You would be aware that they are selling ethanol blended petrol, E10, 10 per cent blend of ethanol, and they are selling their base ethanol product generally at around 4c a litre cheaper than the board price of standard unleaded petrol. They are also selling what they now call a high octane ethanol blended E10 unleaded petrol at a significantly lower price, ‘significantly’ being of the order of 10c below the same octane unleaded petrol that you could buy that does not have the ethanol blend. I understand some of the other majors are also doing that. If I am not mistaken, BP is also selling ethanol blended petrol. We were providing last year—I am not sure if we are still

providing that—our report to government on a quarterly basis. It is on our website. It does indicate that ethanol blended petrol tends to sell at around 2c to 3c a litre cheaper than equivalent unleaded petrol.

Senator JOYCE—And you have been proactive in making sure that those people who produce ethanol have the capacity to get it into the marketplace, which is controlled by the oil majors?

Mr Samuel—I do not think there is any shortage of ability for ethanol producers to get their product into the marketplace. There may be some shortage of ability of petrol retailers to actually obtain the ethanol blend.

Senator FIELDING—In an answer you gave earlier on price difference you said that you spoke to the executives of the oil companies. I am not convinced by the explanation that you have given us here tonight. We are talking about apparent petrol price gouging. You have had a chat—and rightly so—and there was a lot of press and I think everybody out in the public was pretty comfortable knowing that you were on the case talking to the oil companies. I have to say that, sitting here listening to your explanation, I was left very unconvinced that we were given a valid explanation of why there was such a big gap with all of the oil companies that day. Do you take file notes from those meetings and is there some way that you could table those and withhold information on which oil companies were being interviewed and take out anything that would tie it back to them? I am not convinced that you sound convinced that we know why there was price gouging going on in petrol.

Mr Samuel—I am not convinced that I am convinced as to the explanations provided. What I was endeavouring to do was to indicate to you two or three things. Firstly, we received mixed explanations in respect of the December divergence. Remember, these are divergences that were very significant indeed. We regard an observable divergence as being of the order of around 3c to 4c. These divergences shot, as I have described it, off the graph—up to about 6c or 7c per litre. We sought explanations from the oil companies in December, and on the explanations we received then I commented publicly that we were of the view that they were not satisfactory. The questions that I guess we have in respect of the explanation provided towards the end of January relate to these factors. Yes, we accept that there was a maintenance breakdown in respect of the Caltex Kurnell refinery. Yes, we accept that there was a problem with the Shell Clyde refinery in terms of its cracker. And we understand that and accept those at face value as they were provided to us. The oil companies know that it is an offence to provide misinformation or to lie to an officer of the Commonwealth. You would expect that, in writing and otherwise, they would not be telling us untruths.

I did mention also that to replace refined petrol—that is, petrol refined in Australia—with imports on the information provided to us by the oil companies takes at best two weeks and at worst three to four weeks from the time the problem arises. We recognise that the problems arose in the Caltex refinery back in early December and yet we have a significant divergence occurring at the end of January. We recognise that the Shell Clyde refinery went down—I stand to be corrected on this—or had a problem arising with its cracker in about the middle of January. It was taking a significant period of time—

Senator FIELDING—Could I interrupt? The reality is that the Australian public see you as the cop on the beat. You are telling us tonight that the answer the cop got is not satisfactory. I find it amazing that you are not chasing that even further and with greater tenacity. All we are saying is we got the result because we went and saw them. We knocked on the door, we went and saw them. And the prices went down. I am worried about what happens next. Will they just think, ‘We can get away with this each time’?

Mr Samuel—I indicated to you that there is a range of issues that we are dealing with at the moment that I do not feel appropriate to comment on in open forum. You asked me the question whether were we satisfied with the responses. I have given you an answer to that. Is there further work being undertaken? I will give you a short answer: yes.

Senator BUSHBY—I have some questions on grocery and petrol prices and some other things. Do you want me to stay with petrol?

CHAIR—Yes.

Senator BUSHBY—How many retail sites does the ACCC monitor under its formal monitoring requirement?

Mr Samuel—We have the power under the formal monitoring requirements to monitor every site in Australia. But we think that it is going to be far more important that we monitor the sites of the more significant retailers. I am not saying the major retailers, because that would be too limited. We have to remember that, while the ACCC might have the resources—and Mr Cassidy will kick me under the table for admitting we have resources to do all of this work—it is a significant imposition on a retailer for him or her in some cases to actually provide the detailed information we require to determine whether or not there are inappropriate prices being charged. You might expect that with some retailers, particularly what I will call the smaller independent retailers, that while we might do spot audits, it may not be appropriate on a continuous basis throughout the year to require weekly production of every price at which they are selling and purchasing fuel. Some of those requirements can be very onerous indeed for what are relatively small businesses and would, I have to say, have very little influence on our analysis on the market.

Senator BUSHBY—What percentage of outlets do you think you will monitor in some shape or form?

Mr Samuel—At the present time, the Informed Sources arrangement, which is that electronic information service subscribed to by some of the major retailers, covers around 3,600 to 4,000 service stations. I would expect that we would go beyond that. There are some that are not part of that monitoring service. For example, the United Petroleum group is not part of that subscription service; 7-Eleven has some limited participation in it. The other independents—Gull, Matilda, Neumann and the like—are not part of that service, but they do have an influence in the market. We would expect as we move the price monitoring process along that we will expand to cover those areas of retailing. How many would that cover? I am guessing a bit, but perhaps about 5,000, that sort of order, of an estimated 6,500 to 7,000 service stations.

Senator BUSHBY—That is not bad coverage. That would be covering all states and regional areas?

Mr Samuel—We also need to remember that we are also not focusing just at the retailer end but that it covers right the way through the process. It will in a sense start at the imports and the refining and look all the way through the process.

Senator BUSHBY—So you have monitoring processes that you have developed? They are fully developed and in place?

Mr Samuel—What we have done is sent out advice to the four oil majors of the information that we require and asked them to come back to us with their response to that. They know that the price monitoring started on 17 December, and that information they have to provide back to us will be retrospective to that. Keeping in mind that the formal price monitoring requires us to deliver an annual report to government to the minister each year, it will be in the second or third week of December of each year. But we will also be using the formal price monitoring powers to assist us in what I will call some of the shorter term issues that we are having to deal with. But that will evolve over time as we gradually get information in. If you see the volume and complexity of the information that we will be requiring of the oil majors, you start to really understand how complex this is.

Senator BUSHBY—You mentioned that the requirements on some of the retailers are quite onerous. I imagine to some extent at least some retailers may well be involved in it, so the problems that you mentioned earlier do exist in the petrol industry. What is your relationship like with the outlets in general? Are they putting up barriers to this, are they just accepting it because they have to or are they, on the whole, willingly complying?

Mr Samuel—They know they have to. The advice given to them before Christmas, once this was announced by the minister, was that these are formal price monitoring powers. They are powers that give us extensive ability to effectively subpoena information. There is no choice; that is the law.

Senator BUSHBY—You monitor a lot of outlets. Are you confident in terms of compliance and checking that they are giving you the information that you expect them to? Are you confident that they are being fully forthcoming and that they are not placing barriers in the way of getting you the information that you really need to see?

Mr Samuel—It is only at its early stage at the moment because we are settling the level of information that they can reasonably provide. As I indicated earlier, it is very complex indeed. They also recognise that they have no ability to decline to provide the information. They are formal price monitoring powers. They are required to comply under the act.

Mr Cassidy—We will be getting information under our formal monitoring powers but we will also be continuing with the informal monitoring that we have been doing of about 4,000 service station across Australia and we will actually be using one to cross-check on the other to make sure that the information that we have been given under our compulsory powers is accurate information.

Senator BUSHBY—Do you think that the result of this price monitoring will be lower petrol prices, all else being equal?

Mr Samuel—I think that we ought not to see formal price monitoring in isolation. When the minister released our report, he noted that there were a number of significant issues that

we had advised him we were intending to follow up and I outlined those in the opening statement—the issues relating to the buy-sell arrangements, relating to the import terminals and the potential to open up importing to independent importers, relating to an ongoing monitoring of the shopper-docket systems or schemes that are provided by the major retailers, and also relating to the issue of increasing the transparency and potential increased empowerment of consumers to determine when to buy petrol at the most advantageous prices. But if you take the totality of those processes that we will be working through, as I consistently say—including, indeed, today—this is not a matter that can be fixed overnight. These are longer term fixes and longer term issues that need to be dealt with. We think that what we can produce is, firstly, without question, much more significant transparency in terms of petrol pricing and how it is developed and the like. Secondly, we would hope to be able to give greater power to consumers to be able to buy petrol at the most advantageous price, presuming that they have the discretion to be able to do that but to be able to give them greater power to be able to do that. We have anticipated that that could make a difference in the price of petrol but—as I have indicated and as the minister has indicated and as Pat Walker, the recently nominated petrol price commissioner, has indicated—we should not expect that to make a difference in terms of tens of cents a litre because, ultimately, we have to deal with an international price that is related to crude oil, not the least of which is that crude oil has hit record highs over the past 24 hours.

Senator JOYCE—Just on that issue: the petrol policeman, Mr Walker—

CHAIR—No.

Senator JOYCE—Just on that issue, just one issue. Does Mr Walker have one power that you did not already have?

Mr Samuel—Mr Walker is appointed as a commissioner of the ACCC. His primary if not sole role will be to monitor and to deal with petrol pricing issues.

Senator JOYCE—So why couldn't you have stopped the problems? Why do we need Mr Walker?

Mr Samuel—I think it is important that we have an individual, a commissioner, who will have a sole responsibility, a fundamentally prime and sole responsibility, to focus on petrol pricing issues. That raises the importance of the issue and the ability of the commission to deal with the issues. Mr Walker is coming on board, if he is accepted by the states and territories, with that as his sole responsibility.

Senator JOYCE—It is just that Mr Walker has more time than you do, that is what you are saying.

CHAIR—Not entirely, Senator Joyce. Senator Bushby.

Mr Samuel—Did you want me to finish that answer? I am sorry, I just sort of cut across there.

Senator Sherry—Senator Joyce cut in.

CHAIR—Sorry; all right.

Senator JOYCE—It was pertinent to that.

Mr Samuel—What I was saying was that the difference in pricing that we might expect will not be measured in terms of tens of cents a litre, and I think both Mr Walker and the minister, Chris Bowen, and myself have made that clear, that the sort of difference in pricing is one that will reflect the difference between what I will call any inflated price that could occur through the lack of transparency, the lack of accountability and some of the arrangements that we have been discussing tonight, and what we think is an efficient pricing of petrol.

CHAIR—Senator Bushby.

Senator BUSHBY—Correct me if I am wrong, but what you are saying is that we are about to put on a new petrol commissioner, you are undertaking a number of investigations, we are putting in place the price monitoring which sounds like an expensive process, a lot of resources going into all of this. The end result is we might get a couple of cents saving.

Mr Samuel—I do not want to measure it in terms of a couple of cents but let me say—

Senator BUSHBY—That we get the margin right and something substantial.

Mr Samuel—It will not be to the order of, as best as we can see it, 10c or 15c or 20c, because there is not that level of margin.

Senator BUSHBY—When you are talking about the problems in the petrol industry which you have mentioned, the problems are generating higher prices in the order of cents rather than—so even if you alleviate those problems you are only going to get cents?

Mr Samuel—Yes, but let us remember that every cent—I cannot give you the exact number—in a litre of petrol has a cost to consumers of tens of millions of dollars and so we need to keep that in the back of our mind. But I think there just needs to be a bit of a reality check as to what you have to look at—when you have the price of crude oil lifting up to \$101.27 I think it was this morning, you cannot expect petrol to be selling at \$1 or \$1.10 a litre. It just cannot possibly happen.

Senator BUSHBY—I understand that. That is why I said ‘all else being equal’ when I asked my question initially. I want to ask a few questions about the petrol commissioner, as well. From what I understand from your response to Senator Joyce’s question, the petrol commissioner has been given the power of an ACCC deputy commissioner or commissioner?

Mr Samuel—No, he will be a member of the ACCC and his responsibility as a member of the ACCC will be to conduct the processes involved in dealing with petrol pricing and then the ACCC will deal with those processes as recommended by the petrol price commissioner. The ACCC will be the institution exercising the powers; the petrol price commissioner will be focusing solely on petrol.

Senator BUSHBY—So, in summary, he does not actually have any greater powers than were already available to the ACCC but there is a focus on petrol?

Mr Samuel—Absolutely. That is how I describe it.

Senator BUSHBY—Will he be involved in activities other than the roles outlined previously by the minister when he said he was going to be appointing a petrol

commissioner? Will there be other things that he will be involved in, or will it be just the things that were mentioned by the minister?

Mr Samuel—I cannot recall what the minister mentioned but, as I do vaguely recall, the minister indicated that he will be focusing on a range of issues that relate to petrol. You would expect therefore that, where there is an issue that concerns petrol, he will be involved in it. So it will not just be the exercise of the formal price monitoring powers but it will be looking at the range of issues that we are dealing with in relation to petrol, keeping in mind that we have a large organisation and there are a number of different divisions and branches in the organisation dealing with some of the investigations I have commented upon. But as petrol price commissioner he will have responsibility for overseeing those and ensuring that there is brought to the commission itself all the relevant information and recommendations concerning those issues.

Senator BUSHBY—As an ACCC commissioner, does he have any other responsibilities, statutory or otherwise, that automatically attach to him as a result of that status?

Mr Samuel—No, there is nothing that is automatic. It is a matter of allocation, I guess, by the chairman of the commission.

Senator BUSHBY—Will additional ACCC resources be required to be set aside to set up the office of the petrol commissioner?

Mr Samuel—When you talk about office of the petrol commissioner, I think we need to understand what is involved. There is a division of the commission that will deal with petrol price monitoring, and that has already been developed and the resources are being put into that at this present time. There are other divisions of the commission that are dealing with, for example, the further examination of the buy-sell arrangements, the examination of the price information sharing arrangements that I have commented upon. There are other areas of the commission that are dealing the audit of import terminals and the future monitoring of the leasing or purchase or use of those terminals. Then there will be other areas of the commission that will be providing advice to government, are currently providing advice to government on the development of potential means and schemes for giving consumers more transparency and more empowerment as to when they buy their petrol. These are areas that are spread across the whole of the commission.

Senator BUSHBY—So effectively, the bottom line is that it will be a reallocation of existing resources to support the petrol commissioner.

Mr Samuel—No.

Senator BUSHBY—No?

Mr Cassidy—We are currently talking to the government about potential or additional resource requirements both in relation to petrol and also in relation to grocery monitoring but those discussions are part of the budget deliberations, so obviously I cannot comment at this stage on the exact content of those.

Senator BUSHBY—Can you tell me what the ACCC's policy is on commissioners and other full-time staff holding board appointments on companies?

Mr Cassidy—The commissioners under the law are appointed as full-time appointees, so they could only have another occupation, if I can put it that way, with the approval of the Treasurer, and even then he would have to be satisfied that in doing that it was not in any way impeding their abilities to basically operate as virtually a full-time commissioner of the commission.

Mr Samuel—I have considerations as chairman of the commission as to whether the holding of those positions would give rise to conflicts or pecuniary interest conflicts under section 17 of the Trade Practices Act.

Senator BUSHBY—Has the petrol commissioner commenced?

Mr Samuel—No. He has been nominated by the federal government but I understand that, in accordance with the competition principles agreement and the provisions of the Trade Practices Act, that nomination needs to be submitted to the states and territories and approved by a majority of states and territories, as I am well aware.

Senator BUSHBY—Have any of the ACCC commissioners—including you, the deputy chair or the petrol commissioner—been invited to attend the Prime Minister's 2020 best and brightest summit?

Mr Samuel—I can only comment that I have not been invited. But I cannot comment upon any others.

Senator Sherry—In your case I hope so.

Mr Samuel—You hope that I have or have not?

Senator Sherry—That you have.

Mr Samuel—The invitation may well be in the mail but I have not received it yet. Is there anybody in this room who has been invited to the 2020 Summit?

Mr Cassidy—I saw the great bulk of correspondence that has come in and I have not seen any invitations to the 2020 Summit as yet.

Senator BUSHBY—I was not fishing for anything in particular, but I was just curious.

Mr Cassidy—Mr Walker, I should add, is not part of us at the moment so what invitations he may have I could not comment on.

Senator BUSHBY—I take that on notice. If you do find out that he has one, will you let us know?

Mr Samuel—I should say that, as a matter of policy, it is my view that it is frankly inappropriate for commissioners of the ACCC to hold board positions in other companies except perhaps their own small, private family investments companies but I just think it creates a conflict of interest that has a potential problem.

Senator BUSHBY—I have one final question on petrol. I have other questions on other matters, as I mentioned. This one is a Tasmanian related one. Despite choosing to abolish the state's fuel subsidy last October, the Tasmanian government noted its concern that the removal would result in price increases in excess of any increase that could be attributed to the removal of a subsidy and requested the ACCC to closely monitor prices and prepare one

or more reports to assess this. Has any information been compiled on what might have happened in Tasmania?

Mr Samuel—The examination of what has occurred in Tasmania, as in the rest of Australia, is set out in detail in that report.

Senator BUSHBY—Does that specifically address the removal of the subsidy? What will happen after that?

Mr Samuel—I do not recall if it is specifically addressed to that but it certainly addresses the issue of the differential pricing in Tasmania relative to perhaps some of the main mainland states.

Senator BUSHBY—What I am talking about is: the Premier of Tasmania undertook publicly that he would request you to monitor the effect of the removal of a fuel subsidy—I think it was a 2c a litre subsidy—that was in place in Tasmania to make sure that there was not any, in effect, price gouging that occurred afterwards. Firstly, was that something that you were requested to do? And, secondly, did you do it?

Mr Cassidy—The Premier wrote to us and we responded that yes, we would do that. We did caution that, when you are talking about 2c a litre, given the way in which petrol prices move round, that was a small margin that we, in a sense, would be looking for. But certainly, in our informal monitoring of service stations in Tasmania, we have been watching to see whether there are any what I might call aberrant price movements following the elimination of that subsidy. I would have to say that we have not found any, and I would come back to my qualification that, when you are looking for 2c a litre or variations on that, given the way petrol prices move, it can be hard to detect, certainly insofar as we can detect it. We have not seen anything aberrant occurring.

Senator BUSHBY—So, to the best of your knowledge, the Tasmanian consumers got the benefit of the 2c—

Mr Cassidy—No, they lost the benefit.

Senator BUSHBY—That is right, they lost the benefit but there was no additional impost on them as a result.

Mr Cassidy—I will not repeat my caveat, but as best we could tell.

CHAIR—I point out that we will have ACCC until a tea break at 9 o'clock. Is that the indication? APRA, National Competition Council and Productivity Commission?

Senator MURRAY—Madam Chair, APRA's handling everything to do with the potential financial systems, and, in light of the subprime stuff, we really do need to hear from them about what they are doing. So it is not one of those you can skip over. If we were to drop any, from my perspective, National Competition Council is one I do not need to hear from.

CHAIR—We have them coming and I have them on for a short time. We have the National Competition Council and the Productivity Commission.

Senator BUSHBY—Does anybody have much for the National Competition Council?

Senator JOYCE—No.

Senator MURRAY—No.

CHAIR—It would have been good to have heard that earlier.

Senator ABETZ—Can we relieve the National Competition Council?

CHAIR—The committee is indicating that we do not need the National Competition Council.

Senator JOYCE—I would prefer to retain the ACCC.

CHAIR—And the Productivity Commission?

Senator FIELDING—I know we ran later last night but I think this is an important session.

Senator JOYCE—It not a matter of us running late. But it is Hansard running late.

CHAIR—We are not running late but we will inform the National Competition Council that they are not required and I will give longer for this session.

Senator MURRAY—Please give them our apologies for holding them over late.

CHAIR—Yes, indeed. Senator Eggleston?

Senator EGGLESTON—I have a couple of questions that I would like to raise. Firstly, I have one to do with telecommunications. I believe Telstra has begun switching on ADSL2 at around 900 exchanges across the country after the minister, Senator Conroy, wrote to Telstra saying the ACCC would not force Telstra to give access to infrastructure to other smaller telcos for broadband. I would be grateful if you would explain the ACCC's reasoning in denying access or saying they will not force access to broadband infrastructure on Telstra, on the copper wire network, and why is this different from access for ordinary phone calls? What is the difference that you see there in principle?

Mr Samuel—First of all, I would have to say, if I might, with respect, that the summary you have given of the representations that we provided to the minister, Senator Conroy, is not entirely accurate. The senator sought advice from me and from the ACCC as to our position with respect to the declaration of ADSL2+ as a service and we provided that advice to the senator in terms of public advice that we had provided over the past 18 months, both in speeches that I had given and in the contents of our fixed services review position paper. The senator faithfully summarised and reproduced that advice that we gave to him in the letter to Mr Trujillo, which he then published on his website. So I think you need to refer to the senators or to the ministers a letter which does faithfully reproduce the advice that we gave him and he expressed the opinion—I do not wish to verbal the minister—that the advice that I had provided him and that had been contained in the information that he reproduced in his letter to Mr Trujillo in his view provided the regulatory certainty that Telstra needed to be able to proceed with the matter. What other communications occurred between the minister and Telstra you would have to address the minister, but I think if you refer to that and if you refer to that letter and the material that is contained in that letter, you will see that the minister has reiterated the advice that we have provided and he has done so in a very faithful way.

Senator EGGLESTON—With respect, the copper network is the same copper network as is used at the present time just for ordinary access to telephone calls and which the smaller

telcos pay interconnect charges to access. ADSL2+ uses that copper network. It is going to be very difficult, if not impossible, for the smaller companies to put in place their own infrastructure for broadband. I would have thought, if your decision is as reported, that you will not require Telstra to allow the smaller companies to access the ADSL2 network, then that seems to me to be very anti-competitive and to create a monopoly, again, for Telstra in the matter of broadband.

Mr Samuel—Of course, that has not been borne out by the history of this matter over the past perhaps two years. What we said in the various comments that were reiterated by the minister in his letter to Mr Trujillo was that the fundamental philosophy of the ACCC is to encourage what we call facilities-based competition. In this context, we are not talking about the copper wire. We are talking about the exchanges and the installation of what are known as DSLAMs or switching devices in the exchanges which will enable those that have installed the DSLAMs into exchanges to then provide an ADSL2+ broadband service to their subscribers using their DSLAMs which are connected to the copper wires that run from the exchanges to the places of residence or business of the subscribers concerned. We have favoured facilities-based competition because we think, ultimately, that that is the more sustainable competition and it does involve, as I have indicated, the installation of switching devices, not the installation of new copper networks but the installation of switching devices, in the Telstra exchanges. The experience over the past couple of years has been, certainly in the many exchanges—and indeed I think the number was something of the order of 360 or 370 exchanges which were those that were initially turned on by Telstra in terms of their ADSL2+ some 12 months ago—that those exchanges were those in which other telecommunications carriers had installed their own ADSL2+ DSLAMs and were providing a real competitive tension to the broadband service that could be provided by ISPs and carriers to Telstra. So Telstra switched on its own DSLAMs in those exchanges.

Telstra has now decided on the basis of the advice provided to them by the minister that they will now switch on 900 further exchanges which have Telstra DSLAMs installed in them. But there is still no reason why those 900 further exchanges cannot be the subject of the same facilities-based competition as has already occurred in 367 or 370 exchanges to date, where competitors have installed their DSLAMs over the past year or two years. The advice that I provided to the minister and has been provided on many occasions to Telstra and publicly over the past 18 months has been that we favour facilities-based competition. The facilities-based competition is best served by the installation of DSLAMs by independent telecommunications companies in exchanges and, where that does occur, you do obtain facilities-based competition. Facilities-based competition is of course neutered or almost negated if you declare the switching services, or the DSLAM, or the services provided by ADSL2+ DSLAMs in exchanges. There is then no need for anyone to pursue a facilities-based competition process.

Senator EGGLESTON—That is all very well, Mr Samuel, but the fact remains that in much of Australia people will only have the option of taking up Telstra broadband. Among the companies which have complained about your decision is iiNet which is quite a large telco, Internode, and a couple of others. We have to accept that time moves on, technology changes and, while just having access to a copper wire system 10 years ago was fine, and more

recently fine for slow internet connections, people want broadband. It is not only important to people personally but also to businesses, and your decision is putting a lot of businesses around Australia in small country towns at a significant competitive disadvantage, I would have thought.

Mr Samuel—I am sorry, I am just repeating myself, but I think it is important to note that this is not a decision. This is a statement of policy by the commission which has been stated for the past 18 months. Indeed, for the past 18 months we have been urging Telstra publicly to switch on its DSLAMs throughout Australia in some 2,000 exchanges. Telstra has resisted that for whatever reason Telstra had for resisting it. Throughout that period of time, we have conducted a fixed services review, which is now moving towards its completion stages. Parties who have an interest in this issue have had many opportunities to put their position to us and those positions have been and are being considered and taken into account by the ACCC. But the decision, as you call it—which is not a decision, it is a statement of policy—is nothing new. It has been there on the record for at least 18 months in both public speeches that I have given, that other commissioners have given and that indeed has been a fundamental part of our fixed services review with two position papers that have been issued. So this is not a big surprise and it is nothing that is terribly new. Indeed, the public calling on Telstra to turn on its DSLAMs in those exchanges that you have talked about has been publicly made certainly by me and others over the past 18 months.

Senator EGGLESTON—I am well aware of that, Mr Samuel. I know all about the fact that ADSL2 could have been switched on a long time ago by Telstra but, even if what you refer to not as a decision is a statement of policy, it still carries the implication that Telstra feels free not to give access to or not to permit other telcos to put their own DSLAMs into exchanges in country centres, I would think. Would you not agree?

Mr Dimasi—None of the comments that have been made or the position that the ACCC has made public indicate in any way that competitors to Telstra would not be able to seek to put their own DSLAMs in Telstra's network. We have declared what is known as the ULLS, the under local loop service, and that is the network on which you put the DSLAMs.

Senator EGGLESTON—I understand telecommunications quite well.

Mr Dimasi—Good. The question then is one for them and one of economics as to whether they wish to roll out their DSLAMs. That is what that decision is about. If they are then suggesting, as indeed some of them have, that we should examine the declaration of some wholesale service or some other kind of service involving Telstra's DSLAMs, of course, as we are required to do under the legislation, we will always examine those issues. But the position that we have stated does not preclude them from rolling out their own DSLAMs.

Senator EGGLESTON—When you say 'them' are you talking about smaller telcos?

Mr Dimasi—Any telco that wishes.

Senator EGGLESTON—The practical reality is that the small companies do not have the financial resources to roll out a network to provide broadband around the country. It seems to me the weight of your policy statement is such that Telstra believes you will not put any pressure on them to require them to enable the small telcos to put DSLAMs into exchanges

and, therefore, it seems to me, that you have facilitated the creation of a broadband monopoly around much of Australia which I would have thought was very contrary to your charter.

Mr Cosgrave—You mentioned two companies there that had made representations to you, iiNet and Internode. Both of those companies have invested in DSLAMs. Telstra this morning, as part of its statement of its results, indicated that there are a total of 768,000 ULLS and line sharing services across Australia, which is an increase of 95 per cent from the number that was in place in December 2006. So there is active investment, including by companies making representations to you in that technology. In fact, those companies were the first companies in Australia to offer ADSL2+ services utilising the services regulated and declared by the ACCC.

CHAIR—It is 9 o'clock. We will take a short adjournment for a tea break until 9.15 and then we will return with ACCC.

Proceedings suspended from 9.00 pm to 9.13 pm

CHAIR—We will recommence after our brief adjournment. Senator Eggleston was questioning.

Senator EGGLESTON—I will move on to another quite small issue. Last year the Senate Communications, IT and the Arts Committee which I chaired then undertook quite a long inquiry into the Indigenous art industry in Australia. We found there was quite a lot of fraud and malpractice and a lot of things going on which needed to be looked into, including exploitation of artists in remote areas. One of the recommendations we made in that report was that the government consider asking the ACCC to set up a special Indigenous art unit within the ACCC to police fraudulent practices and exploitation in the Indigenous arts industry. I just wondered whether or not the new government has in fact taken up that recommendation with the ACCC and if you are progressing the idea of setting up an Indigenous art unit within your organisation.

Mr Pearson—We do not have a specific stand-alone Indigenous art unit. We have focused over the last 12 to 18 months on a lot of work in the Indigenous art area. We have a team from Darwin that has made several visits to Alice Springs in order to identify areas that we thought could be problems and to interview prospective witnesses and those who may be impacted by some of the claimed conduct that is being undertaken in Indigenous art. There obviously are cultural issues, as you are well aware of after the review, in terms of identifying appropriate witnesses and how you approach many of the Indigenous artists.

We have done some work with some of our other OFT colleagues and in fact there is a website that has just been launched with one of the departments where a number of agencies have worked together to put together an Indigenous website in which we look at not just art but particularly with a focus on art.

Without commenting too much on cases, we actually do have one case that is a fair way along in the investigation, although where that will go to, we are not sure. We have done a lot of work on at least one case. We have also investigated a couple more.

So it has been a focus. We have put a lot more focus on it since the committee hearing. My colleague, Mr Ridgeway, is the one who has been most involved in that area.

Mr Ridgway—In addition to some of the investigative work by the enforcement teams in the division, we have also of course been working closely with industry and, in particular, NAVA in relation to the development of the voluntary industry code of conduct in this area and we are seeing some developments that should be helpful in the longer term there.

Senator EGGLESTON—I have seen the code of conduct.

Senator Sherry—Can I just say, have we seen the former government's response to that report and that particular recommendation?

Senator EGGLESTON—No, so far there has not.

Senator Sherry—I will undertake to chase that up with Senator Conroy. Obviously there is a carry-over from the previous government as well because I am handling another issue myself from a report from the previous government. I will speak to Senator Conroy about the follow-up on that.

Senator EGGLESTON—Thank you very much. As I said, I know about the ACCC's interest in the issue and I think you have done a good job, but this committee thought that there was a strong case for setting up a stronger unit within the ACCC and giving it special funding because it is very difficult to deal with some of these problems across various jurisdictions, and with your operation under the Trade Practices Act it was thought that you could deal with it more effectively than almost anybody else. Thank you very much and thank you, Minister.

CHAIR—Senator Joyce.

Senator JOYCE—I want to draw you back to something specific. I know we talked about regional towns. I want to draw your attention specifically to the differences in petrol prices within city suburbs. I want you to clarify your views because what really bothers motorists is this geographical price discrimination. What is your view on it? How are we going to deal with it? How do we justify the fact that someone goes to one suburb and the next suburb there is 10c difference from the same company, within a city?

Mr Samuel—Again, I will have to refer to this report, which is quite voluminous, but it is also very rigorous and very detailed and explains how some of these prices differences arise. If I might say so, we have a real contradiction that occurs in this area because only two or three days ago I heard a talkback radio commentator in Sydney complaining that we were not doing enough to prevent the same prices being charged by service stations around the city and that that was clear evidence of collusion because when one service station moved its price down and another service station followed, that was clear evidence of collusion and that Graeme Samuel had no interest in this matter and was not doing anything about it. Now your complaint is that you have actually got differential pricing. If I might say so, there is an inherent contradiction in both views but, with the greatest respect to yourself, and I will not comment about the radio commentator—

Senator JOYCE—I do not know about the radio commentator.

Mr Samuel—I am just pointing out the problems that we have in this area. What we did indicate in our report is that the petrol market in this country is fundamentally competitive but, and this is the important but, there are some elements of the market in terms of its

structure and the elements relate not just to the retailing of petrol, but they relate much more potentially to the importing, refining and supply at wholesale level of the petrol which militates against the full competitive dynamic occurring.

Senator JOYCE—So you are saying the answer is in that book, and I will pay a lot more attention to the voluminous book. I just want you to clarify this question. Do you expect prices to spike around Easter or should prices just reflect the normal cycles?

Mr Samuel—I would refer to our report again. I am sorry to constantly refer to this but we did attempt over a period of some nearly six months to undertake a very rigorous and detailed analysis of the market and, so that you are aware, this report was the result of not only extensive, rigorous analysis but also the result of obtaining a vast volume of information from all those in the industry and the like.

You have asked about what happens on Easter and the like. The report makes it clear that on all the analysis we have undertaken over some years now there is no differential spiking that occurs over the Easter, Anzac Day or Australia Day weekends. There is no differential spiking that occurs over those long weekends than occurs on any other weekend in the year. I have indicated that the price cycle in all the major cities other than Perth tends to be at its low trough level on a Tuesday. It will tend to spike up on Wednesday. That also tends to happen with long weekends and/or Easter and/or Christmas and there is very little difference. If anything, our indications are that probably on the holidays there is a very marginal difference but it actually happens to be a lower price than a higher one.

Senator JOYCE—In summary you are saying that you do not expect a price spike at Easter?

Mr Samuel—No. I am sorry, I did not say that all, because Easter, as I recall, starts on a Friday, which is the day before the weekend. I might stand corrected on that—

Senator Sherry—You are startlingly accurate.

Mr Samuel—I do not claim a great deal of knowledge of the religious holidays, but if I have got that right then you would expect that in the normal price cycles there would be a price hike on the Wednesday or Thursday prior to Easter in exactly the same way as has occurred for every weekend.

Senator JOYCE—Do you believe that price hike is going to be like the one the weekend before?

Mr Samuel—Whether it is exactly the same, again, if you look at the graphs that we publish daily and weekly on our website, you will see the price cycles. The price cycles are not consistent. They do vary. They will move. The amplitude of the cycles does vary. They can go as high as 14c, 15c in some instances and in other instances they can often be as low as 1c or 2c. For example, I noticed that the prices today had spiked up in all the major capital cities on the mainland, with the exception of Adelaide, where there was not a price spike, so they will vary.

Senator JOYCE—Would it be fair to say that you believe the price spike at Easter will be the same as the one of the weekend before?

Mr Samuel—No. I am sorry, I just provided an answer on that. No, I must be accurate.

Senator JOYCE—You are sorry; I am confused.

Mr Samuel—I will try not to confuse.

Senator JOYCE—Just pretend I am someone listening to the radio.

Senator Sherry—Maybe you should be the shock jock.

Mr Samuel—Let me make it clear. The price cycle on an Easter weekend will in principle be the same type of price cycle that will occur on any other weekend of the year. Will it be the same price hike as occurred the weekend before? I have no idea. Will it be the same price hike as on average occurs throughout the year? Probably yes, it will, but there is no magic about weekends that are long weekends or holiday weekends.

Senator JOYCE—Does the number of competitors in the market keep prices down? Would you agree that the number of competitors and the more efficient they are, the better prices we get? Should we be concerned about growing market concentration and creeping acquisitions?

Mr Samuel—I would not necessarily concede that the number of competitors is in direct correlation to the level of competitiveness in an industry. What is more important is that we have effective competition, and effective competition can sometimes come from fewer larger players that have economies of scale and are therefore able to provide the efficiencies that enable them to compete with other large players in the marketplace. For example, during our petrol inquiry it became very clear that the larger players in the market, including the United Petroleum, the Gulls, the Matildas, the Neumanns and the like, had some reasonable and in some cases some significant degree of control over the competitive dynamic that they brought to the market place. Those, however, who indicated they had very little say in retail pricing tended to be the very small, operate-alone independent service stations, those we call the bold shields.

Senator JOYCE—If margins were increasing over time for everyone in an industry, would that be a source of concern from a competition point of view? Would it indicate cartel behaviour or a failure of competition?

Mr Samuel—It could indicate a range of factors. If margins were increasing right across an industry, it would be very surprising indeed if that would involve a cartel behaviour perhaps extending to some 7,000 service stations. That would be a very unusual cartel indeed.

Senator JOYCE—I am not specifically relating to service stations. It could be any industry.

Mr Samuel—Yes. I am sorry, I am trying to put this in the context of petrol, which is the line of questioning that you have been focusing on. That can be an element of it. There can be other elements that will relate to the costs associated with petrol, and I am referring to petrol particularly. It can relate to some of the premiums that will be charged for the different quality standards that are imposed on petrol, and we saw some movement in margins that occurred during that period of time.

Senator JOYCE—Would the opening of Port Stanvac refinery promote competition?

Mr Samuel—Frankly, I could not give an answer to that with any certainty. To finish that answer off, we need to remember that by their own admission the refiners in Australia will advise you that their refineries are very small and in worldwide terms are relatively inefficient. The total refining capacity of all the refineries in Australia is less than a single refinery in Singapore.

Senator JOYCE—Are you receiving any complaints that Woolworths and Coles are bullying suppliers or farmers?

Mr Samuel—As you know, it is not our practice to comment upon matters that we may or may not be dealing with in our investigating process or any speculation in relation to it. But it would be less than frank to say to you that we are not aware of the complaints that are often made in the public arena through the media and elsewhere about the behaviour of Coles and Woolworths in dealing with suppliers. But suffice to say, that again will be a matter that will be dealt with as part of our grocery inquiry over the next six months.

Senator JOYCE—If you had a predatory pricing allegation, which option would be easier for you use: the general section 46 or the Birdsville amendment? Which would be easier to prove it under?

Mr Cassidy—That will depend on the circumstances of the industry. There is a view, and maybe you have this view, that a concept such as a substantial share of the market is a lower threshold than a concept of a substantial degree of market power. That would very much depend on the nature of the industry. Let me give you an example. If you had an industry where a firm had a relatively small market share but that was an industry with high barriers to entry, where that particular firm had new technology that other firms did not have, then that firm with a relatively low market share nonetheless may have a substantial degree of market power. So which of those criteria is in fact, if you like, a lower hurdle very much depends on the nature of the particular industry.

Senator JOYCE—We will be able to find out when you actually test a case under the Birdsville amendment?

Mr Cassidy—That is true. Although, as we said in our petrol report, in the nature of these things it will probably take some time through the courts to clarify those new concepts such as a substantial share of the market, pricing below costs for a sustained period and indeed pricing below relevant costs. So there are some new concepts there which are going to take some time to sort out.

CHAIR—Senator Fielding.

Senator FIELDING—When did the ACCC realise it needed a petrol commissioner to ensure consumers were not being ripped off? Was that before or after an announcement was made?

Mr Samuel—I am not sure that it is a question of the ACCC realising it. This was a matter of policy of government and you would need to address that to the government.

Senator FIELDING—Did you know that you needed a price commissioner to keep prices as low as possible for consumers in petrol?

Mr Samuel—Again, as I say, this is a matter of policy of government. It was a stated policy of the government.

Senator FIELDING—It is not policy. This is a question to the ACCC. Did you not need—

Mr Cassidy—Sorry, it is a matter of policy because appointments to the commission and the basis of those appointments are a matter for government. They are not matters which we determine.

Senator FIELDING—I am sure that if you needed more resources you would request it. It begs the question of what about food and grocery prices? Do we need a food and grocery prices commission to keep lower food and grocery prices?

Senator Sherry—The decision was announced policy of the new government and the new minister.

Senator FIELDING—I will leave it there.

Senator Sherry—Whether or not the new minister consulted with the ACCC, I do not know.

Senator FIELDING—I will leave it there. I was just trying to make a point that it seems strange that if you need more resources you should yell out for it, because if we want lower prices in food and groceries and we need more focus in that area, but now we have got it on petrol, then maybe it should also happen with food and groceries also. I will leave that as a comment.

There is something else that I would like to quickly get to. I have been looking at the last five years of litigation and undertakings and I have noticed a change certainly under part V that in 2001-02 there were 29 litigations, 2002-03 18 litigations, and the number has been dropping down reasonably steadily in that area. I understand you explained a bit before about some of the other areas but that seems a bit odd to me. Undertakings, to me, do not send the same public message. It just seems that there are lot of undertakings being taken. Can you explain?

Mr Samuel—With respect, I am not sure I agree with the proposition that undertakings do not send the same message as litigation. We have carefully analysed, as a commission, the means by which we can achieve our objectives, which is the enforcement of the law, the cessation of misconduct, the education of business as to what is conduct and what is misconduct and, where possible, restitution for consumers. We have done so in the context of understanding the court process, understanding the speed or lack of speed of the court process and also listening to the admonition of judges in the Federal Court as to when matters ought to be brought to the court and when matters ought to be dealt with outside. As you would be well aware, there are many cases where Federal Court judges suggest that it is appropriate that these matters should be dealt with, if possible, through mediation outside the court process because the court process can be clogged with litigation.

Let me give an example just to illustrate part of the thinking that has gone on behind this process. I will give two examples if I may. The first related to the now well-known case of Mr Ian Turpie, the TV personality, who was prosecuted for having advertised a nasal spray to cure a non-existent sexual dysfunction. Certainly his wife attested that the sexual dysfunction

was non-existent. We commenced the investigation of that in April 2004 and we launched the court action in that matter in July 2004. It took 25 months for that court proceeding to reach completion, at the expiry of which the judge said that so much time had elapsed since the matter had raised its head that he did not think it appropriate to make many of the orders that we sought by way of remedy of that particular situation. That is a matter where the investigation took three months. The court process took 25 months and then the judge says in his judgement, 'I do not think it is appropriate to make these orders any more because this is now long past.'

Now had that matter been dealt with by means of undertaking, it could have been dealt with in July 2004, that is after three months. Corrective advertisements could have been provided. The parties could have been given court enforceable undertakings not to proceed along that course every again. Indeed, in the other matter that I will refer to you in a matter involving Danoz Direct, we had two cases there. One involved an abronics belt to remove the paunchy belly. It does not work. We prosecuted that. That took several years—something like two years—to go through the court process. Subsequently we had a matter with Danoz involving some pest control units. We were able to resolve that quickly, but more importantly, through the process of dealing outside the court, we were able to get restitution for consumers. They advertised in a public newspaper that consumers could go to them and get a refund of their money. That is something that the court process cannot achieve.

So we look at the efficiency of achieving our outcomes. This has nothing to do with legal costs. It is a question of speed, of process and of getting the right outcomes for consumers. Let me say that our criteria generally for the use of litigation will relate as much to the nature of the offence and the nature of the offender. If the offender shows a lack of compliance culture, a lack of understanding about what compliance with the Trade Practices Act is all about, they will be prosecuted in the courts and indeed in some cases they will be prosecuted criminally, which involves a financial penalty. But if we can secure a result which in particular will enable us to do things that the court process will not enable us to do, that is a speedy outcome, full publicity, corrective advertising or corrective notification to consumers, and importantly restitution to consumers that have suffered damage, then we will go by that process.

Senator FIELDING—I have one final question on the restitution.

CHAIR—Be very quick.

Senator FIELDING—I have also had a look at the refunds or restitution and in case percentage terms it has gone down over the same period.

Mr Samuel—No, not of the cases. It cannot be, because there was no restitution under the cases. You cannot get restitution in the court.

Senator FIELDING—These are refunds obtained—

Mr Cassidy—It depends on what you are looking at. If you are looking at actual cases, that would be right because since mid-2003 when we lost the so-called Medibank Private case in the High Court, we have not been able to obtain refunds under the law. We could previously, and we did. But since mid-2003 we have not been able to. So if you are comparing court cases previously and post that would be quite right. The point the chairman is making is that one of

the reasons why we may choose to go the enforceable undertaking route is that through enforceable undertakings we can get restitution for consumers, whereas we cannot through court action.

Mr Samuel—I would like to just round off the statistics in relation to those issues. I think it is important that we understand it. Our part V consumer protection work is of the order of between high 60s, towards 70 per cent and 83 per cent of our total enforcement activity in terms of outcomes achieved through undertakings and the like, which is a very high percentage indeed. But you will also see that if you go through the statistics over a period of time that by the use of undertakings we are now achieving almost a record number of outcomes, and outcomes means satisfactory outcomes, for consumers in dealing with offenders as we have achieved in our history.

Senator MURRAY—A person contacted me from Queensland who made a telephone call complaining about a hire car practice to your Queensland office and they were advised, and I quote from the email: ‘... not to spend too much time in writing a complaint because it will simply be filed away until a significant number of complaints on that issue are received’. I am a third party and I do not know what was actually said or if the quote is accurate, so we will accept that, but if that was said of course it is self-fulfilling because each person will then say that they will not bother and you will never get an aggregate number. What is the ACCC’s actual policy in answering the phone with respect to complaints?

Mr Cassidy—Mr Pearson may want to comment. Let me say I would be surprised and disappointed if that response was given for exactly the same sort of reason that you allude to.

Senator MURRAY—I am not going to ask for a longer answer because it is quite plain you disagree with it and it is contrary to your policy, so I will accept that. I only have five minutes; that is why I am going to accept that. I want to move on to the substance of the complaint now. I am glad it is contrary to your policy.

Mr Cassidy—Yes.

Senator MURRAY—The complaint was this. As you know the ACCC have demanded and succeeded—and I am grateful for it frankly—from a public policy perspective that the actual price of airfares including taxes should be advertised as a gross amount. The claim is that the same should apply to hire care advertising and it does not. Frequently hire car advertising is a net amount and by the time you total up all the various charges there is a problem. Now I can accept that some of the aspects might be discretionary, for instance, full or partial insurance. But I think there is a real issue there and I would ask you on notice if you would not mind to have a look at that issue and let me know whether you think it is something that you could or should have a deeper look at?

Mr Cassidy—Certainly. I will take it on notice. Let me say again there is a problem with the law at the moment on this section 53C, but the government has indicated that it will fix that fairly soon. That will certainly facilitate our ability to insist that people advertise what is a final price or as near a final price as they can get for any good or service. There may be some components which vary from location to location, which they cannot include such as delivery charges and so forth, in which case they should be required to make it clear that those sorts of things are not included. But the intention of section 53C was that when people advertise a

good or service for sale, they should indicate what the actual final price of that good or service is to the best of their ability. Let me take it on notice and we will look at the specific issue for you.

Senator MURRAY—I would appreciate if you could tell us whether it is problem. Can I put two questions on notice please?

CHAIR—All right

Senator MURRAY—My question on notice is this. When you are examining the petrol issue, have you examined it from the context of tied houses using the example, for instance, of liquor stores and hotels and clubs, which were split away from that concept and became more competitive? I would like to know whether that is an aspect which is worthy of further examination. And the other one that I would like to know on notice is whether the Illyria Consolidated Media deal is one the ACCC have an interest in and are examining in the broader issue of media competition.

Senator BUSHBY—I have a number of questions that I am not going to be able to ask so I will put a number of them on notice. I have picked some out that hopefully I can ask quickly and will elicit quick answers as well. You mentioned that the scope of the grocery inquiry will be from farm gate to checkout. Will it cover all goods, fresh, packaged, frozen and all the way through?

Mr Samuel—Yes.

Senator BUSHBY—Will it cover the whole range of grocery items?

Mr Samuel—Yes.

Senator BUSHBY—Will hearings be held in every state?

Mr Samuel—Yes.

Senator BUSHBY—And regions of states?

Mr Samuel—Yes.

Senator BUSHBY—I believe you have the power to summons witnesses. Have you identified to whom you will be sending summonses?

Mr Samuel—Not yet.

Senator BUSHBY—Do you anticipate you will be summoning the CEOs of major retailers such as Woolworths and Coles?

Mr Samuel—Yes.

Senator BUSHBY—Has the government indicated to you that any recommendations arising from the inquiry will be implemented?

Mr Samuel—No, because they have no idea what the recommendations are.

Senator BUSHBY—There are no undertakings as to the seriousness in the way that the recommendations will be dealt with?

Mr Samuel—With respect, you would not expect that they would have any idea what our recommendations will be.

Senator BUSHBY—That is a fair comment. Woolworths CEO, Michael Luscombe, has warned that the drought and external factors will actually see prices increase in coming months. Do you consider that the inquiry will be able to test the veracity of comments such as these?

Mr Samuel—Yes.

Senator BUSHBY—How many actions has the ACCC taken under section 46 of the Trade Practices Act in the past five years? I am happy for that one to be on notice.

Mr Cassidy—Yes, we will take that on notice. This is a familiar question that we have been asked ever since the Boral case. The answer boils down to very few.

Senator BUSHBY—I have a couple of other questions on notice that follow that. Does the ACCC regard this number of actions as representing the extent of misuse of market power during that period? You can probably answer that now.

Mr Samuel—No.

Senator BUSHBY—What is the market concentration of major grocery retailers in comparable countries or OECDs?

Mr Cassidy—We will have to take that on notice.

Mr Samuel—That will part of the grocery inquiry, too, if I may say so.

Senator BUSHBY—I will put the rest on notice.

Senator ABETZ—I have some questions.

CHAIR—There is time for one.

Mr Samuel—I will try to be brief with my answers.

CHAIR—We have time to put them on notice.

Senator ABETZ—There is one in relation to formal tertiary qualifications of the chairman, deputy chairman and the full-time and associate commissioners of the ACCC, including the newly appointed petrol commissioner. I would appreciate if you could take that on notice just out of interest. There has been a lot of fanfare about Mr Walker's appointment, or impending appointment.

Senator Sherry—He has not been appointed. It is under consideration.

Senator ABETZ—I corrected myself. What kind of savings is the government expecting that the motorist can expect to enjoy as a result of this?

Senator Sherry—Mr Samuel has already answered that issue extensively.

Senator ABETZ—In relation to the ACCC.

Senator Sherry—I do not know whether you were here or not.

Senator ABETZ—In relation to the government—

Senator Sherry—I will pass on your question to the minister.

Senator ABETZ—To Mr Bowen?

Senator Sherry—To Mr Bowen, yes.

Senator ABETZ—He made a lot of fanfare about it and the news now seems to be that we are only talking about a few cents rather than 10c or 15c. Interestingly enough, Mr Walker's record in Western Australia, if I have been given the correct information, is that there is not a great deal of difference in the price rise in Western Australia compared to other states. In fact, since FuelWatch was implemented in Western Australia the average price rise in metropolitan areas in New South Wales, Victoria, South Australia and even in our home state of Tasmania, was lower than in Western Australia. And of course in Western Australia they have got some extra competitive issues such as Gull, as opposed to a state like Tasmania.

Senator Sherry—To respond to that, I am not sure whether there is a question there or whether it was just your editorial observations and comments. But I will pass on the question you asked earlier to the minister. I am sure he will be having discussions with Mr Samuel about the outcomes of the inquiry being conducted and the actions of Mr Walker, when he is appointed and subsequently, and we will see what emerges. It is certainly far too early to observe whether there are any differing views as to outcomes because the inquiries have not been completed and Mr Walker has not even been appointed.

CHAIR—I thank the minister and officers of ACCC. That closes this section of Treasury Portfolio and I ask officers of the Australian Prudential Regulatory Authority to come in.

[9.49 pm]

Australian Prudential Regulation Authority

CHAIR—I welcome officers of APRA to the committee. Thank you for attending. Dr Laker, do you have an opening statement?

Dr Laker—Thank you, Madam Chair. I congratulate you on your appointment to chair of this committee. It is a very important committee.

CHAIR—I appreciate that.

Dr Laker—Yes. I would like to make a brief opening statement.

CHAIR—Thank you.

Dr Laker—Since APRA last appeared before this committee in late May last year global credit and equity markets have suffered a prolonged period of turbulence which shows few signs of abating in the near term. This turbulence had its origins in the sharp deterioration in the US subprime mortgage market and it is now casting a broad pall over the global economy.

In my opening remarks tonight I would like to comment on the implications of this turbulence for the financial institutions which APRA supervises and on APRA's activities over this period. My comments are directed mainly, but not entirely, at the impact of global financial market developments on authorised deposit taking institutions in Australia, what we call ADIs, a collective term we use for banks, building societies and credit unions. ADIs have reported only minimal direct exposures to the US subprime mortgage market but some ADIs have exposures, albeit relatively modest, to institutions such as bond insurers and other financial institutions caught in the fallout from US subprime problems.

As a group, ADIs have been affected by recent turmoil in other ways as well. ADIs have faced increased wholesale funding costs as global credit markets on which many ADIs have

relied increasingly over recent years have turned much more risk adverse. Those ADIs in particular that make use of securitisation markets to fund their residential mortgage lending have found that source of funding has virtually dried up. In addition some ADIs have exposures to certain high profile domestic corporates now under stress because of their reliance on short-term debt to fund their business. In commenting on market turbulence our 2007 annual report offered the judgement that:

... with strong and diversified balance sheets and prudent management of key risks, the ADI sector is well-positioned to withstand the impact of these global developments, were they to continue.

Since these words were written early in the piece, the turbulence has indeed continued but APRA's judgement on the ADI sector stands.

This judgement is based on a number of supportive factors and I would single out four. Firstly, the Australian economy remains robust with considerable momentum in domestic demand, rapid growth in household incomes and an unemployment rate at a generation low. In this environment ADIs have continued to enjoy strong balance sheet growth, particularly in business lending. Secondly, despite the difficult conditions in global credit markets, ADIs have been able to raise sufficient amounts but at higher costs to fund this balance sheet growth, although institutions without large retail deposit bases have found the going harder than others. Thirdly, the asset quality of ADIs remains high by both historical and international standards. A slow rise in arrears rates appears to have paused in recent months, although signs of stress have emerged in a small proportion of household borrowers and, as I just mentioned, in some corporates. Finally, ADI profitability and capital levels are sound. Increases in funding costs and provisioning against distressed borrowers will inevitably weigh on profitability in the year ahead. But, that said, profits from many ADIs are still running above or at previous record levels.

On the capital front a new and more risk-sensitive capital adequacy regime for ADIs, known as the Basel II framework, was introduced in Australia on 1 January this year. The capital impacts of this new regime are not entirely certain at this point but the dividends of stronger and more accurate risk management are already being realised by the larger ADIs. In offering this positive assessment APRA has nonetheless been cautioning ADIs and our regulated financial institutions more generally that the period ahead will require very careful management. Globally, market sentiment has soured and the outlook for global economic growth has deteriorated. A working group of the Financial Stability Forum has recently stated: 'It is likely that we face a prolonged adjustment, which could be difficult.'

Domestically the Reserve Bank has tightened monetary policy settings and its latest statement on monetary policy has a very cautionary tone. In this uncertain world there is little margin for error. We now have telling examples around the globe of how quickly and savagely markets can penalise financial institutions with a risk profile that is opaque, which do not have assured and diversified funding sources to meet their growth aspirations or which have not been prudently husbanding their capital resources.

Throughout this period of market turbulence APRA has been in what could be called a heightened state of alert. Supervisory intervention in individual cases has not been necessary to date, nor have we sought a broader regulatory response. Considerable effort has already gone in to building a prudential framework in Australia that is resilient to shocks.

Nonetheless, we have stepped up our supervisory intensity and we have been very busy across a range of fronts. We have had a dedicated team of front-line supervisors and specialist risk staff closely monitoring the liquidity position of ADIs and in regular, sometimes daily, contact with the treasury's of the larger institutions. We have been able to scale this activity back over recent weeks as short-term market conditions have been more settled, but our close monitoring will be quickly reactivated if there are any signs of renewed market pressures. The Reserve Bank has been a valued ally in this monitoring work.

In December we requested the funding plans of the larger ADIs for 2008, which we are now reviewing to ensure plans are realistic and attuned to current market conditions. We are looking for individual entity weakness and any industry-wide issues. We have asked the larger ADIs to supply details of their watch list exposures; that is, those exposures that have not become impaired but which the ADIs themselves consider to be most vulnerable to problems and requiring close scrutiny. Our preliminary review of these watch lists does not reveal any worrying concentration of exposures and confirms that most exposures on the lists are not significant in size. This is consistent with the general assessment that business balance sheets are in sound condition overall, notwithstanding the stresses of some high profile entities in recent months.

We have also been reviewing the margin lending activities of ADIs—banks in this case; they are the providers of margin lending—against the background of recent sharp equity market falls. Margin lending activities have grown substantially in recent years as increasing numbers of retail investors have sought to leverage their exposure to booming share markets. Banks have taken a relatively conservative approach to this form of lending. Margin lending portfolios represent only a very small proportion, less than two per cent, of banking industry assets and the portfolios are conservatively geared with average loan to valuation ratios around 50 per cent or lower. Banks have reported to us that they currently have, at most, a handful of loans where losses are possible. Further losses would undoubtedly emerge if equity markets were to fall rapidly again but any such losses would not be material in the context of banks' current profitability.

To complete the outline of APRA's recent supervisory activities, we have been analysing the impact of the recent equity market declines on the insurance and superannuation industries as well. These declines have unwound all of the 2007 market gains in major industrial countries and in Australia. The prudential framework in Australia aims to ensure that regulated financial institutions can survive adverse conditions such as these. And, in brief, equity market developments have not created any unforeseen prudential concerns. Our preliminary analysis suggests that the declines in equity markets will not have a significant impact on the profitability or capital levels of the general insurance industry. The focus for many insurers is instead the impact of recent weather-related events, such as hailstorms and heavy rains, on their previous good claims experience. The life insurance industry has also entered this period of market turmoil in a strong capital position and it holds resilience reserves to cover shocks of recent dimensions.

In superannuation, recent declines in equity markets will reduce the asset values of accumulation funds but these losses must be set against the substantial cumulative gains over the past few years. Defined benefit funds will have experienced similar losses but most of

these funds have built up strong funding positions because of those same cumulative gains. The superannuation licensing regime now in operation in Australia requires trustees to develop risk management strategies and plans that deal with changing market conditions and trust these are now in a better shape to manage the risks from market volatility than they may have been in the past.

On a final note, central banks and regulatory authorities across the globe have naturally been closely analysing the causes of recent market turbulence and the longer-term policy responses that might be required. These responses are likely to address issues such as the prudential frameworks, the underpinnings of the securitisation model, the role of credit ratings, market transparency and regulatory cooperation and coordination. We in APRA participate in a number of international fora and we are involved in different aspects of this work. For the moment, however, our preoccupation is to ensure that our regulated financial institutions identify and manage all of the risks thrown up by the market turbulence and that they continue to hold adequate buffers of liquidity and capital for these uncertain times.

Madam Chair, my colleagues and I would now be happy to take your questions.

CHAIR—Thank you.

Senator MURRAY—Thank you for your opening statement. It gives a very considered and helpful overview. It seems to me that there are two essential components that we have to watch for. One you covered at some length but the other you did not, and that is where I want you to give a response. The one is whether our chief financial institutions, be they ADIs, insurers or super funds, are unduly exposed to risk and your answer is that they are not. The other aspect is whether the credit squeeze internationally will result in, in economist language, exogenous shocks which negatively affect and shake our financial institutions. I have seen reports that the consequence of direct losses, particularly in the United States and elsewhere, have a multiplier put to them of say 12 times resulting in something like a \$5 trillion United States shrinkage in credit availability and that credit squeeze will affect the world. I am not equipped or able to assess that sort of matter at all, but that sort of exogenous shock cannot be countered by a regulator really. So the question is whether that is a major concern and is there anything that can be done about it?

Dr Laker—The second area that you have covered is really a macro-economic question.

Senator MURRAY—It is.

Dr Laker—It would be a question that my colleague at the central bank, the governor, would no doubt speak very learnedly about it. He is appearing before the house committee. We are not in the forecasting business, but I understand the concerns that you are raising. It is very important to distinguish the global climate, which is becoming more unsettled and growth prospects are falling in some of the major countries—Europe and the United States—but some of our export markets are enjoying robust growth still. I do not want to get into a discussion about domestic policy in Australia but we are enjoying strong economic growth still.

Senator MURRAY—I would like to encapsulate what I am about. The reason I presented the proposition I did to you is that I understand you to essentially be risk appraisers.

Dr Laker—Yes.

Senator MURRAY—That is what you do. And this constitutes in my mind a risk to our financial institutions. That is really the perspective I want you to give to me.

Dr Laker—I presented a view that for a prudential regulator might almost seem upbeat. After all, I am meant to be pathologically paranoid.

Senator MURRAY—Leave that to the financial journalist.

Dr Laker—We worry for a living, and these are difficult times. As I have said, when I can provide a positive statement it is a straight up and down statement that we have a strong financial system and it is being tested. And to date it has been robust. That is what we have built the framework to do. We are not complacent about what lies ahead. It is a difficult period. But the Australian economy, which underpins our institutions, is a robust economy and we do not have the credit quality issues that the United States is currently dealing with. We have got a stronger balance sheet going in to the uncertainties that lie ahead. Now what we have been doing in the process of understanding where the pressure points are coming on our institutions is to sit down with them; they have felt our warm breath quite a lot lately on their necks. We have been going through with them their credit standards, their watch lists, their funding plans, as in whether they can meet their aspirations and, if not, how do they get funds from the market to see whether or not they can maintain the sorts of growth rates that they have enjoyed to date. Clearly, the macro-economic setting in Australia is really the framework in which we operate. But we go into the uncertainties ahead in a strong position. That is my general point.

Senator MURRAY—One of the reasons I respond well to the way in which you expressed yourself in your opening statement is that I think that sort of measured, highly informed and credible view does a great deal for confidence if it is widely expressed, interpreted, understood and heard. One of the difficulties we face, including from I might say some quality financial journalists, is an increasing view that there is a domino effect out there and that as things occur in the United States and elsewhere, but particularly in the United States, it automatically flows on to Australia and you have kind of helped us in the face of it. Now, I do not buy that argument. What we do have though is a potential for a popular view to shake the confidence of Australians who are not as informed or as acquainted with the real situation as you are. What are you doing about briefing and ensuring that the key financial commentating community is across the sort of information that you have just given this committee?

Dr Laker—We have a regular range of contacts with media and analysts, and my appearance tonight is part of the general attempt just to put the prudential perspective onto the table. Markets are very nervous, very skittish, at the moment and the mood is very negative. There is no market for good news, but there is a search for where is the extra pain, such as: where are the losses coming from the subprime market and how large are they. We do not in any way diminish the reasons why markets are pessimistic at this point. There is a real question mark about whether the losses offshore have been fully identified and made transparent to investors.

The perspective we bring to this discussion is the prudential perspective. We look at the quality of risk management in our institutions. We look at the calibre and skills of the board

and senior management. We look at the capital, which is the cornerstone. That is what we look at. There is a very close focus at the moment on profitability and whether profits this year will be above or below last year. There are a number of factors weighing on profitability and that is what a market analyst will look very closely at and that is what influences share prices. That is part of our market processes. But what we are looking at is the ability to deal with shocks as they come that still leaves us assured that we have got across the board, in broad terms, a sound financial system.

Senator MURRAY—This is my last question before I concede the call. One of the areas of commentary has been that the market has been taken by surprise by some late or grudging—my paraphrasing of what I understand the mess to be—declarations by the banks of a higher write-off provision. That is both an ASIC and APRA matter; ASIC as to whether proper disclosure is occurring with respect to ASX and continuous disclosure and financial statements, and from your perspective is whether there is an early and sufficient declaration that here is the risk and we have properly provided for it. So the brief question is: are you satisfied that the declaration and provision for increased write-offs that we are seeing amongst ADIs is accurate and is at the level you would expect given what is happening in the financial market?

Dr Laker—I can say that we wrote to our ADIs late last week pointing out to them the importance of appropriate valuation of some of the assets that they have been holding in light of the turbulent market conditions. There are questions about whether certain assets coming onto their books should be in what we call the trading book or the banking book and how they should be valued. We certainly do not want our institutions to ignore the reality that markets have moved a long way from prices that they might have been hoping to get for assets six or nine months ago.

We have only just put that letter out now but we have been talking before then with our institutions about the need for realistic valuations. It is very important. I do not know whether the markets are shocked or surprised at some of the losses coming out, I think they probably get very disappointed that the process seems to be a continuous drip of bad news coming from a lot of financial institutions offshore, in particular, where the losses that are coming out are adding to previously declared losses. I can understand why the markets do not feel that there is any end in sight at this point so, as I have said, we know this is a very unsettled period but it is an issue that we have been discussing with our ADIs and all of our institutions that valuations are very important.

CHAIR—Senator Fielding.

Senator FIELDING—Thank you. It is good to hear a bit of clarity on it. I always think of the person on the street with home loans. When the interest rates went up we heard about the ADIs and they said they would put the rate up a bit higher because I think some of them sort of said they were exposed to some overseas stuff. I could have been wrong in that. With interest rates likely to go up, as consumers are we likely to see another premium on the interest rate increase by some ADIs to cover some of their losses elsewhere. It would be handy to know if there is a likelihood of that again? We have just seen some of the banks put rates up higher than the Reserve Bank figure.

Dr Laker—I cannot speculate on that question. The explanation for the increases was an increase in wholesale funding costs. In recent weeks those costs have risen again. It is not an issue for a prudential regulator to work out how that feeds into specific retail rates. We just know, looking at the cost of funds across a range of markets that our institutions use, that the nervousness has reappeared. It has been going in waves. It was acute in December. It settled again in January. Those rates are pushing up again. That is the funding base. How institutions respond to that really depends on the mix of liabilities that they raise to fund their operations.

Senator FIELDING—Do you get any sense that the bank ADIs, the big ones, with their exposure to subprime, are of any significance? They will want to try to recoup that somewhere, I assume, if they have got a loss somewhere.

Dr Laker—Their direct exposure to subprime is absolutely minimal. We have been talking to them from the beginning of this whole episode and the report we get from them is that the direct exposures are very small. As I drew out in the opening comments, the way they have been affected is really through the secondary effects of global credit markets which are just very nervous and very risk averse. In contrast to even a year or so ago when all central banks and prudential regulators were worrying that they were not pricing enough for risk. The market sentiment has changed 180°, if not more. This affects a significant part of their funding base. The larger Australian institutions raise over a quarter of their total liabilities on Australian books in offshore markets. That is the world in which they live. It is a globally integrated world. Those funding pressures are there. But we as prudential regulators do not forecast where particular interest rates may go. Our focus is to make sure that the institutions can get the funds to grow their business or to provide the lending that they are keen to do and that there is demand for. It is really for us ensuring that the institutions have thought through and are looking ahead to spreading their funding sources and assuring themselves they have got the funds. That is really the prudential focus.

Senator FIELDING—What I am more or less getting at is that, as you try to minimise the risk, the cost can go up as well?

Dr Laker—I think the market in which they are tapping for funds has tightened and there are some particular parts of the market, the securitisation market, we call it, which has virtually dried up. That is a source of funding which some of the institutions have relied on which is just not available and has not been available for some time now. That affects the way in which they fund their operations.

Senator COONAN—I think you have probably answered what I want to ask but I will ask it anyway. I was interested in the recent interview with Mike Smith from the ANZ seeking to allay fears arising out of monoline exposure. I am interested if you could tell us how significant exposure to monolines and structured investment vehicles is in Australia, or is it from your watch list and various prudential activities something that you would say would mean that the ANZ experience is an isolated one?

Dr Laker—I was interested in your comment about the CEO's colourful language but I am glad that most—

Senator COONAN—It was a bit extravagant, wasn't it?

Dr Laker—But he was referring to offshore markets but that got lost in translation—

Senator COONAN—He was referring to the UK and—

Dr Laker—He was very positive about the Australian banking system.

Senator COONAN—Yes, he was.

Dr Laker—And I think that was the important point. Our institutions have some exposures to those monoline insurers and some of the other investment vehicles, SIVs, offshore. There are not many SIVs that operate in Australia, from my understanding. But those exposures are small in the scheme of things. We are looking at how institutions are managing them and marketing those to market as necessary, but to us that is not the major focus on credit risk that we are dealing with.

Senator COONAN—I appreciate that. I was very interested in the offshore developments—

Dr Laker—So are we.

Senator COONAN—and whether it had any impact. I know we are running out of time; I have just one more question. I do not know whether Senator Joyce wanted to ask a question, but I could not let the opportunity go by without asking what sort of state our insurers are in and certainly the reinsurance industry, if you could just give us a bit of an idea?

Dr Laker—I have one of the industry experts on my right if you are happy—

Senator COONAN—One of the best; one of the very best.

Dr Laker—One of the very best—delighted to have him on our team—but I think he might be best qualified to answer.

Senator COONAN—I would love to hear from him.

Mr Trowbridge—In relation to the general insurance industry, firstly, the current turbulence in financial markets is having hardly any effect because insurers are inherently liquid. The fact that liquidity is an issue to some extent in the banking system has no effect at all in the insurance industry. Secondly, the asset portfolios tend to be very conservative. We have been out to all the insurers and we are not aware of any material losses on the asset side of the balance sheet of any of our insurers, either life insurers or general insurers. The other point to make is that claims experience has been rather worse in the last nine months. We had the floods in the Hunter Valley. There were storms in the Hunter Valley in June. We have had numerous weather events since then and some of the insurers have announced quite substantial losses from these claims but those losses, as far as we are aware, are not enough to cut out the profit for the year so all of these insurers will still declare profits. They may declare profits that are lower than last year but, from our perspective as prudential regulators, lower profits—this is the same in the banking system—do not concern us particularly when they are still making profits. Their capital base is unimpaired even if they are not performing as well as they were.

We are pretty comfortable with the way the general insurance industry is going. I have to say that the reforms that APRA introduced in 2002 in the general insurance industry which strengthened the prudential requirements seemed to have worked very, very well. I am confident that there is no company where we do not understand the balance sheet well, only

where the balance sheet is not in good shape. You might think the life insurance industry may be affected by the downturn in the stock market. To some extent it will be but most of the stock market effect in the life companies goes back to the policy holders, because it is the policy holders who may well have investment-linked contracts whether they be superannuation or not. Dr Laker has already commented on that.

Senator COONAN—And the reinsurers?

Mr Trowbridge—We do not have any local reinsurers any more but the international ones have actually had a couple of good years. Since Hurricane Katrina there have been no really big international losses. They are all travelling pretty well and they are all giving plenty of support to the Australian insurance industry. I think we are well catered for on the front, too. That industry has been quite healthy.

Senator COONAN—Thank you.

Senator JOYCE—I will be as quick as possible. I want to take you back to the debt crisis. I refer to an article by Eric Janszen in the *Financial Review*. You probably read it yourself. It was on 15 February 2008. It is quite a substantial article entitled 'The Next Bubble'. I will just quote and ask for your comments:

The U.S. mortgage crisis has been labelled a "subprime mortgage crisis," but subprime mortgages were only a sideshow that appeared late, as the housing-bubble credit machine ran out of creditworthy borrowers. The main event was the hyperinflation of home prices. Risks are embedded in price and lurk as defaults. Even after the faith that supported a bubble recedes, false beliefs continue to obscure cause and effect as the crisis unfolds.

Now, surely that could be Australia as well, as we see with the hyperinflation of homes. And if that is the case then we have our own mortgage crisis roaring down the road to us here in Australia.

Dr Laker—If you had said that to me in the year 2002, I think that was a concern that we had at the time. I should add these are really more questions for macro policy rather than for a prudential regulator, but it would have a bearing on the quality of our banks' balance sheets. But those concerns about a housing market that was growing at an unacceptably high and unsustainable rate were really prevalent in Australia in 2002. We have had a housing market correction. In late 2002 we all stood at the precipice and feared about how large that drop would be when the housing market did correct. It was a genuine concern. As it turned out, the correction was an orderly one. That head of steam, the valve was released, monetary policy was tightened, and borrowers drew back from the rush of blood to the head in investment housing. For a couple of years, housing prices were flat but they were down overall about 15 per cent from their peaks. The market since then has been rising steadily. It is very hard to look at that period—to take the US commentary now and talk about Australia now. The parallel was three or four years ago. In some respects we have been through that boom and correction earlier than other markets.

Senator JOYCE—Are you aware of the article by Dr Paul Woolley, his position on market dysfunctionality, and his belief in a lack of transparency in financial markets basically revolving around the \$40 trillion market and \$500 billion in costs each year—that we are

lacking the transparency to really understand these costs and they ultimately end up back with the mortgage holder in financial markets? Do you have any—

Dr Laker—I am not aware of the particular—

Senator JOYCE—Would you take that on notice? It is something I am curious about because it is another possible omen of doom. It is something I would really like—

Dr Laker—Nobody would dispute your comment about transparency. Generally, with a lot of these finance instruments that is one of the areas that central banks and regulatory agencies across the globe are looking at now. Some of the products that had subprime exposures and were being on-sold to investors were very hard to understand. They were very opaque. But we are talking here about subprime and investment markets in the US. I think your question might have had an Australian link, but I would have to take it on notice.

Senator JOYCE—The article says we are not aware of the risk that we are dealing with. I am asking whether that is the case with the products here. Because about 40 per cent of corporate profits are coming from transactions on the share market, as opposed to about 40 years ago when it was about 10 per cent, we have to start questioning the efficiency of the market, whether it is sustainable to make these profits by moving buckets of money around without actually producing anything and whether that inherent risk is also now feeding into the market.

CHAIR—We have to conclude the questioning at this stage.

Dr Laker—May I just finalise part of the answer to Senator Joyce? The other point I just needed to make is that credit growth in housing in Australia is around the low teens—11 or 12 per cent. In the height of the boom conditions, it was running over 20 per cent. That is an important difference. It is why I would be very reluctant to engage in a debate about boom times here compared to the US now. I think the comparison has got about a three-year gap in between.

CHAIR—Thank you for your attendance at the committee hearing. We appreciate it. We will conclude there and ask the Productivity Commission to attend.

[10.27 pm]

Productivity Commission

CHAIR—Thank you to the Productivity Commission for attending so late tonight. Mr Banks, would you like to make an opening statement?

Mr Banks—I will make a very brief opening statement given the hour. I will just briefly update the committee on developments in relation to the Productivity Commission's work program. As you would be aware, the commission has become involved over time in an increasingly diverse range of policy issues and research topics, including social and environmental areas as well as in the more traditional economic area. These topics generally share in common that they are complex or contentious with different interests at stake and the political pressures that come with that. But generally they have a significant pay-off to the community as a whole from getting it right.

The commission's current work program is typical of this. We have got eight projects underway, which is a relatively full load given the demands of our inquiry process. The most recent, as you know, is the just-announced inquiry into maternity leave and other support for payments to parents of newborn infants. We have got 12 months to report, as you may know, but we will prepare a draft report, which will probably come out around August, to give people an opportunity to comment on our preliminary findings. We are expecting wide public participation in that review.

The other seven projects which were commissioned by the previous government will be completed progressively over coming months. For a number of them, draft reports were released at the end of last year and public hearings are occurring right now. That includes our inquiry into consumer policy regulatory frameworks, which is due to be completed by the end of April; a report on retail tenancy arrangements, which is due by the end of March; and one on local government revenue-raising capacity, to be completed by the end of April. In addition, the commission completed an interim or accelerated report, as it is known, for its safeguards inquiry into imports of pig meat under the WTO's rules in mid-December, and that inquiry is to be finalised by the end of March. We are currently receiving further submissions on that. Also due in March is the draft report for the commission's inquiry into chemicals and plastics regulation. A number of these projects are grappling with regulatory problems that have arisen in specific areas and the question of how to get better outcomes.

In addition, we have got two ongoing projects, commissioned by government, directed at identifying regulation that is costly to business more generally. One is an annual review of regulatory burdens in different sectors of the economy, which follows on from the broad-brush report by the regulation task force in early 2006, which I headed up. The first report in this series focused on the primary sector, with a report released last year. The second current one is directed at the manufacturing sector and distributive trades, and others will follow in subsequent years. The second project is a COAG initiated series of reports benchmarking the compliance burdens of regulatory regimes across the states and territories and the Commonwealth and also looking at local government. It follows a scoping study that we did for COAG last year. There will be two initial reports—one will have information and indicators on the quality and quantity of regulation and the other is specifically directed at business registration compliance costs. A draft of those two reports is due in June and the final reports are due in August.

I will mention a few other recent reports of significance and I will close on that. One, again on regulation, is the best practice regulation report. It was the first under the Commonwealth's new regime prepared by the Office of Best Practice Regulation, which was the successor to the Office of Regulation Review and has since been moved into the Finance and Deregulation portfolio. The second is the report on government services, the blue books—those big, fat things that look like phone books—which look at the efficiency and effectiveness of a range of government services around the country for which the commission acts as a secretariat to a steering committee of senior officials from all jurisdictions. It came out at the end of January. A separate compendium of those statistics from the blue books, specifically focused on service provision to Indigenous people, will again be issued in April. That is separate to another report that we are doing for COAG on overcoming Indigenous disadvantage, which

focuses on outcomes for Indigenous people within a strategic framework rather than looking at service provision per se.

Finally, just today the government tabled the commission's annual report for 2006-07, and that contains a chapter on the scope to raise labour force participation in Australia and some of the challenges confronting us there. With that, we are happy to take questions. In addition to my senior colleagues from the staff of the commission, Commissioner Neil Byron is here at the committee's request.

Senator ABETZ—Mr Banks, have you been invited to attend Mr Rudd's 2020 'best and brightest' summit?

Mr Banks—I have read the newspaper reports about that and I thought I might be in the category of 'the usual suspects'.

Senator ABETZ—Have you received the invitation? A lot of people's invitations seem to have gone missing in the mail.

Mr Banks—No, I have not received an invitation.

Senator ABETZ—Does the Productivity Commission consider itself appropriately equipped to undertake reviews of, say, the automotive industry or the textile, clothing and footwear industry?

Mr Banks—As you would appreciate, the commission in its various guises over a long period of time has looked at industry assistance arrangements. We have spread our wings more recently but we are equipped to undertake reviews in that area.

Senator ABETZ—Do you believe that you undertake those reviews from a broad perspective?

Mr Banks—The commission is required under statute precisely to take a broad view to look at what is in the interests of the community and the economy as a whole.

Senator ABETZ—Do you undertake public hearings from time to time?

Mr Banks—All of our public inquiries have public hearings. Our commission studies also have various forms of public participation, including round tables et cetera.

Senator ABETZ—When it is suggested that a broader range of views than just the Productivity Commission should be obtained for an automotive industry review or a textile, clothing and footwear industry review, are you able to indicate to us what group or body might be able to provide the government with a broader review than the Productivity Commission can?

Mr Banks—The commission is very broad in the range of views that it hears and takes into account in preparing its report, but, having prepared its report, it is one voice among many that government has to listen to in making public policy.

Senator ABETZ—The strength of the Productivity Commission is that you look at it from a holistic point of view and you do not have people on it representing particular stakeholders or people with a wheelbarrow to push. Would that be a fair comment?

Mr Banks—That is correct. We do have associate commissioners who are appointed from time to time. They can be appointed for their expertise or skills of relevance to the topic we are looking at.

Senator ABETZ—Did Minister Carr have any discussions with you about the automotive industry review or the textile, clothing and footwear industry review?

Mr Banks—No. It would not be normal for the minister to have a discussion with me about those things. Typically, the commission receives terms of reference that come to it from the Treasurer. They can have their origins in various ways. They sometimes come from COAG, sometimes from the states and territories and sometimes from various groups who make a petition to government for the commission to do something. We receive our terms of reference and then we go to it.

Senator ABETZ—What I am asking is: did Minister Carr have discussions with you in the context of the automotive industry review that he has announced—not through you but with his hand-picked people?

Mr Banks—No. I had no specific discussions with Mr Carr on the automotive industry review.

Senator Sherry—That is an issue of advice to or from a minister. Secondly, your government, this government, has a range of reviews. Some reviews are conducted by the Productivity Commission, and some are not—just as occurred under your government. Some were conducted by the Productivity Commission and some were not.

Senator ABETZ—On Saturday, 16 February, in *The Weekend Australian*, Minister Carr confirmed through David Uren that he had spoken to Gary Banks about the inquiry and that, to quote, ‘We’—whoever ‘we’ is, the royal plural—‘thought we could get a broader range of views than just the Productivity Commission.’ So it seemed to me, as I read the article, that Minister Carr did in fact have a discussion with you. But you are now telling this committee that he did not. I will have to go back and re-read the article to make sure that I have not misread it. Are you telling this committee that you did not have any discussion with him?

Mr Banks—That is right.

Senator Sherry—The witness has indicated that. I assume you may not have asked Minister Carr at the appropriate estimates.

Senator ABETZ—Yes. Leave the questioning to me, Senator Sherry.

Senator Sherry—No. I am giving you the answers—

Senator ABETZ—One or two criticisms—

Senator Sherry—Sorry, chair, can I—

CHAIR—Yes.

Senator Sherry—I will answer—

Senator ABETZ—I asked a question—

Senator Sherry—And that required an answer. I will answer as I believe is appropriate. You will not determine whether my answer is a question or not.

Senator ABETZ—I will, but thank you very much. Does the Productivity Commission consider that it operates under a ‘grandiose theory’?

Mr Banks—Clearly, we do not.

Senator ABETZ—Do you consider that you do your inquiries as a ‘tick and flick’?

Mr Banks—Again, you would not expect me to say yes to that.

Senator ABETZ—Do you consider yourselves to be a wolf in sheep’s clothing?

Mr Banks—We try to be friendly, but we can be rather strict—

Senator ABETZ—I am not asserting these things—

Senator Sherry—You do have a beard, I notice!

Mr Banks—I do have a beard and—

Senator JOYCE—So does someone else—a talking bathmat!

Senator MURRAY—I must say it is a lot better than being a sheep in wolf’s clothing.

CHAIR—Absolutely, if you are going to be a commissioner.

Mr Banks—I think someone was referred to once as ‘a sheep in sheep’s clothing’.

Senator ABETZ—That is all very helpful. Can I ask if you could take that on notice and give it some further consideration as to how Australia’s regulatory burden compares to similar OECD countries? Do you have a recent study on that that you could draw my attention to?

Mr Banks—There have been a number of surveys of that kind. They are quite dated now. They have been done by the OECD. The methodology of them, I think, is not necessarily such as to inspire confidence, but they have got those relativities correct. Most of them have been partial in nature. To answer your question, I do not think there is any convenient source of accurate information of that kind.

Senator ABETZ—What are the biggest barriers to trade in Australia and how do they compare with similar OECD countries? Can you take that on notice? Are there studies of that nature that you could direct me to?

Mr Banks—I think there are some good sources there, particularly from the WTO, which periodically does reviews of the trade policies of the member countries of the WTO and would mark Australia favourably, I think, in that company in terms of the liberalisation that has occurred with trade in Australia. I think the most recent report was to that effect. The WTO would have reports of that kind and, equally, there are the OECD surveys. If you would like us to make that information available or send sources to you, we could certainly do that.

Senator ABETZ—I would be appreciative of that. Thank you.

Senator JOYCE—This is probably for Mr Byron. Every time I go through a shopping mall, I come across small retailers who have a large concern about the discrepancy between their rents and the rents of the anchor tenants. A small retailer has been told about the magnitude of the discrepancy between their rent and the much lower rents paid by anchor tenants. Shouldn’t small retailers have this information in order to work out if they are going

to be able to be competitive on price with the anchor tenants that are in the same shopping mall as them?

Dr Byron—I am delighted to attempt to answer that one. You are absolutely correct. There is a very substantial differential between the rents paid in large shopping centres by anchor tenants—the big department stores, the discount stores, the supermarkets and so on—and the rents that are paid by small, specialty retailers. The fundamental difference appears to be that the shopping centre management differentiates between those who attract customers into the centre and those who rely on that passing traffic to make a business. As you probably know, just yesterday afternoon we finished conducting the final public hearings in this inquiry in Adelaide. At every one of the public hearings we have had around the country the issue was raised of access to information about the leases being paid by not only the large operators in the centres but also by others. There is a system that exists in New South Wales, Queensland and the ACT where retailers who are willing to pay a small fee, tens of dollars, can find out through the lease registration system under the Property Act the terms and conditions of their neighbour's leases. But no such information exists in Victoria, South Australia, Western Australia or Tasmania, and what we have been trying to ascertain in this inquiry is the extent to which access to that information, through mining the lease data, substantially enhances the negotiating power of the small tenants.

Senator JOYCE—Does that suggest that we should we have a mandatory registration of all leases across Australia to protect tenants and to promote greater transparency?

Dr Byron—Registration of leases is available as an option in every state—

Senator JOYCE—Should it be mandatory?

Dr Byron—The Law Institute of Victoria very, very forcefully argued why under Victorian property law it would be, in their view, prohibitively expensive and, frankly, useless. That is a subject on which we have received and are still receiving a great deal of highly contradictory evidence. Some people have said that, if the lease information only reveals the face rent and not the effective rent by taking into account any discounts, rent-free periods, contribution to fit-out, and the information off the lease documents could actually mislead the market about what the true rent was.

Senator JOYCE—How could a specialty retailer compete if they are paying \$1,000 or \$2,000 a square metre and the major supermarkets are paying \$200 to \$300 a square metre?

Dr Byron—I have asked exactly the same question of many of the participants in our public hearings over the last month and the answer that I have consistently been given is that they are still making money. I ask them why they would pay five times as much in rent to be inside a shopping centre as compared to being outside in a strip or a high street.

Senator JOYCE—But they are aware that they are paying such a discrepancy?

Dr Byron—In many cases they are, yes. You are right, not all. There are some people who have no idea who is paying what in their centre but many of them are very well informed and saying, 'Despite the fact that the only other person who is paying more rent than me in this centre is the jeweller, we are there because we are still making money.'

Senator JOYCE—Are you aware of evidence that landlords are bullying small tenants and treating them unfairly?

Dr Byron—That position has been very consistently put to us throughout the hearings.

Senator JOYCE—What evidence are you receiving from small retailers about the operation of unconscionable conduct, that is, section 51AC of the Trade Practices Act? Do you think it is working and what are your views on the operation of section 51AC of the Trade Practices Act?

Dr Byron—We have received a lot of representations. At the moment, we have not yet finalised a position on that. We are still receiving submissions and looking for further evidence. If I can just deal with the essence of the argument, many people have said that section 51AC has been completely ineffectual because there have been so few prosecutions taken under it. The counter argument that we have also been told is that it is still doing a lot of work even though ‘the big stick is in the closet’. Just the hint or whisper of unconscionable conduct may itself be disciplining behaviour in the marketplace.

Senator JOYCE—Do people have the capacity to pursue a 51AC case when they are up against the might of Coles or Woolworths or Mr Lowy?

Dr Byron—In many cases it is not just a question of the might of the opposing power but many of the people who would seek remedy under unconscionable conduct are either already or on the verge of bankruptcy irrespective of who the defendant would be. But there are examples where the ACCC or a state retail tenancy unit have actually taken the action and picked up the costs.

Senator JOYCE—It needs the ACCC really to pick it up because it is outside the capacity of most small retailers to prosecute a case under the section 51AC?

Dr Byron—I think that would be a very fair conclusion.

Senator MURRAY—I would like to pursue that area more but I do not think I have time. As you know, Dr Byron, I put in a submission to the Productivity Commission on this matter. I simply say to you in passing that I think the great mistake made by all investigators in this area—and I indicate that in my lifetime I have probably negotiated over 200 leases personally, so I am very experienced in these matters—is to consider this in a different fashion to the sale of any other tradeable good, frankly. Price lists should be publicly available for retail space as they are available for any other good or service. You can account for the differences by scale, position, tenure, et cetera. It is a great mistake to make it a secret market, which it is at present. It results in monopoly pricing. I will leave it there. I want to put a question to the minister because it is a policy matter. If I can draw an analogy between the competition council (the NCC) and competition policy, the NCC used to do reviews and study particular issues and then have the power and ability to follow through on their findings, because that is the way in which the system is structured. I want to ask that it seems to me that the Productivity Commission has great and long-term expertise in a number of areas. The issue of deregulation is one which they have been studying for a deal of time, but they have no ability, as far as I am aware and you can correct me and Mr Banks can amplify, to follow through, so they end up as informed commentators without any bite. Unless the departments, agencies or

ministers responsible carry it through, you have got a problem. Is there any scope for making the Productivity Commission more effective in carrying through its review recommendations?

Senator Sherry—Firstly, I would accept that the Productivity Commission has very good expertise. Secondly, this is not my ministerial responsibility. If it were, I could be engaged in a greater level of conversation, and I do not want to speculate and cut across another minister's responsibility, so I will have to take that on notice. The extent of follow through, the witnesses may want to comment on what occurs at the moment. I understand from time to time there is a reflection on a report issued by government at a later date. They might want to comment on that.

Mr Banks—I think what you touched on is an important issue in terms of governance and design of policy, advisory and monitoring bodies. The NCC, the National Competition Council, you may recall got into a bit of trouble when it was doing reviews of various policy and then subsequently it was making judgements about whether jurisdictions met the requirements that had been agreed to under the national competition policy and it was seen as playing both sides of the street. I think the way the commission is structured currently—to provide independent advice to the best of its ability and then to step back and let the government look at that advice and implement it appropriately—I think gets the division of responsibilities right, in my view, because it does not look like we have then got a vested interest in making the kind of recommendations that then suit us and then we assist with those. I think there is a clouding of responsibilities that occurs in that respect. Where the commission has had a role in that respect has been previously through the Office of Regulation Review and the Office of Best Practice Regulation where, quite often, they would be looking at regulations that follow the commission inquiry, whether it was into telecommunications or broadcasting or some other area, it was turned into regulation and that body's job was to determine whether good process had been followed. It still was not able to pronounce whether or not the government had made the right policy decision but rather whether or not they had followed good process in implementing the regulation.

Senator MURRAY—Without going into all the detail, have you commissioned either an external review of yourselves or an internal review of yourselves with an eye to making you far more effective? I do not cast an aspersion on the work you do and the findings you make and the expertise you have, even where I might be critical of some aspects. I do not cast aspersions. But what I feel is that you lack bite in getting your recommendations implemented and followed through, and the only way to change that is for alternative ways of operation to be presented to government. You might not agree with that proposition, of course. But the question is: have you done any review of your function to see whether you could be doing a better job?

Mr Banks—As you know, everything we do is subject to public scrutiny and our annual report looks at our effectiveness against a number of indicators, including the influence we have on policy outcomes. Typically, the large majority of our recommendations are implemented. They are not always implemented immediately. Sometimes they are not even implemented by the government of the day but, over time, when you track our reports and the recommendations and what has happened, a large majority have been implemented. In part the delay can be because part of our role is really to inform the public debate as much as the

black letter recommendation that goes to government. It is when that public debate and understanding matures that, quite often, government can do things that might have been excessively brave in earlier times. The role, in terms of influence, is therefore in some respects a subtle one. But we do monitor it. Others monitor it as well and write the articles and reports about that. But if you wish I can draw your attention or send you information on those issues in our report.

Senator MURRAY—I have had a look. I just sensed the frustration out there that the Productivity Commission has become somewhat of a research and review body rather than an agent for change. I suspect that is unfair, but I noticed that sort of discussion, which may mean that it is time for another regeneration of your role. That is all I want to say.

Senator Sherry—The only organisation I can think of that would possibly come close to that is the ANAO. I do not know whether it has carried out, or has the capacity to carry out—I am not sure of your status vis a vis the ANAO—but I suspect you are looking for a broader net than the ANAO would have?

Senator MURRAY—I really want to know if there was an internal mechanism for regeneration through some recommendations you have made to the government. I do not want to know the detail because that is not my job.

Senator BUSHBY—What would you consider to be the likely effect on the Australian economy if passenger motor vehicle and textiles, clothing and footwear tariffs were frozen at present levels instead of being reduced as planned?

Mr Banks—As it turns out, the government has indicated that is going to ask us to do some modelling to look at economy-wide implications of different assistance options going forward. I will have to hold my answer until we have done that work in the current context.

Senator BUSHBY—Does the Productivity Commission have access to an estimate of an inflationary impact of freezing these tariffs?

Mr Banks—When you talk about inflationary impacts, do you mean impacts on car prices of doing that? There would be some effect. I do not have a calculation at hand to indicate what that would be.

Senator BUSHBY—Would it be fair to say that freezing tariffs rather than reducing them as planned would have some inflationary impact on the products of the industry concerned?

Mr Banks—What a tariff does is put a wedge between world prices and domestic prices and, if you reduce that wedge, all things being the same, prices will decline. If you don't, prices will not decline. So in relative terms they would be higher.

Senator BUSHBY—That is probably all I need to ask then, thank you.

Senator COONAN—I am sorry I have not had a chance to have a look at the report you put down today but I am sure it deals with the topic that I wanted to raise, which is people on disability. Did you consider in your participation inquiry the area of Welfare to Work and how to get more people on disability off it and into work?

Mr Banks—That has been an area in which we have done a number of reports trying to look at explaining why non-participation in the workforce has been as high as it has been in

some areas, particularly for males. The great success story in labour force participation in Australia over previous decades has been due to women. The participation of women has increased and that of men has declined. When you look at the reason why it has declined for men, as you know, it is because a significant number have gone onto disability support. They have left the workforce. They have lost skills, et cetera. It has been very hard for them to come back. That area is a very important area for policy. We have not made specific recommendations about that because the work we have done has been more in the nature of research to understand the nature of the problem. My colleague might want to comment further on that.

Mr Monday—It might be useful just to allude to the fact that, as a staff working paper as opposed to a commission research report, it does not actually have formal recommendations to government. But a study we did on Men Not at Work that Ralph Lattimore was associated with does explore in some detail the evolution of unemployment experiences related to changes in the design over time of the disability support framework and made some comparisons between the design features of our scheme and that of a number of other OECD countries and comments on the fact that an important public issue in that context is looking at perverse incentives that seem to be design features of the current system.

Senator COONAN—I take it from that you are starting to formulate some views even though this is obviously a discussion paper along the lines of Welfare to Work could go further, if I could put it that way?

Mr Monday—In the context, say, of this year's annual report, it has probably looked at it in a broader context. It has used the disability support work that we have done, together with a number of others, but in a broader context to look at challenges in a public policy context that arise if the community is genuinely interested in the issue of, say, improving labour force participation outcomes and looking at policies in different spheres that might impact on observed outcomes. In a broad sense, that report comments on an agenda that is related to improving people's capacity to work—health, education and training issues—and the specific challenges that arise in that context. It looks also at elements of incentives that exist, so it is tax system, effective tax rates, income support systems including things like the disability support pension scheme, and institutional arrangements including child care. It makes some broad comments. It is not making recommendations to government but it makes some broad comments on the nature of those issues and some of the challenges and reflects on the fact that it is part of an ongoing important public debate in Australia at the moment.

CHAIR—As it is now 11 o'clock, I will adjourn the committee. I thank the Productivity Commission for their attendance tonight. Thank you, minister. Thank you committee members, and staff and Hansard.

Committee adjourned at 11.02 pm