



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

STANDING COMMITTEE ON ECONOMICS

ESTIMATES

(Additional Estimates)

THURSDAY, 26 FEBRUARY 2009

CANBERRA

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**SENATE STANDING COMMITTEE ON
ECONOMICS**

Thursday, 26 February 2009

Members: Senator Hurley (*Chair*), Senator Eggleston (*Deputy Chair*) and Senators Bushby, Cameron, Furner, Joyce, Pratt and Xenophon

Participating members: Senators Abetz, Adams, Arbib, Barnett, Bernardi, Bilyk, Birmingham, Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Cash, Colbeck, Collins, Coonan, Cormann, Crossin, Farrell, Feeney, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Hanson-Young, Heffernan, Humphries, Hutchins, Johnston, Joyce, Kroger, Ludlam, Lundy, Ian Macdonald, Marshall, Mason, McEwen, McGauran, McLucas, Milne, Minchin, Moore, Nash, O'Brien, Parry, Payne, Polley, Ronaldson, Ryan, Scullion, Siewert, Stephens, Sterle, Troeth, Trood, Williams and Wortley

Senators in attendance: Senators Abetz, Birmingham, Boswell, Brandis, Bushby, Cameron, Colbeck, Eggleston, Fielding, Furner, Heffernan, Humphries, Hurley, Hutchins, Johnston, Joyce, Ludlam, Milne, Pratt and Ronaldson

Committee met at 9.30 am

Senator the Hon. Stephen Conroy, Minister for Broadband, Communications and the Digital Economy

Senator the Hon. Nick Sherry, Minister for Superannuation and Corporate Law

DEPARTMENT OF THE TREASURY

Consideration resumed from 25 February

In Attendance

Dr Ken Henry, Secretary

Outcome 1—Sound macroeconomic environment

Output Group 1.1—Macroeconomic Group

Dr David Gruen, Executive Director, Domestic

Mr Tony McDonald, General Manager, Macroeconomic Policy Division

Mr Steve Morling, General Manager, Domestic Economy Division

Mr Adam McKissack, Principal Adviser, Forecasting, Domestic Economy Division

Mr Paul Flanagan, General Manager, International Finance Division

Mr Bill Brummitt, General Manager, International Economy Division

Outcome 2—Effective government spending arrangements

Output Group 2.1—Fiscal Group

Mr Nigel Ray, Executive Director

Ms Peta Furnell, General Manager, Social Policy Division

Mr Peter Robinson, Principal Adviser, Social Policy Division

Mr Geoff Francis, Principal Adviser, Industry, Environment and Defence Division

Ms Meghan Quinn, Manager, Industry, Environment and Defence Division
Ms Jan Harris, General Manager, Budget Policy Division
Ms Sue Vroombout, General Manager, Commonwealth-State Relations Division
Ms Deidre Gerathy, General Manager, Corporate Services Group
Mr Rob Donnelly, General Manager, Financial and Facilities Management Division

Outcome 3—Effective taxation and retirement income arrangements

Output Group 3.1—Revenue Group

Ms Christine Barron, Secretary, Board of Taxation and General Manager, Indirect Tax Division
Mr Michael Willcock, General Manager, Personal and Retirement Income Division
Mr Trevor Thomas, Principal Adviser, Personal and Retirement Income Division
Mr Mark O'Connor, Principal Adviser, Personal and Retirement Income Division
Mr Tony Coles, Manager, Personal and Retirement Income Division
Ms Sandra Roussel, Manager, Personal and Retirement Income Division
Mr Alan Mallory, Manager, Personal and Retirement Income Division
Mr Nigel Murray, Manager, Personal and Retirement Income Division
Mr Paul McCullough, General Manager, Business Tax Division
Mr Mike Rawstron, General Manager, Indirect Tax and Treaties Division
Mr John Lonsdale, Australia's Future Tax System
Ms Maryanne Mrakovcic, General Manager, Tax Analysis Division
Mr Phil Gallagher, Manager, Tax Analysis Division
Mr Colin Brown, Manager, Tax Analysis Division
Mr Damien White, Manager, Tax Analysis Division

Outcome 4—Well-functioning markets

Output Group 4.1—Markets Group

Mr Richard Murray, Executive Director
Mr Geoff Miller, General Manager, Corporations and Financial Services Division
Ms Marian Kljakovic, Manager, Corporations and Financial Services Division
Mr Mark Sewell, Manager, Corporations and Financial Services Division
Ms Alix Gallo, Manager, Corporations and Financial Services Division
Mr Bede Fraser, Manager, Corporations and Financial Services Division
Ms Kate Preston, Manager, Corporations and Financial Services Division
Mr Andrew Sellars, Senior Adviser, Corporations and Financial Services Division
Mr Godwin Grech, Principal Adviser, Corporations and Financial Services Division
Mr Patrick Colmer, General Manager, Foreign Investment and Trade Policy Division
Mr David Martine, General Manager, Financial Systems Division
Ms Kerstin Wijeyewardene, Manager, Financial Systems Division
Ms Vicki Wilkinson, Manager, Financial Systems Division
Mr Andre Moore, Manager Financial Systems Division
Ms Michelle Calder, Senior Adviser, Financial Systems Division
Ms Susan Bultitude, Senior Adviser, Financial Systems Division
Ms HK Holdaway, Acting General Manager, Competition and Consumer Policy Division
Mr Brad Archer, Manager, Competition and Consumer Policy Division
Mr James Chisholm, Manager, Competition and Consumer Policy Division

Mr Scott Rogers, Acting Manager, Competition and Consumer Policy Division
Mr Paul Madden, Program Director, Standard Business Reporting
Mr Greg Divall, Program Manager, Standard Business Reporting
Mr Peter Martin, Australian Government Actuary
Mr Michael Burt, Actuary, Australian Government Actuary
Ms Susan Antcliff, Australian Government Actuary

Australian Bureau of Statistics

Mr Ian Ewing, Acting Australian Statistician
Mr Denis Farrell, Acting Deputy Australian Statistician, Population, Labour, Industry and Environment Statistics Group
Mr Garth Bode, First Assistant Statistician, Social Statistics Group
Ms Bronwyn Driscoll, First Assistant Statistician, Macroeconomics and Integration Division
Mr Janet Murphy, First Assistant Statistician, Corporate Services Division
Mr Debra Foggin, Chief Financial Officer

Australian Competition and Consumer Commission

Mr Graeme Samuel, Chairman
Mr Brian Cassidy, Chief Executive Officer
Mr Scott Gregson, General Manager, Co-ordination Branch
Mr Mike Kiley, Acting General Manager, Enforcement Canberra
Mr Tim Grimwade, Acting Executive General Manager, Mergers and Assets Sales Group
Ms Helen Lu, General Manager, Corporate Branch
Mr Adrian Brocklehurst, Chief Financial Officer
Mr Michael Cosgrave, Group General Manager, Communications
Ms Michelle Groves, Chief Executive Officer, Australian Energy Regulator
Mr Richard Chadwick, General Manager, Adjudication Branch
Mr Sebastian Roberts, General Manager, Water Branch
Mr Nigel Ridgway, General Manager, Compliance Strategies
Mr Marcus Bezzi, Executive General Manager, Enforcement and Compliance Division
Mr Mark Pearson, Executive General Manager, Regulatory Affairs Division

Australian Office of Financial Management

Mr Neil Hyden, Chief Executive Officer
Mr Michael Bath, Director, Financial Risk
Mr Pat Raccosta, Chief Financial Officer

Australian Prudential Regulation Authority

Dr John Laker, Chairman
Mr Ross Jones, Deputy Chairman
Mr John Trowbridge, APRA Member
Mr Wayne Byres, Executive General Manager, Diversified Institutions
Mr Charles Littrell - Executive General Manager Policy, Research and Statistics
Mr Ramani Venkatramani, General Manager, Central Region
Mr Keith Chapman, Executive General Manager, Supervisory Support

Australian Taxation Office

Mr Michael D'Ascenzo, Commissioner of Taxation

Mr David Butler, Second Commissioner
Ms Jennie Granger, Second Commissioner
Mr Mark Konza, Deputy Commissioner
Ms Raelene Vivian, Chief Operating Officer
Mr Neil Oleson, Deputy Commissioner, Superannuation

Australian Securities and Investment Commission

Mr Tony D'Aloisio, Chairman
Mr Jeremy Cooper, Deputy Chairman
Ms Belinda Gibson, Commissioner
Mr Justin Owen, Manager, Government Relations
Mr Stephen Woodhill, Senior Executive Leader, Corporate Affairs

Productivity Commission

Mr Bernie Wonder, Head of Office
Dr Michael Kirby, First Assistant Commissioner
Mr Terry O'Brien, First Assistant Commissioner
Dr Ralph Lattimore, Assistant Commissioner

CHAIR (Senator Hurley)—I declare open this meeting of the Senate Standing Committee on Economics. The Senate has referred to the committee the particulars of proposed additional expenditure for 2008-09 and certain other documents for the portfolios of Innovation, Industry, Science and Research, Resources, Energy and Tourism and Treasury. The committee may also examine the annual reports of departments and agencies appearing before it. The committee is due to report to the Senate on 17 March 2009 and has fixed Friday, 17 April 2009 as the date for the return of answers to questions taken on notice.

Today the committee will begin by examining the Australian Bureau of Statistics and then continue in the order shown on the agenda. I remind everyone to switch off their mobile phones.

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 estimate hearings. Any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates hearings. I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise.

The Senate has also resolved 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.

Australian Bureau of Statistics

CHAIR—I welcome officers of the ABS. Do you wish to make an opening statement?

Mr Ewing—No, thank you.

CHAIR—Questions. Senator Abetz.

Senator ABETZ—First of all can I thank the ABS. I raised a matter last time and then I had a private discussion with Mr Bode, with the agreement of the minister, and that matter has been resolved to satisfaction. So can I just place on record my thanks. I understand the ABS suffered—not suffered, that might be a pejorative word that the minister takes offence at—but had some funding restraints put on it which have since been addressed. Can we be told, just to refresh our memories, what the budget cuts were and then how much extra funding you have received?

Mr Ewing—Yes, the effect of the budget cut was a two per cent reduction in the budget and I think that amounted to about \$6 million. However, the bureau was also facing a number of upward cost pressures, which meant the total value of the reductions and outputs we had to make to live within our appropriation was \$22 million.

Senator ABETZ—Yes, and then has some of that money been reinstated?

Mr Ewing—Not as yet, no.

Senator ABETZ—I thought there was some talk that you were going to get some extra funding. No? That is news to you, is it?

Mr Ewing—A review was being undertaken by the Department of Finance and Deregulation into the base funding and the outcome of that review is currently being considered by government in the current budget process.

Senator ABETZ—Right, so no extra funding has been achieved as yet for the Australian Bureau of Statistics?

Mr Ewing—That is correct.

Senator ABETZ—And if it were to happen, to your knowledge—and you cannot comment on this of course—it might happen in the budget but that is a decision for government?

Mr Ewing—Correct.

Senator ABETZ—The surveys you do I find to be vitally important. I have always thought that but now in my role as shadow science and research minister it has been reinforced to me by a whole host of people that the work that the ABS does is absolutely vital, irrespective of what sector you are in. That raw data and information that you collect is fundamental to future planning no matter in what area or pursuit you are in. The information you collect is vitally important. There are two areas I would like to concentrate on today. First are retail surveys. I understand you used to do them monthly. It then went quarterly; is that right?

Mr Ewing—No. The survey is monthly and was always monthly. What we did do was reduce the size of the sample of small firms in the monthly collection.

Senator ABETZ—From what to what? Are you able to tell us?

Mr Ewing—I do not know the exact number; Bronwyn?

Ms Driscoll—It is about a 60 per cent reduction in the size.

Senator ABETZ—A 60 per cent reduction in anybody's language is a fairly significant reduction. When you say 60 per cent, what does that mean in actual numerical terms?

Ms Driscoll—I would have to take that question on notice—

Senator ABETZ—Are we talking reducing it from 100 down to 40 or 1,000 down to 400 or 100,000—

Ms Driscoll—We are talking about reducing it from something around 10,000 down to something—

Senator ABETZ—Like 4,000?

Ms Driscoll—But I will confirm those numbers.

Senator ABETZ—In rough terms, and I will not hold you to it, I accept it is being taken on notice, from 10,000 to 4,000?

Ms Driscoll—That would be the order of magnitude of what has occurred.

Senator ABETZ—Those surveys, especially the retail one, would be very much involving a lot of small businesses?

Mr Ewing—Yes. I would point out that the retail sample has been reinstated. The cut made to the retail survey we reinstated.

Senator ABETZ—How long was it at roughly the 4,000 level before it bounced back up to the 10,000?

Ms Driscoll—The period at which we were operating on the reduced sample was July 2008 reference period through to October 2008 reference period, and the full sample was reinstated from the November 2008 period.

Senator ABETZ—Thank you for that. How did you get the resource to do that? I welcome that, but I know from some famous scientist that usually for every action there is an equal reaction, and if you enhanced your surveying in the retail sector, chances are there was a reaction in another area that got less resource. So, which sector got less resource?

Mr Ewing—In this case, we signalled that the ABS would not be seeking to make further cuts for the balance of this financial year given the fairly late period in the year in which the survey was reinstated, and we signalled to government the possibility of some overexpenditure that might be attributable to the reinstatement of the retail survey.

Senator ABETZ—Right, so rather than cutting another area, you might be going into the red?

Mr Ewing—That may be an outcome unless we can make some compensating savings elsewhere.

Senator ABETZ—What, the government did not slap you over the hand saying, ‘Naughty, naughty, you’ve got to remain within your budget’?

Mr Ewing—I am not aware of us getting particular—

Ms Foggin—We have applied for an operating loss through the budget process and are just waiting to hear. Part of the reason for that operating loss was the customer retail survey.

Senator ABETZ—All right, so when did you ask for that?

Ms Foggin—In the normal budgetary process, so in January.

Senator ABETZ—In January of this year? The government has had at least one month to respond. Were you given any indication as to when a response might be forthcoming?

Ms Foggin—It is within the normal budgetary process, which is not due just yet.

Senator ABETZ—When is that? When would you expect to be told?

Ms Foggin—I have not got a clear date. I might have to come back to you.

Senator ABETZ—Because if you were told, for example, at the beginning of May, ‘Bad luck. You will only have one month in which to try to readjust everything,’ I would have thought that would cause massive dislocation if you had to try to make up that shortfall in the last month of the financial year. I am just trying to get a handle on this.

Mr Ewing—I think the sense is that the ABS, recognising we have got this overexpenditure, have looked at ways within our budget to try and mitigate that impact so that even if we do face fairly late notice we will still be on track to get—

Senator ABETZ—Right, so to mitigate it, where is the reaction? What area is then going to suffer by that mitigation, as you put it? It is a good diplomatic term. I like ‘mitigation’ rather than ‘cuts’, but some other area must then be less resourced.

Mr Ewing—It may well affect the areas that are involved in development work within the bureau.

Senator ABETZ—Such as?

Mr Ewing—It could affect the maroeconomic statistics area responsible for retail, since they generally look after the budget within which retail sits.

Senator ABETZ—Getting macro information, getting information out of the economy, especially at this time, I would have thought, is fundamentally important to try to guide government as to whether pink batts or boom gates ought to be the focus of government

attention. I would have thought the more information, within reason of course, that is available to government, the better decision making would be possible for the government. Possibly that is a comment rather than a question. Allow me to move on to the employment data that you collect. Have there been any cuts in the sample sizes?

Mr Farrell—Yes, there have. There has been a 24 per cent cut to the sample for the labour force survey.

Senator ABETZ—What does that mean, once again, in raw numbers?

Mr Farrell—In terms of persons interviewed, it resulted in a drop from around about 51,000 persons to around about 41,000 persons per month.

Senator ABETZ—Right.

Mr Farrell—So there are now 41,000 persons interviewed in the process each month.

Senator ABETZ—You would have struck a figure of 51,000 not as a make work scheme for the ABS but because I assume you thought that that was the appropriate sample size to get relevant statistical data without a rogue outcome, if I can use that term. I am not sure ‘rogue’ is a statistical term, but I am sure you know what I mean. No, I am not talking about you, Senator Conroy, at this stage. The figure of 51,000 was struck upon as being the appropriate sample size so that it would be reliable information. If we can quantify this or use some statistical term, how much less robust, how much less statistically reliable, is a sample size of 41,000 as opposed to 51,000?

Mr Farrell—The relative standard errors changed by about 15 per cent across the board.

Senator ABETZ—Sorry, what was that term again?

Mr Farrell—Relative standard errors.

Senator ABETZ—Thank you. I did statistics at university about 30-plus years ago and these terms have slipped my mind. By how many per cent did you say?

Mr Farrell—15 per cent.

Senator ABETZ—That is a reduction. At what level relative standard error was the 51,000?

Mr Farrell—They are different concepts, so you cannot draw them together like that. What it is saying is that the changed sample has a 15 per cent impact on the estimates.

Senator ABETZ—So they are 15 per cent less reliable. Can we say that for people that have forgotten their studies on statistics?

Mr Farrell—I am just trying to think how to express it in non-technical terms.

Senator ABETZ—If you could, I would be obliged.

Mr Farrell—The sampling error associated with the data has changed to that extent.

Senator ABETZ—By 15 per cent?

Mr Farrell—That is right, yes.

Senator ABETZ—So in a time of increased unemployment, I would have thought getting good, accurate data would be of benefit to anybody who is concerned about jobs. It is a pity that the budget cuts mean that the quality of information available—

Senator Conroy—I am not sure that is a question. You are making a comment, Senator Abetz.

Senator ABETZ—Minister, I am delighted that you have picked up on that comment. I hope the government take it to heart and in the next budget they restore the funding.

Senator Conroy—We appreciate your interest, Senator Abetz.

Senator ABETZ—Mr Ewing and Mr Farrell, why are you in acting positions? Are people on leave at the moment?

Mr Ewing—Both our colleagues Brian Pink, the Australian Statistician, and Peter Harper, the deputy, for whom Denis is acting, are attending the United Nations Statistical Commission meeting in New York.

Senator ABETZ—It is nice to know there is still money for that. All flippancy aside, I think it is important. If I recall, I think you gave some very helpful information to me last time about international comparisons on household surveys and the census et cetera. I can understand the importance of that sort of international engagement.

What about promotions within the ABS? That was the reason I asked. I am being told that in some departments, to save money, if somebody leaves, somebody is just appointed as acting in a particular area but not given any pay increase because of the budget restraints. I am just wondering whether promotions have been put on hold in the ABS. What is the current circumstance there?

Mr Ewing—At the moment I do not believe there are any promotions or freezes on promotion. Certainly in the period when we were implementing the reductions I referred to earlier we had a freeze on recruitment in place until natural attrition enabled us to adapt to that.

Senator ABETZ—Are you able to tell us how many full-time equivalents you had in the ABS before the last budget and how many full-time equivalents you have now? In other words, how many jobs have been shed from the ABS since the government came in?

Ms Murphy—As of September 2008, I have a head count number of 2,943.

Senator ABETZ—When you say head count, is that FTEs?

Ms Murphy—I would have to—

Senator ABETZ—Most of them would be full time?

Ms Murphy—No, we actually have a high level of part-timers.

Senator ABETZ—You do? All right.

Ms Murphy—So I would have to come back with the full-time figure for the equivalent period.

Senator ABETZ—I would hate to make a statistical error. If you could assist me in that, that would be very helpful. How many did you have on the payroll as of May 2008?

Ms Murphy—I can give you that figure for March 2008, which was 3,132.

Senator ABETZ—You would not have the figure for November 2007 by any chance?

Ms Murphy—I have got September 2007, which was 3,241.

Senator ABETZ—So 3,241 was the last figure under the Howard government that we have got. So it has regressed from 3,200 to 3,100, now to 2,900. In what areas—and please do not tell me across the board—have these job losses occurred? Is it in information gathering, is it in analysing the information that has come to you or is it across the board?

Mr Ewing—It is probably a bit of a mixture. I think some of that loss was attributable to natural cycles in the work program and not entirely to just financial pressures.

Senator ABETZ—Yes, but \$22 million would pay a fair few wages I would have thought.

Mr Ewing—Yes, that is true. Though the impact of the budget cuts has largely been in the areas where the outputs have been reduced.

Senator ABETZ—Those being?

Mr Ewing—A significant number of staff we would have employed in census development. Since we had frozen the content of the census as part of the response to the financial pressures on the bureau, we were redeploying people out of that area, people who had been employed and engaged with a view to developing new content for the 2011 census. That was one area where people were redeployed to other areas. Do you want to comment on that, Denis?

Mr Farrell—I will just intervene. The work program cuts announced by the Australian Statistician in mid-February 2008 indicated the ABS needed to reduce its staffing levels by 181.7 people, expressed as average FTE.

Senator ABETZ—We are going through the current areas. Can I just ask, in relation to the freeze on the census, are we finding out from this international conference, where the Australian Statistician is, how many other countries have had the foresight in these difficult circumstances to cut the census and thereby, I imagine, the quality of the census? Do we know how many other countries are following suit?

Mr Farrell—The United States, Canada and New Zealand are three countries that I know of that are having considerable consideration of their budgets for the population census. The matter has been a major issue in congress in the United States. There is a consideration of the methodologies being used for conducting the census in New Zealand as well, and in recent censuses Canada has significantly changed the way it undertakes its census.

Senator ABETZ—'Significantly changed'—does that mean freezing it, reducing the number of questions or increasing the number of questions?

Mr Farrell—In each country there are different social, technological and other impacts that are addressing how the census is conducted. Each country is going through different mechanisms to determine the best methodology at the time.

Senator ABETZ—Every country, I would hope, would go through that process to see what questions are relevant, what questions should be included, what depth of questioning should be undertaken et cetera and what information should be gathered. But what other countries are

in fact cutting the chief information gatherer, if I can call the ABS that? It just seems to me a very retrograde step and I would be interested to know how many other countries in the world are doing that.

Senator Conroy—I am sure the officers do not have that information to hand, but we can take it on notice and see if there is any—

Senator ABETZ—They were very helpful last time when I asked them what cyclical periods ABS census data was collected over. I have tried them with trick questions from all sorts of countries and I have got all these wonderful answers because they are very knowledgeable, Minister. I think you do not do them due justice as to their knowledge of the international scene.

CHAIR—We have one more question on the other side.

Senator ABETZ—Sorry, I did not know that anybody else had questions.

CHAIR—Just one quick one, so if—

Senator ABETZ—Allow Senator Pratt to ask hers, and then I will come back to the international situation.

Senator PRATT—Thank you very much. It has been put to me that at the last census there was a substantial undercounting of Aboriginal people in the Kimberley and the Northern Territory and that projections accounting for things like birthrates demonstrated that there should have been more people on the census. I think that represents some challenges for benchmarking things like the government's closing the gap policies. You might need to take this on notice, but could you report to me the extent of that problem and what may be being done by the ABS to rectify it.

Mr Ewing—Yes. I will ask Denis, who is across the detail of the census more than I am. You are correct: there was an undercount, though overall the census achieved a very high response rate. The undercount overall was about 2.5 per cent in the census in total. But, Denis, you might comment on the Indigenous situation.

Mr Farrell—It is very difficult to comment in general terms because it varies from area to area as to what the undercount measured was. I think taking the question on notice and getting a more specific understanding of the area that you are interested in would be useful. It is true that the undercount varies dramatically across Australia. Some areas are more difficult in terms of census operations than others and the undercount does vary from area to area. As Mr Ewing said, overall across Australia it was about 2.5 per cent, but it can range up to around about 30 per cent in some parts of the country.

Senator PRATT—Can I also ask then to what extent such an undercount is most apparent in marginalised groups about whom it is therefore probably more important that we collect information? Is there a correlation in a general sense? I appreciate that there can be wealthy people who are overseas or whatever and that they are naturally expected to be missing because they are not there on the night, but when you are looking at your source of data about your population, is it marginal groups that are most likely to be missing?

Mr Farrell—Marginal groups are affected, but it is not necessarily just marginal groups. An example is that often some quite wealthy areas are very difficult to enumerate because

they are behind such strong security arrangements. There are a whole range of issues to do with the underenumeration. As I say, I think it is important to understand more precisely the area that you are interested in, in order to be able to hone in directly on what the specific issues are.

Senator PRATT—Okay. In a general sense I am interested in remote Indigenous communities that have quite transient populations and quite young populations as well.

Mr Farrell—In a general sense I can comment that it is more difficult to enumerate in those circumstances. We need to put more resources, and we do put more resources, into the enumeration in those areas. In the last census we also extended the post-enumeration survey, which measures the level of undercount. We extended it in order to be able to better enumerate the undercount in areas such as the ones you are talking about. We are constantly trying to improve the methodologies and the operational arrangements associated with those sorts of areas.

Senator PRATT—Have you been able to significantly correct the data you did have, to make it more real in that sense?

Mr Farrell—The main population data used in Australia for total population is estimated resident population. It is not actually the census count. The census count is a contribution to that. We routinely produce estimated resident population information and that is adjusted for the net difference between people overseas, people absent on census night and underenumeration. So, yes, those estimated resident population numbers incorporate adjustments to take account of underenumeration and other factors.

Senator PRATT—Okay. Any further information you can provide on notice would be appreciated. Thank you.

Mr Farrell—Okay.

Senator ABETZ—Of course, if you had more resources you might be able to address those issues in the manner that Senator Pratt is suggesting. Could I invite you to take on notice whether or not funding to the ABS equivalent in other countries—the US, Canada, New Zealand and the UK and any other country that you might think is comparable or informative—has been cut. Can you also tell us, as a result of the 100-and-however-many job losses there were, if you can somehow quantify the expertise or the qualifications of some of the people that you have lost? How easy will it be to recruit that sort of quality of person in the event that the government comes to its senses—not census, Minister, but senses—in relation to providing funding again in the next budget round? And can I say thank you very much and I wish you all the best.

Sorry, I have one other on behalf of Senator Bushby. I nearly forgot. There is an article in the *Australian Financial Review* dated 5 December 2008 entitled ‘A tale of two economies: how the ABS gets it wrong’. I was wondering if, on notice, you could possibly give a three- or four-paragraph or a page response to that article from the ABS perspective.

Mr Ewing—I would be happy to do that. We in fact responded to the article and a letter was published in the *AFR*, I think on the following day.

Senator Conroy—We will supply it to you. It is on the public record.

Senator ABETZ—Thank you very much for that. To save me looking it up, would you be so kind as to forward it to the committee. I am sure the letter will do, so we do not need any further detailed response. I was not aware that that had been responded to.

CHAIR—Thank you to the officers of the Australian Bureau of Statistics.

[10.02 am]

Australian Office of Financial Management

Senator JOYCE—Can you give us a brief outline of the current international environment for the purpose of bonds, especially in light of floats by the United States, the UK and Europe? What is the market like out there at the moment?

Senator Conroy—It is hard to give a very succinct answer when a question is that broad.

Mr Hyden—Firstly, there is a degree of turbulence in financial markets generally, which has been running since August 2007. Many major countries' governments are having to undertake large issuance programs. The volume of issuance has increased to fund both weakened budgets and support measures of various sorts that governments are undertaking for their economies and their financial sectors. That issuance has been taken up fairly successfully overall, but there have been instances where bond tenders have not been fully covered.

Senator JOYCE—Can you give me an example of some of those bond tenders that have not been fully covered?

Mr Hyden—Germany had one in the last couple of weeks and another in the later part of last year, where the same thing happened. Failing to fully cover an individual tender is not in itself necessarily a huge problem. It is really whether the programs overall are meeting their targets in being able to fund the government. What we have seen have been isolated instances of lack of full coverage, rather than sustained or recurring problems. All of the countries in that category of large issuance see themselves as facing increased challenges in undertaking issuance.

Senator JOYCE—Facing increased challenges?

Mr Hyden—Yes, if they have got a large amount to place they need to do more work with their investors and, in particular, to assess which parts of the market and which instruments to give priority to.

Senator JOYCE—Is Australia also facing increasing challenges in getting people to purchase our floated bonds?

Mr Hyden—We have a much larger issuance program in prospect than we have had in recent years. We have already started that and have been undertaking two tenders a week of \$600 million. Those tenders have been well supported; we have good coverage. There is no indication as yet of any weakness or any problem in funding. We started in a situation where our stock, Australian government bonds, had been in relative short supply in the marketplace. As you will recall, the government increased the issuance last year not to meet a budget funding need but because of the tight situation in the market. That situation is still apparent at

present—that is, despite the increased issuance that we have started, there is still quite an appetite for our bonds. But that will change.

Senator JOYCE—Is there a sense of the prospective purchasers of our bonds cooling off as we issue more bonds?

Mr Hyden—There is certainly a question as to how far the appetite of investors will continue as the amount of stock on issue is increased.

Senator JOYCE—Do you do a study on how much we can issue before there is a definitive waning in people's wish to purchase Australian bonds?

Mr Hyden—It is very hard to study that. Essentially what we do is talk to participants in the market, who are in the first instance the dealers' intermediaries who actually buy the bonds at auction, and then the final investors behind them to gain some impression of their attitudes.

Senator JOYCE—Can you give us an example of who some of those financial intermediaries are?

Mr Hyden—They are Australian banks, branches of foreign banks operating in Australia and other financial institutions. They are the active players in our bond market.

Senator JOYCE—The people in the market who purchase these bonds are the same ones in the market purchasing US, German and other bonds, aren't they? It is a global market for these instruments, isn't it?

Mr Hyden—There is certainly a global market but it is not entirely an undifferentiated one, such that investors in Japan or Asia are not necessarily going to behave the same way as investors in the United States and Europe. But they clearly overlap.

Senator JOYCE—What is your view of how the United States will go raising their \$790 billion in bonds?

Mr Hyden—They clearly have a large challenge.

Senator JOYCE—Has there been a sentiment, especially from China, as to their views on what these bonds are worth in the current economic climate?

Mr Hyden—I am not sure if you are talking about Australian bonds or American bonds.

Senator JOYCE—Any bonds—Australian, United States and other bonds.

Mr Hyden—They still have surpluses to place and reserves to manage. The question they face is which ones to buy. I think in that regard they will continue to be purchasers of Australian government bonds because of our high credit standing.

Senator JOYCE—Why?

Mr Hyden—Because of our high credit standing and their experience in the past of investing here.

Senator JOYCE—Of course, our credit standing would change if we ended up with an excessive load of debt, wouldn't it?

Mr Hyden—It is clearly an important factor.

Senator JOYCE—We heard from Dr Gruen yesterday that, if we had around 80 per cent of GDP in Australia—about \$900 billion—in debt, we would be categorised as having excessive debt.

Mr Hyden—\$900 billion of government debt?

Senator JOYCE—Yes.

Mr Hyden—We are a very long way from that. One of the reasons for our high credit standard is our very low levels of debt.

Senator JOYCE—But we have passed an appropriation bill to allow you to draw up to \$200 billion. That is correct, isn't it?

Mr Hyden—Yes. It was legislation; it was not an appropriation bill.

Senator JOYCE—You are doing two tenders a week for \$600 million at the moment, aren't you?

Mr Hyden—That is correct.

Senator JOYCE—When do you expect that facility to be fully drawn, \$200 billion?

Mr Hyden—I think that would take us several years, so probably about 2012 or 2013, four or five years time.

Senator JOYCE—So 2012, 2013 is when you expect the \$200 billion to be fully drawn?

Mr Hyden—That is based on the projections in UEFO of the budget outcomes, that is the underlying cash balance. Now, those figures are projections rather than forecasts, but they are a matter for Treasury and I am just looking at what are the funding consequences for bond issue of meeting those sorts of figures.

Senator JOYCE—The government also mentions that there will be, I think, \$125 million deficit in revenues; will that have to be funded by bonds?

Mr Hyden—The underlying cash balance reflects the combination of revenue and expenditure decisions.

Senator JOYCE—The underlying cash balance, does that take into account other items such as HECS debts and Future Fund and other issues such as that—are there any netting-off effects in your underlying cash balance?

Mr Hyden—There are some additional items that have to be added or subtracted to get to the actual borrowing requirement of the government or funding requirement, but they are relatively small, so I think the underlying cash balance gives a pretty good indication—

Senator JOYCE—What is our total debt or total bonds that are issued at the moment, Mr Hyden?

Mr Hyden—We have some \$55 or \$56 billion of Treasury bonds and \$6 billion of index bonds, so that is \$61½ billion face value.

Senator JOYCE—So about \$60-\$61 billion at the moment.

Mr Hyden—That is correct.

Senator JOYCE—You say that we will be fully drawn on expectations of 2012-2013 for the \$200 billion. If we were to reach \$200 billion before that, that would be an increase in the trajectory, an increase in your expectations of how quickly we were arcing down to a fully drawn position on our \$200 billion.

Mr Hyden—As I said, the expectations are based on the forecast in UEFO, so my figures were based on that.

Senator JOYCE—So if there was a requirement for a substantial call on funds through such things as an infrastructure package, that is actually not in UEFO at the moment, is it?

Mr Hyden—I am not sure on that, Senator.

Senator JOYCE—So if there was, let us say, a \$70 billion infrastructure package in the pipeline, that is not in UEFO; you would actually have to go out and reassess your peak debt position?

Mr Hyden—I think all I can say is that the borrowing figures I have given you are based on what is in UEFO; it is really I think for Treasury to say what is in UEFO and what is not.

Senator JOYCE—Treasury have also told me yesterday that we do not have the capacity to repay the interest so we will be capitalising it, and for that you will have to be purchasing bonds as well, won't you?

Mr Hyden—The interest cost of the debt is part of the underlying cash balance, so that is taken into account in these figures.

Senator JOYCE—What is the cost of the instrument? What is the face value interest rate on your instrument at the moment, Mr Hyden?

Mr Hyden—We have various coupon rates because different bonds are issued at different rates.

Senator JOYCE—Give me an example: are your coupon rates increasing in yield or decreasing?

Mr Hyden—On new issues they have been tending to decrease because rates have fallen over recent years.

Senator JOYCE—What is the latest one's coupon yield?

Mr Bath—I am not sure of the exact coupon on the most recent one we issued but essentially once we start a new bond line, the coupon is set for the life of that bond. So as we issue more stock into that line, that coupon would still be the same.

Senator JOYCE—The price of the bond changes.

Mr Bath—That is true.

Senator JOYCE—What was the implicit yield on the last?

Mr Bath—So the market yield?

Senator JOYCE—Yes.

Mr Bath—The market yields range from about three per cent on the very shortest bonds, although we tend not to issue into them, up to about 4¼ to 4½ per cent for our longest bonds.

CHAIR—Senator Joyce, Senator Bushby has questions.

Senator JOYCE—This is my last one. Four and a quarter to 4½; what is the implicit yield on the US bonds at the moment?

Mr Bath—At the moment I am not sure where the spread is. It is a lot lower than that. I could not tell you off the top of my head where US Treasury bond yields are at the moment.

Senator JOYCE—This is definitely my final question. If US yields go up, you would expect Australian yields to have to go up to be able to move those bonds?

Mr Bath—Well, there is a fair margin in there already. It is historically reasonably wide, so I am not sure that you would need to see an additional widening of that, or you would not necessary need to see a maintenance of that spread for us to be able to attract demand.

Senator JOYCE—So you are saying that will not happen.

Mr Bath—I am not saying it necessarily will not happen; it may. I cannot be definitive on it but it would not have to happen.

Senator BUSHBY—Thank you to the officers of AOFM for coming along today. I will just pick up from where Senator Joyce has left off to some extent. Did I hear you say that there are currently \$61 billion of bonds out there?

Mr Hyden—Yes.

Senator BUSHBY—Did I also hear you say that you were putting out \$1.2 billion worth of bonds a week?

Mr Hyden—Yes.

Senator BUSHBY—That is going up fairly consistently.

Mr Hyden—That is right.

Senator BUSHBY—Just doing a quick calculation in my head, on that basis you would get to \$200 billion a long time before 2014, so presumably there may well be some slowing-down of that, or are you not aware of any likelihood that the rate at which you are selling bonds will actually fall?

Mr Hyden—As I said, the figures are based on the UEFO projections. There is net issuance and that is a result of gross issuance less maturities. So we have maturities every year. There is some unevenness in those. I think the net issuance will taper off a little in the later years because the underlying cash balance is largest in 2009 and then comes back a little in the later years under UEFO. I am not sure why that is. We just take the UEFO figures as given. You are correct that the projection assumes some slowing or easing-back in the volume.

Senator BUSHBY—Who makes the decision to issue \$600 million of bonds twice a week? Is that a decision that AOFM has made or is it under instructions from the Treasurer, or where does that decision come from?

Mr Hyden—That is the AOFM.

Senator BUSHBY—You make that decision given your perceived need to ensure that there are funds to meet the government's needs?

Mr Hyden—We take the government's budget decisions and project the funding requirement from that and decide what is the best way to meet that.

Senator BUSHBY—Given that we are currently at \$61 billion and that that is rising by \$1.2 billion a week at the moment, what are the current debt servicing costs for that \$61 billion? How much are we actually paying out in interest?

Mr Hyden—There are various ways of measuring this, but on a cash basis I think the estimate for the current year is \$3.4 billion and that would become \$4.6 billion next year.

Senator BUSHBY—If you are issuing \$1.2 billion worth of new bonds a week over 50 weeks, that is going to double your \$61 billion, taking into account that there are maturities as well—but, roughly, it would go close to doubling the amount of bonds out there. The interest payment has not doubled on those projections?

Mr Hyden—There are a number of factors in that. Firstly, the pattern we have announced for bond issuance at the moment is to cover the period to the end of this financial year and we are expecting to raise about \$23 billion out of those tenders. There may be some weeks where we do not, such as in the Easter week and seasonal effects like that. Then, secondly, the issue yield on new bonds that we are issuing may be lower than the yield on past issuance when interest rates were higher. So that makes it not fully proportional.

Senator BUSHBY—You do not think the impact of the Australian government seeking to raise funds by issuing bonds combined with the fact that there are similar things happening around the world will have any upward pressure on interest rates?

Mr Hyden—It is always possible there could be some impact, but on the other hand we are issuing into a market where there is not a lot of issuance by other entities other than governments; the financial sector and particularly the corporate sector have been very flat. They are different sectors of the market. And there has been a switch in preferences to quality issuers such as—

Senator BUSHBY—Certainly at the moment.

Mr Hyden—so that there is an increase in the supply available to our sector of the market as well as an increase in demand.

Senator BUSHBY—I appreciate that we have been facing extraordinary circumstances in recent months and that is certainly the case now. But if the measures taken by the government have the effect that they hope they will, and measures taken by governments in other nations have the same effect, then presumably at some point we will start coming out of that, business activity will increase and liquidity will become an issue again and it may not be so easy to find people looking for quality. They might be looking for higher returns and willing to take a little bit more risk. So that may actually dry up and have an impact on interest rates as well. I will move on, because I only have a limited amount of time.

Mr Hyden—I think we are really looking forward to the situation that you are describing where activity is picking up.

Senator BUSHBY—I think it is a good thing, but it may also have an impact obviously on government revenues and the need to raise money.

Mr Hyden—Obviously it would be desirable to manage that recovery phase so that the impact on interest rates is limited.

Senator BUSHBY—That is right. That would all be good. I hope that the government's package does have that—

Mr Hyden—I think we will be a lot happier when we have that situation.

Senator Sherry—If the argument that interest rates reflected government debt bond issues were valid and the only circumstance, then presumably, given the level of debt and bonds being issued by other comparable economic countries, their interest rates would be far higher than they are the present time—and they are not.

Senator BUSHBY—We have got Mr Hyden here who is one of the experts, if not the foremost expert in the area in the country, so I was interested in his opinion. I was not making an argument. I was just trying to find out the—

Senator Sherry—But on the speculation that interest rates are driven higher because the issuance of bonds by government is increasing: it is not the only relationship or factor. As I say, clearly if you were to base interest rate decisions predominantly on bonds issued in government debt, if you look at the levels of government debt and bonds being issued by various European and North American countries, their interest rates, given their levels of debt and bonds issuance, are much, much higher than ours as a proportion of GDP, so interest rates would be significantly higher in those countries, but they are actually significantly lower.

Senator BUSHBY—I think that Mr Hyden made a similar comment, that there were a range of factors that would impact but this certainly could be one of them—but there are a lot of factors. I will move on because I am running out of time. Can the AOFM tell me what percentage of the bonds that they are issuing are held in what categories? Do you have shorter term ones and longer term ones? I am also interested in knowing—and you may have to take this on notice—what percentage of the bonds that are issued are actually bought by Australians and what percentage are bought by people or institutions overseas. If we could have that breakdown that would be very useful.

What does the AOFM consider are the risks to the credit rating of the Commonwealth from going further into debt? I know we are in a fairly low-debt situation at this point, but we are looking at going up to \$200 billion and at the same time we have also got the bank guarantee, which I imagine is something that ratings agencies would have a pretty close look at as well. What do you think is the risk to our credit rating in the next couple of years?

Mr Hyden—Shall I will take those questions in order?

Senator BUSHBY—I would like to hear your opinion on the last one now, if I can, about the risk to the credit rating.

Mr Hyden—Just on the instruments we are using, we are basically issuing into the existing lines of bonds that we have and they are spread over the curve from just over zero up to 13 years. At present the volume of those bonds on issue is fairly even. We filled each up to five billion and some, since we have been doing additional issuance, have gone up to six billion or so, but it is relatively even. In terms of the issuance going forward, we will judge which lines

to issue into very much in terms of our assessment from week to week as to where the demand is greatest.

Senator BUSHBY—That would make sense. I am interested in how that has panned out. If you can give me some details on how it currently exists, then we can compare that in future estimates with trends as you experience changes in demand. I am quite happy for that to be taken on notice, but I am interested in your view on credit ratings and the risk to Australia's credit rating. In that context, could you also inform the committee when our credit rating was last downgraded and then last upgraded?

CHAIR—Senator Eggleston has a question.

Senator BUSHBY—I was hoping for an answer to that, particularly with the risk to the credit rating. I am interested in your opinion on that at the moment.

Mr Hyden—On credit rating, I should say firstly we are AAA and have been so since 2003. I am not sure that I can recall the date when the previous downgrade was.

Senator BUSHBY—You can take that notice. The risk is really what I am interested in.

Mr Hyden—The ratings agency take a range of factors into account. Moody's rating agency put out a paper in the last few weeks on how it undertakes the ratings of sovereigns and the prospects of some of the major countries in that regard. It put Australia's rating as in the most secure category, if you like; as one of the least liable to be downgraded in the foreseeable future. That is ahead of the United States and Britain.

Senator BUSHBY—Did they have access to the UEFO information when they made that assessment?

Mr Hyden—That would have been before UEFO.

CHAIR—Senator Eggleston.

Senator EGGLESTON—I am just interested in Australia's total debt position, which would include the state debts. What bond-raising activity do the states undertake and what does it amount to? Can you make any comments about state debt?

Mr Hyden—The states have been important borrowers and have large programs. I am not sure that I have got a figure to mind as to the total.

Mr Bath—Madam Chair, if I may answer that, the total of existing stock for the states issued domestically into their international programs or global exchangeable programs is around the \$100 billion to \$120 billion mark.

Senator JOYCE—A hundred and twenty billion?

Mr Bath—I believe so, yes.

Senator JOYCE—Is that on top of the \$200 billion you are going to borrow?

Mr Bath—No, that is the current stock. So it is comparable with our \$60 billion that we talked about previously.

Senator EGGLESTON—It seems to me that the level of state debt is not generally discussed. Would you like to comment on the downgrading of the Queensland credit rating? I

read in the *Western Australian Business News* on the net this morning that Western Australia's credit rating may drop too.

Mr Hyden—I do not think we would want to comment on the state ratings.

Senator Sherry—The states have their own parliaments and their own estimates processes.

Senator EGGLESTON—I agree with you, and I understand that, but it is all part of the broad picture of the total debt of this country. It was only in that context that I was seeking it. I was not particularly asking for the witnesses to get into the full details of state debt and the management of it, but only as it impacts on the Commonwealth.

Senator Sherry—Chair, I will just clarify a question that Senator Bushby put. In terms of the breakdown between domestic Australian bond uptake and overseas—if it is possible; I do not know—do you want a breakdown by country?

Senator BUSHBY—If that is possible, that would be great. My main interest was how much it was going to be. By country would be a bit more useful.

Senator Sherry—I just wanted to clarify that.

Mr Hyden—Let me just say that it is difficult to get that information in a definitive way because—

Senator BUSHBY—Per country? Do you know how much—

Mr Hyden—Any information on who the ultimate holders of bonds are, because the registry records and the Austraclear records often show nominee companies or intermediaries, so it is hard to see the final holders. Some surveys are done by the Reserve Bank and the ABS, which involve going to some of those intermediaries and asking them, but I am not sure how much detail we can provide. The general picture is that about 60 per cent of our existing stock of bonds is held by overseas holders.

Senator BUSHBY—That puts something on the record. But could you back that up with any evidence that you can easily obtain. I do not want you to great expense or trouble to find the answers, but if you could find something that does back those figures up or explains why you say 60 per cent then that would be very useful.

CHAIR—Thank you, then, to the Australian Office of Financial Management. The committee will take a short break until 10.45, when we have the Australian Competition and Consumer Commission.

Proceedings suspended from 10.33 am to 10.44 am

CHAIR—Welcome to the Australian Competition and Consumer Commission. Mr Samuel, do you or any of the officers have an opening statement that you wish to make?

Mr Samuel—No, thank you. We can proceed straight to questions.

Senator JOYCE—How many Birdsville amendment related complaints has the ACCC received since the last estimates hearing?

Mr Samuel—I think at the last estimates hearing I indicated that we had had about 104. Since the amendment has been in place, we have had about 154 in all. But I need to mention

that they do not come in as Birdsville complaints; they come in as complaints that might relate to misuse of market power or, broadly, predatory pricing.

Senator JOYCE—How many of these have been investigated in depth?

Mr Samuel—At the present time there are five in-depth investigations that are occurring.

Senator JOYCE—Has the ACCC taken any of these predatory pricing cases to court?

Mr Samuel—No, not at the moment.

Senator JOYCE—Has the ACCC issued any guidelines specifically regarding the Birdsville amendment?

Mr Samuel—No, not guidelines—other than discussions that have taken place with various commissioners, including me, as to how the amendments might apply in public commentary.

Senator JOYCE—Why have you not issued these guidelines?

Mr Samuel—I think it is a matter that requires, ultimately, interpretation by the courts. What we have indicated is that the section has certain applications. The new concepts that are raised in the section particularly concern issues of relevant cost, sustained period and substantial market share, and it is difficult for us to actually issue guidelines on some of those new concepts without having had them ultimately interpreted by the courts.

Senator JOYCE—Have you used an education program? Have you entered into any education program that you have developed with regard to getting the benefits of the predatory pricing issue, known as the Birdsville amendment, out?

Mr Samuel—The education program, as I indicated before and I think indicated last time, is that commissioners, including me and Deputy Chair Michael Schaper, are out on the hustings, providing both speeches and private briefings to lawyers, economists and business people about the application of various provisions of the act, including the Birdsville amendments. I think it is fair to say that Deputy Chair Michael Schaper has been out on the hustings since joining the commission a few months ago, talking to a large number—and I emphasise the words ‘large number’—of small business groups around the country, covering a whole range of issues we are dealing with, not the least of which deals with the application of the predatory pricing provisions.

Senator JOYCE—Can you explain to us just briefly how market power and substantial lessening of market competition is working currently in section 50?

Mr Samuel—Sorry?

Senator JOYCE—How the concept works in section 50—creeping acquisitions.

Mr Samuel—We do not have creeping acquisitions. The issues of market power—

Senator JOYCE—In section 50.

Mr Samuel—There is no concept of market power in section 50. What is dealt with in section 50 is an acquisition of shares or assets that would, or would be likely to have, the effect of substantial lessening of competition in a market.

Senator JOYCE—That is deemed to be an assessment of market power, is that correct?

Mr Samuel—No, it is deemed to be an assessment of a substantial lessening of competition. They are the words that are used in section 50.

Senator JOYCE—Okay. I am just leading to my next question. How many section 50 cases have been approved? What percentage of them have been approved?

Mr Samuel—It varies, depending upon the matters that come before us. But over recent years, we have had before us round about 400 applications for consideration or review of mergers. Of those, the vast majority are approved. I could not give you the exact, specific numbers, but generally speaking we find that of the 400, around about 10 to 15 are the subject of either opposition or are subject to undertakings and the like. However, I do need to mention that a large number of matters come before us on a confidential basis that are included within that 400, and within those a number would be the subject of a negative view—that is, a view by the ACCC that we consider there are significant competition concerns or there is a likelihood that there would be a substantial lessening of competition, SLC—in which case the merger does not proceed.

Senator JOYCE—So about 96 per cent are approved?

Mr Samuel—I think we need to take into account the confidential ones. That percentage of approvals might be somewhat lower as a result of the confidential ones. The difficulty with the confidential ones is that they come in on a confidential basis. While we give you the total statistic of matters that are brought before us, around 400, the numbers that are dealt with confidentially can only be derived by looking at those that are on the public register and then deducting them from the grand total. What we cannot disclose, though, is the level of approvals and/or disapprovals in the confidential process. One of the reasons for that is that a disapproval, if you like, or a potential disallowance often is not in the clearest of terms of ‘this is one that will substantially lessen competition therefore it would be opposed.’ Often it would be on the basis of saying, ‘There are significant competition concerns’ and we consider that it may need further market inquiries or whatever, and then the merger just does not proceed.

Senator JOYCE—I am trying to rattle through these to garner some facts, then I might go back and ask some questions on it.

Mr Cassidy—Just to be helpful and give you some numbers, so far this financial year we have considered 248 mergers. We have opposed or had problems that needed to be resolved with nine of them. That is broadly the experience over the last several years—we have problems initially with about 5 per cent of the mergers that we look at. We resolve about half of those through undertakings, which leaves us with about two to 2½ per cent—

Senator JOYCE—Yes, nine from 248 means you are approving about 97 per cent of them.

Mr Cassidy—Yes, that would be right. As the chairman was saying, the trick is with the mergers that come to us on a confidential basis. What will happen with those on occasions where it is clear that we have problems is that they will simply withdraw them. So we do not count them as being mergers opposed.

Senator JOYCE—How many of those are there—or can’t you give a figure?

Mr Cassidy—I am afraid I do not have a figure on withdrawals.

Senator JOYCE—You do not have a figure for withdrawals?

Mr Cassidy—No. But there will be an addition to that figure that I just gave you.

Mr Samuel—We will express concerns, but you may find that some of the matters that are put to us on a confidential basis are withdrawn because the parties just decide not to proceed or they realise that there may be some difficulties but they are not sure that that is a matter that we have necessarily opposed in the longer term. Did you want to add to that?

Mr Grimwade—Yes. I think in the last financial year, in addition to the confidential matters that we opposed and the public matters that we opposed and the matters that we would have opposed but were subject to undertakings, there were around 25 other matters.

Senator JOYCE—Is that 25 others on top of the nine?

Mr Grimwade—That is right. They were withdrawn before we could make a final decision. Often those matters are withdrawn because of the dialogue that the commission has with the merger parties as the process develops.

Senator JOYCE—So all up about 90 per cent are approved?

Mr Grimwade—I am not suggesting that all of those 25 are withdrawn because of competition concerns. There might be commercial reasons behind that as well. It is quite difficult to give a precise figure, but around 90 to 95 per cent are approved.

Senator JOYCE—At this point in time I am just garnering facts. Let us go to section 51(a)(c). How many unconscionable conduct complaints has the ACCC received since the last estimates hearing?

Mr Cassidy—I cannot give you that precise figure. I can tell you that in the six months to end of December we received 67 unconscionable conduct complaints.

Senator JOYCE—How many of those have been investigated in depth?

Mr Cassidy—We look at all of them. Currently we have three under detailed investigation. We have a two-stage process.

Senator JOYCE—Three?

Mr Cassidy—Yes, three under detailed investigation. We do an initial investigation to see whether the particular complaint is likely to prove up or whether, at an early look, it just does not look like a breach. If it looks like it is going to prove up, then it goes into what we call detailed investigation stage.

Senator JOYCE—How many of these have gone to court?

Mr Cassidy—We have three in-depth investigations. We have four cases currently in court.

Senator JOYCE—Four currently in court?

Mr Cassidy—Yes. If you like, we have seven under serious notice at the moment, so to speak.

Senator JOYCE—Turning now to franchising, how many complaints regarding alleged breaches of the franchising code has the ACCC received since the last estimates hearing?

Mr Cassidy—I am afraid I cannot give the exact figure that you are after, but for the financial year to date, we have had 257 franchising complaints.

Senator JOYCE—How many of those have been investigated at depth?

Mr Cassidy—We currently have five in-depth investigations on franchising.

Senator JOYCE—Out of 257, you have five? What is that, 1½ per cent?

Mr Cassidy—Or two per cent. To anticipate the next question, we have one in court.

Senator JOYCE—You are anticipating well. Turning to petrol, and we will go back to some of these.

Mr Cassidy—Sorry, I have just been corrected; we have two in court.

Senator JOYCE—Two in court out of 257?

Mr Cassidy—No, you have to be careful, because those two I dare say would relate to complaints we probably received during the course of the last financial year. As of now, as I say, we have had 257 complaints so far this financial year. We have two in court, and we have five under detailed investigation.

Senator JOYCE—About two per cent of them are being investigated. I will now go to petrol. Has Minister Bowen given the ACCC the power to formally monitor the price of diesel and LPG under the Trade Practices Act?

Mr Cassidy—No, he has not.

Senator JOYCE—What additional powers under the Trade Practices Act would be triggered if the minister gives the ACCC the power to formally monitor the price of goods and services under the TPA?

Mr Cassidy—Formal monitoring basically allows us to use compulsory information acquisition powers if we need to in order to undertake the monitoring.

Senator JOYCE—Has the minister given you powers to formally monitor the price of unleaded petrol under the TPA?

Mr Cassidy—Yes, he has.

Senator JOYCE—Has the ACCC used those additional powers that were involved following the direction to formally monitor unleaded?

Mr Cassidy—We produced a report at the end of last calendar year on that formal monitoring, because under formal monitoring we are required to produce a report at least every 12 months, and my recollection is that in producing that report and undertaking the formal monitoring, we used both informal and our formal information gathering powers.

Senator JOYCE—So you are using the additional powers—

Mr Cassidy—We use the additional powers.

Senator JOYCE—Does the ACCC have any concerns regarding the current Singapore benchmark for unleaded price known as MOPS95? Is the ACCC currently reviewing that Singapore benchmark?

Mr Samuel—Yes, we are reviewing.

Mr Cassidy—I do not know necessarily whether we would rush to say, anticipating where that question might come from, that we necessarily have a problem with the—

Mr Samuel—Sorry, answering the second part of the question, we are reviewing it.

Senator JOYCE—As a result of the ACCC's recommendations for the December 2007 petrol report, the ACCC was to review buy/sell wholesale arrangements between oil companies and report back in the middle of 2008. Can you tell me what has happened in relation to that review?

Mr Samuel—I would like to ask Mr Gregson from our enforcement area to answer that question for you.

Mr Gregson—As you note, the report and the government response indicated the ACCC would form a view with respect to the buy/sell arrangements and their effect on competition by mid-2008. At that time the ACCC formed the view that it was unlikely the per se provisions of the act were to apply in those circumstances. Accordingly we had to move to consider whether they substantially lessen competition. At the last Senate estimates hearing, I believe that we advised that we were looking for the information that was being provided under the monitoring aspects. We now have that information and are moving ahead to assess the effect on competition. These are complex arrangements involving a complex industry.

Senator JOYCE—Mr Gregson, I am going to break from my line of questioning here just for you. Could you tell me the last time a substantial lessening of competition was effective in delivering an outcome that resulted in a prosecution?

Mr Gregson—We take a number of cases that involve both the per se provisions and also the substantial lessening of competition—

Senator JOYCE—When was the last time the substantial lessening of competition test resulted in a prosecution. This is the stumble that means nothing ever gets anywhere, and I am sure Senator Heffernan is going to have something to say, and maybe Senator Boswell and everybody else—we want to know when was the last time the substantial lessening of competition test resulted in a prosecution or resulted in a decisive action?

Mr Cassidy—I do not know necessarily whether it would be the last time, but you may be interested, I think we could say that we have just had our second successful 46 case against Baxter Health, and that involved several breaches, we alleged, but some of those related to the SLC provisions.

Senator JOYCE—How did your substantial lessening of competition test go when ABC Learning was buying up the marketplace?

Mr Cassidy—Hang on, you have now switched from enforcement back to mergers. Mr Grimwade, who heads our mergers area, can answer that.

Senator JOYCE—Section 50. Okay, the same test, the substantial lessening of competition test, how did you go stopping ABC buying up the marketplace?

Mr Grimwade—We did not find that there was a substantial lessening of competition in the three major acquisitions we looked at, except in relation to a number of local markets. In those local markets, ABC divested a number of centres, I think around 33 centres, to competitors or terminated management contracts to competitors.

Mr Samuel—In respect of ABC, on the one day there was a suggestion made by one spokesperson—I am not sure representing whom—that there was an inability of the ACCC to prevent acquisitions that enabled ABC to grow to the size it had—which I might note was something between 20 and 25 per cent of the total national market—and on the same day, either the chairman or the former chair of ABC noted that it was as a result of ACCC intervening and preventing further acquisitions that ABC then went and bought overseas, which is what caused its collapse. So try to figure out that contradiction in propositions that are put to us. I think it is fair to say—and you have just drawn attention to it—that in ABC, in a number of cases in their acquisitions, we applied the substantial lessening of competition test under section 50 to prevent acquisitions of individual childcare centres in specific locations, in much the same way that we do with respect to supermarkets or liquor stores or whatever. So where there might be a total acquisition of a group, it is a condition of that acquisition that there be divestitures of individual centres where we think a substantial lessening of competition might occur.

Senator JOYCE—Just for the record, how many divestitures did you bring about from ABC? How many did the ABC have to divest by reason of your instructions?

Mr Grimwade—There were three different acquisitions in which divestitures were part of the resolution. In the Peppercorn acquisition in 2004, I believe, there were about 21 divestitures; there were eight sites and 11 centres. If you give me one moment, I will see if I can find the exact figures for you.

Mr Samuel—I think the total number came up to getting close to the 50 mark.

Mr Grimwade—I think it was 33 all up, but the important thing to recognise—and this is often not recognised—is that in examining the effect on competition under section 50 in relation to the acquisition of childcare centres, the market in which ABC would have been able to exercise any market power would have been the local market. Of course, our focus was on each local market and an examination of whether there were competitors in each local market. We did not examine, and we could not examine, whether there was an SLC in a national market because it was not exercising or could not exercise its—

Senator JOYCE—Your attention was on a regional market?

Mr Grimwade—On local markets; that is correct.

Senator JOYCE—That is fine.

Mr Grimwade—Just to give you the numbers, in the Peppercorn acquisition in December 2004, there were eight centres divested and 13 management contracts terminated; in Kids Campus in 2006, four centres divested, with one management contract terminated; and in Hutchinson's in September 2006 there were seven centres divested.

Senator JOYCE—Okay. I want to go back to petrol. Another ACCC recommendation is that it conduct an audit of terminal storage facilities. Was the ACCC involved in that audit, and can the ACCC tell us where that audit is at?

Mr Samuel—My understanding is that the audit was being conducted by the Department of Resources and Energy. A bit of an indication of the terminal facilities can be gleaned from

looking at our annual price monitoring report which was issued last December. You will get an indication of where that went to.

Senator JOYCE—You were involved with the audit?

Mr Samuel—Yes, that is right.

Senator JOYCE—A further ACCC recommendation was a review of the mandatory oil code. Was the ACCC involved in that review?

Mr Cassidy—Again, the department is undertaking that review. To be honest, I could not tell you off the top of my head where that review is at. Mr Ridgway might be able to.

Mr Ridgway—We have provided some feedback to the Department of Resources, Energy and Tourism on our experience with Oilcode complaints and inquiries, though that is probably the large extent of it, and some comparator to the operation of other mandatory industry codes as mechanisms for dealing with small and large business disputes.

Senator JOYCE—I want to turn quickly to GROCERYchoice. How many hits or visits were there to the original version of GROCERYchoice in the month immediately before it was handed over to the consumer organisation Choice?

Mr Cassidy—I am not sure; I do not have that figure. Unless one of my colleagues does, we might have to take that on notice.

Senator JOYCE—Take it on notice. Do you know how many hits there were compared to the first month of the operation of the original GROCERYchoice? I also want to know how that number of hits compares to the first month of operation for the original GROCERYchoice website—I imagine that if you do not have one, you do not have the other?

Mr Cassidy—We will take all of that on notice and give you those figures.

Senator JOYCE—Were there any conflicts of interest declared in the negotiations with the Choice organisation?

Mr Cassidy—The negotiations with Choice were undertaken by Treasury, so I am afraid any questions relating to that would have to be directed to Treasury.

Senator JOYCE—Do you maintain any responsibility for the Choice-operated website?

Mr Cassidy—Not for the website itself. We are still assisting with the data collection and will be up until June, but we have no involvement with the website.

Senator JOYCE—Do you require any performance indicators from Choice?

Mr Samuel—As we said, that is a matter which should be taken up with Treasury.

Senator JOYCE—So you cannot answer the question. Can the contract with Choice be terminated?

Mr Cassidy—Again that is something you would have to ask Treasury.

Senator JOYCE—My final question is: why have we been unsuccessful in predatory pricing cases on actually taking them to court? When are we going to get some further progression or quantifiable form on this issue?

Mr Samuel—With respect to the amendments that have come into place, we have indicated to you that there are a number of investigations that are going through what is called the serious investigation stage. Upon completion of that, if it is appropriate that they be taken to court then they will be taken to court. These are not matters where you receive a complaint and then two or three weeks later you institute legal proceedings; that is not the way the process works. But they are being dealt with in a serious sense. I think it is fair to say—and this may bring a smile to your face—that there is, shall we say, a heightened sensitivity to dealing with predatory pricing matters at the present time, because we want to be sure that any complaints that are brought to us are dealt with fairly and appropriately and rigorously. I would also have to indicate that, of the 150-odd matters that have been drawn to our attention, there are a large number that have simply not proven to be predatory pricing. In many cases, in the initial phase there was an undue expectation that any sale by a retailer below the price at which another retailer was able to purchase products was a case of predatory pricing, whereas of course the Birdsville amendment specifically focuses on the relevant cost of the retailer that is undertaking the alleged predatory pricing. These matters are all being investigated, though. They are being investigated seriously and, as soon as the investigations reach a point where the commission considers it is appropriate that the matter ought to be resolved through the process of litigation, you can be assured that litigation will take place.

Senator JOYCE—Are you involved in the creeping acquisition legislation that is coming before parliament, I imagine, in the near future?

Mr Samuel—I think that is a matter of policy for government, but I think the minister has indicated publicly that he is consulting with the ACCC, Treasury and other interested stakeholders in relation to that prospective legislation.

Mr Cassidy—The government put out a discussion paper and we put in what is now a public submission in response to that discussion paper. We have had consultations with the government since, and the government is currently considering the comments it received as a result of that process.

Senator FIELDING—I want to focus in on a couple of articles that I have been reading lately. One was in the *Sunday Mail* on 22 February. You probably know it anyway, and it starts out, ‘There is nothing to stop oil companies from driving petrol prices beyond \$1.50 a litre, according to the RAA.’ Have you read that article?

Mr Samuel—There are plenty of articles, Senator, as you can imagine, on petrol prices. That is one of many. But proceed with the question, and then we can see.

Senator FIELDING—Is there any truth in that statement, that ‘there is nothing to stop oil companies from driving petrol prices beyond \$1.50 a litre, according to the RAA. The motoring organisation said that oil giants had cut the supply of unleaded petrol to force up prices by more than 23 cents a litre already this year.’ What are the ACCC’s comments on that? Obviously this is a huge public concern and will continue to be one, so I am interested to know what you folks are doing.

Mr Samuel—This is obviously a big question, because it goes to the whole heart of petrol pricing generally. What I can indicate is that, over the past couple of days, the Petrol Commissioner, Joe Dimasi, has actually made presentations to members of parliament up

here. Those presentations went through a quite extensive explanation about what factors are affecting petrol pricing in this country, and what factors are affecting diesel pricing and LPG pricing and the like. I do not know if you were able to attend any of those presentations, but there was a presentation to government MPs, as I understand it, a couple of days ago, and to some independent MPs yesterday. Those have proved to be a very useful in explaining a whole range of issues: the issues of international benchmarking; the impact of the relative crude oil prices that we are dealing with—West Texas crude is the one most often quoted in the newspapers, whereas the one that Australia has to deal with is the Tapas crude price, which is the price coming out of Malaysia; the Singapore Mogas 95 Unleaded price, and then some of the impacts of refining and refining capacity up in Singapore that impact on our price. That has not given you a specific answer to the RAA's comments but, with respect to the RAA and many others that made comments in this area, I think it would be particularly useful if members of parliament could actually sit with Mr Dimasi and understand all of these factors. It is certainly a very informative presentation.

Senator FIELDING—Can I ask, then, maybe to get a specific answer: does the ACCC agree with the comment from the motoring organisation that all giants had cut the supply of unleaded petrol to force up the prices this year?

Mr Cassidy—We certainly do not have any evidence to that effect. We are aware that unleaded petrol prices went up in both January and February. A significant reason for that seems to be that there are six refineries in the Asian region that are currently down, either wholly or partially. We do not have any information to indicate that those refineries are, if you like, down deliberately to manipulate Australian prices. Indeed, I would have to say that some of those refineries in Asia have a refining capacity which exceeds that of all the Australian refineries put together. So the idea that one of those refineries would be taken down as a means of deliberately forcing up prices in Australia I think starts to get a bit far-fetched, because they would end up losing more money out of what they would lose in other countries, by not being able to supply it, than they would gain in Australia. Those six refineries, as far as we are aware, are down for quite legitimate maintenance and other reasons.

Mr Samuel—To give you one statistic that might help, and this statistic is as at yesterday, Wednesday, 25 February: the difference between the seven-day rolling average daily retail prices—that is, as at 25 February—in the five capital cities in Australia, and the seven-day rolling average Mogas prices lag by seven days, is 59.7 cents per litre. That is 4.8 cents per litre less than the average over the last 12 months, which is 64.5 cents per litre. So—if we look at that issue that we have discussed on many, many previous occasions, and that is the correlation between the average retail price in Australia and the Singapore Mogas price—it is actually looking, at this point in time, more favourable than it has been for some time.

Senator FIELDING—To go back to the original question, you are saying that the motoring organisation is not correct in what it is saying—that the oil giants had cut the supply of unleaded petrol to force up prices? You are saying a categorical no to that?

Mr Cassidy—What I am categorically saying is we have absolutely no evidence to indicate that or to suggest that.

Mr Samuel—In fact, the statistics seem to be pointing in entirely the opposite direction.

Mr Cassidy—If you take that a bit further, and perhaps be a bit cheeky, what I am also saying to you is the logic of it just escapes me as well.

Senator FIELDING—The article went on to outline what Mr Dimasi was paid—I will not go there. It states further that Mr Dimasi said, ‘A spike in petrol prices in early February had been caused by those companies increasing their profit margin.’

Mr Samuel—I might comment on the various comments that are made about what Mr Dimasi is being paid. He is constantly into both Mr Cassidy and me to ask ‘Where is the difference?’ because he is not getting it at the present time. So I would not worry too much about what Mr Dimasi is being paid.

Mr Cassidy—Or what he is allegedly paid, anyway.

Senator FIELDING—Let me be clear on the question. Mr Dimasi is reported to have said, ‘A spike in petrol prices in early February had been caused by those companies increasing their profit margin.’

Mr Samuel—What I think he was referring to there—again, I am not familiar with the particular article or the quote—was that there was a point in time at which the refining margin, which is the margin between the cost of crude oil and the Singapore Mogas price, blew out to a reasonably significantly high margin sometime in January and early February this year. These margins tend to differ on a cycle basis. There have been occasions when that margin has been negative. There were occasions through January and February when the margin went up as high as, I think, of the order of 12 to 15 cents per litre, to convert it into Australian dollars. It is a reference to what is occurring in Singapore and to the Singapore refining margin as distinct from the particular issues that are occurring in Australia.

Senator FIELDING—Has the ACCC written to the oil companies in the last month on the issue of profiteering on petrol?

Mr Samuel—There have been communications with the oil companies over the past month in relation to a number of issues, but one specific issue that has arisen is that we have noted that the price spike that occurs as part of the weekly price cycle has had a greater amplitude than has been the case in the past. In normal price cycles the amplitude of the price spike from the low trough—normally on Tuesday or Wednesday—to the spike that occurs either late Wednesday or early Thursday has generally been of the order of about 10 or 11 cents. We have noticed that that price spike has moved out to about 14 to 15 cents per litre. Mr Dimasi has been communicating with the oil companies as to that.

At the same time I might point out that while that price cycle has been occurring with a greater amplitude we have actually also noticed that in Perth the price cycle appears for sometime now to have disappeared, and there is no price cycle in Perth. The price is remaining relatively flat. And I think in Brisbane the price cycle appears to be flattening out as well; it does not have the degree of amplitude that we have seen in the other cities.

Senator FIELDING—Would you be able to table the letters that you have written to them so we can know what you have requested from them? I am not asking you to table what they have responded to, but can you table your letters so that we and the public will know what you are actually asking them and asking them to explain?

Mr Cassidy—We will obviously take that on notice, because we do not have the letters with us. My answer would be, probably yes, but we would need to have a look at the letters just in case there is reference back to, say, earlier correspondence which has confidential elements to it. But on the face of it I do not see why not, but let us take it on notice.

Senator FIELDING—My understanding is that Mr Dimasi has written to the oil companies requesting that they cut the profit margins being charged at the top end of the price cycle across the nation. Can you confirm that?

Mr Samuel—As I indicated in my previous answer, Mr Dimasi has written to the oil companies and communicated with them expressing concern at the increasing amplitude that is occurring between the low trough price of Tuesday/Wednesday and the peak price which occurs when the prices are hiked up. We have seen some various changes occurring. Certainly in Adelaide, Sydney and Melbourne, we have seen the price hike moving beyond the normal price hike of about 10 or 11 cents up to around 14 or 15 cents. On the other hand, the price cycle in Perth appears to have disappeared and in Brisbane the amplitude has actually decreased; it is a flatter price cycle.

Senator FIELDING—I will come to that in a second, I suppose. There is a quote here where Mr Dimasi said, ‘I have talked to the companies about the prices in Adelaide and asked them to moderate the increases.’

Mr Samuel—That is the issue I have just referred to.

Senator FIELDING—I am just thinking that if the general public were listening into this I think they would be flabbergasted to think that here we are having oil companies quite clearly profiteering—and you are concerned about it—

Mr Samuel—Yes.

Senator FIELDING—Frankly, I have asked questions around this issue many times before, and we seem to get into this cat and mouse game where you get your feather duster out and produce a letter and say, please explain. I never really get a good explanation back until sometime later, and then it is some fluffy answer about, ‘Well, the price cycles here and there.’ They are quite clearly profiting out of the top end, which is outrageous when it is a commodity that you must use. It is outrageous. And we have the ACCC—the top cop on the job—that cannot get to the blooming bottom of it. I am getting sick of coming here and asking the questions. Frankly, I think that the responses we are getting back are pretty weak.

Mr Samuel—With great respect, we also get frustrated with some of the questions that are asked, not necessarily by you but by many in this industry, because I have to say to you, Senator—and I say this with the very greatest respect—that the questions reflect an inability or a failure at times on the part of those asking the question to actually read either the petrol inquiry report, which was the result of the six-month inquiry into petrol, the most detailed, rigorous, objective and analytical report that has ever been undertaken, and a failure to read the price monitoring report that was prepared and delivered by us to government on 17 December last year. I respectfully suggest to you that if you read that report—and if a number of others that ask similar questions of Mr Dimasi and ourselves were to read that report—you might find that the answers are obtained from that report. Is there a price cycle? Yes, there is. You are frustrated because you do not accept that there is a price cycle.

Senator FIELDING—I do not mind the price cycle; what I do mind is the exorbitant profits that people are charging.

Mr Samuel—With respect, if this causes you frustration, I do invite you to spend some time reading the very detailed report that we provided as to what is happening in the petrol industry, to look at the price monitoring report and, if I might say so, to attend one of the presentation sessions that Mr Dimasi has been providing to both government and independent senators over recent days, because certainly the feedback that we are getting is that eyes have been opened as to the realities of what is occurring in the marketplace.

CHAIR—Thank you, Mr Samuel.

Senator FIELDING—No, sorry—

CHAIR—Senator Fielding, I will try to come back to you, but Senator Heffernan has also been waiting.

Senator FIELDING—Can I just finish off one issue, if I can please? Something is not right, because you are saying everything is hunky-dory.

Mr Samuel—No, I did not say that, Senator.

Senator FIELDING—Let me keep on going. Let me pose the proposition: why in the heck do you write to them saying, ‘You should not be charging such profits’ and then say, ‘Well, it’s okay, it’s just part of the cycle.’

Mr Samuel—With great respect, and I am sorry to say this, Senator, but you are putting words into my mouth that are not there and have not been coming out. No one has said that everything is hunky-dory. If everything was hunky-dory, then there would not be communications with the oil companies. But I do invite you to do not one of three things but three of three things: read the petrol inquiry report; read the petrol price monitoring report issued on 17 December; and attend one of the sessions. Yesterday there was a session for independent senators and independent members of parliament. Attend those sessions because they are quite revealing as to the realities of what is occurring in the petrol market in this country. The pity is that Mr Dimasi cannot go around the country and talk to 21 million Australians about what is occurring, but certainly the feedback from those members of parliament that attended those sessions was to say that they now understand a lot better about what is occurring. Is the price cycle presently in Adelaide, Sydney and Melbourne of a higher amplitude than we have otherwise seen? Yes, it is. I said that in the first answer to the question. Questions have been written in communication with the oil companies as to those issues. At the same time we have an unexplained position where there is no price cycle occurring in Perth for now several weeks, and a flatter price cycle occurring in Brisbane.

Senator BUSHBY—Will there be sessions for coalition senators?

Mr Samuel—It has been offered to the coalition senators, but at this point in time, there has not been a response indicating that the coalition wants to attend.

Senator HEFFERNAN—Could I just change the tone?

Interjector—For the better or the worse, Senator?

Senator HEFFERNAN—Mr Samuel, I just want to let you know I have commissioned a painting for your office of an androgynous bull! Because there is a select committee of inquiry into fertiliser, I would just like to raise fertiliser coming out of questions from last estimates, when I asked a question, ‘Where did you advertise the ACCC inquiry into fertiliser?’ to which you responded, ‘The ACCC did not explicitly advertise the details of the fertiliser inquiry. However, the ACCC’s examination of fertiliser prices was referred to the ACCC’s media release of 11 February, “ACCC releases groceries issues paper”.’ Then you say there was a separate page online. How many farmers responded to that ad?

Mr Cassidy—This is where we start to get a crossover between two committees. We took a question on notice about that in your committee. We have responded to you, with the provision of those that provided—

Senator HEFFERNAN—You say 19 submissions.

Mr Cassidy—We have provided you with copies of the submissions. That has happened in the last couple of days, but you have all of that as a result of the other committee.

Senator HEFFERNAN—The point that I would like to make was that, as I understand it, you received 19 parties including five end-user groups, but there were no farmers. Would it not have been a reasonable thing to expect that you would not sort of fold it into a grocery inquiry ad, as it were, and you would also advertise it in rural press?

Mr Cassidy—I suppose these are decisions you have to make. We did approach each of the major farming organisations.

Senator HEFFERNAN—I appreciate that.

Mr Cassidy—Given the nature of the inquiry, if you like, while it was open for anyone to put in a submission, we were trying to use the various farming organisations as the spokespeople for their changes.

Senator HEFFERNAN—I do not want to go into too much detail.

Mr Cassidy—That was the approach we took.

Senator HEFFERNAN—You will be pleased to know that we advertised in the rural papers, and we got 2½ times the number of submissions that you received. Obviously we have received some pretty interesting information. Could I just go to a hypothetical with the grace of the chair? If there was an agricultural banking institution that was also a fertiliser supplier, and a client approached the banking institution to buy fertiliser for the season, and was told by the banking institution that they would supply the finance to buy the fertiliser as long as they bought their fertiliser, which was something like \$1,400 a tonne, but they would not supply the finance if they bought it off another party who would supply it for \$800 to \$900 a tonne: is that an issue?

Mr Cassidy—Yes. It could fall under the exclusive dealing provisions in section 47 of the act, so-called full line forcing, which, if it results in a substantial lessening of competition, would be a breach of the act.

Senator HEFFERNAN—I am thankful for the time. You are coming to see us, and I do not want to breach the rules.

Senator BOSWELL—My questions are on the horticultural code. Do we have the right person there?

Mr Cassidy—Yes; Mr Ridgway is just shuffling up to the table.

Senator BOSWELL—How much has the ACCC spent on information and education activities?

Mr Ridgway—I am sure we have a figure on the actual dollars spent, but we have undertaken quite a number of activities in relation to promotion.

Mr Cassidy—If we take that on notice, we can give you a figure, but please be a bit more precise about timing, or do you want to go back to since it came in?

Senator BOSWELL—Okay, so you will take that on notice?

Mr Cassidy—Yes, but the time frame: do you want to go back the past few years?

Senator BOSWELL—Let us go back to when we started this?

Mr Cassidy—Okay.

Senator BOSWELL—Do you want to enhance that answer?

Mr Ridgway—Indeed, I am looking at notes here. The work we have done, as well as working through the usual media releases and getting information into the mainstream media, we have also established a fairly extensive subscription service for a number of the growers and other traders in the horticulture supply chain to be alerted to developments on horticulture code related issues. We have been working fairly closely with grower organisations and industry associations around the country to ensure that clear information on the code is getting through to them and to their members.

Senator BOSWELL—How much has the ACCC spent on compliance activities?

Mr Ridgway—Again, we will take that question on notice, if that is okay?

Senator BOSWELL—Okay. How effective has these activities been, bearing in mind the wide noncompliance with the code throughout the horticultural industry?

Mr Ridgway—The compliance works undertaken since the code has been introduced have varied from the initial stages of a focus on education, then moving into more compliance tools by working with the traders who have contravened requirements of the code and, more recently, to a court based outcome. Our understanding is that the message about the code is increasingly being heard, certainly by the wholesalers, and the capacity and the will of the ACCC to take court based action is needed, and has also gotten through to that sector.

Mr Samuel—You need also to keep in mind, Senator, in this context some of the analysis that was undertaken of the horticultural code was part of the grocery inquiry.

Senator BOSWELL—I am coming to that.

Mr Samuel—There is a chapter on that, but it is worth observing that during the course of that inquiry, the information that was coming to us was very mixed and in some cases quite contradictory as to the desire of growers in particular to abide by or to adhere to the provisions of the code.

Senator BOSWELL—Have you taken any court action or any action on this?

Mr Cassidy—Yes, we have.

Senator BOSWELL—How many times?

Mr Ridgway—We have had one court based outcome to date. Federal Court proceedings in Darwin against Grove & Edgar found that there had been breaches of the horticulture code.

Mr Samuel—There have also been a number of matters that have been resolved through the process of section 87B on undertakings, which is, if you like, the next stage down.

Senator BOSWELL—How many of those have there been?

Mr Samuel—We might have to take that on notice to give you the exact number.

Senator BOSWELL—I will just read out this statement. ‘The Hon. Chris Bowen, Assistant Treasurer and Minister for Competition Policy and Consumer Affairs, directed the ACCC to undertake a public inquiry into the competitiveness of retail prices for standard groceries. The terms of reference included looking at the effectiveness of the horticultural code of conduct and whether the inclusion of the major buyers such as retailers would improve the effectiveness.’ Why did you not investigate your own performance? If the government is asking you to investigate the horticultural code through the groceries, why was that necessary? Why were you not working out whether it was effective?

Mr Samuel—I perhaps gave a pre-emptive answer to that question a bit before. When we conducted the inquiry into the horticultural code, the reason was to conduct a review of the operation of the code some 12 or 18 months, I think it was, after it had been in operation. There was evidence coming through that appeared to be conflicting or contradictory, both on the part of traders or wholesale merchants and growers as to the effectiveness of the code and, indeed, as to the desirability of the code’s provisions. Through the course of the inquiry, we received submissions and evidence taken as part of the public inquiries from a number of groups, including farmers federations, which seemed to indicate that there was some debate occurring within the industry as to whether the prescriptive nature of the code was actually serving the interests of the growers in the way that it had originally intended. For example, while there were some claims and some propositions put to us that the code needed to be more expansive in its application, there was some confusion as to the role and the position of major supermarkets as distinct from agents acting on behalf of growers, or acting on behalf of wholesale merchants or, indeed, acting sometimes on behalf of the major supermarket chains in dealing with growers. In particular, we received evidence from growers and grower representative groups that suggested that the prescriptive nature of the code was proving to be onerous and disadvantageous to growers, and thus they themselves were willingly participating in noncompliance with the code. That in itself raises some very interesting questions as to the nature of the code and its prescriptive nature.

Mr Cassidy—On the issue of compliance, one of the things that we found, and indeed we made recommendations on, is that there are substantial caveats from the code—grandfathering arrangements, certain players in the industry not covered. So, on the one hand you get put to you that there is widespread non-compliance with the code, but when you investigate that a bit further a lot of that so-called non-compliance is by people who are

actually excluded from the code. That worries us, and we did have recommendations about that in the relevant chapter of the grocery report. You do need to be a bit careful in relation to assertions about widespread non-compliance, because when you look at them you find that the so-called non-compliance is often by people who are not subject to the code anyway.

Senator BOSWELL—Did the ACCC make recommendations relating to the effectiveness of the code based on the code's original intent or to make it easier for the ACCC to implement and monitor the compliance with regulations?

Mr Cassidy—I do not know about my colleagues, but I missed the middle of that question.

Mr Samuel—I missed the middle of that too.

Senator BOSWELL—Yes, I was stumbling over a peanut, so I will do it again. Did the ACCC make recommendations relating to the effectiveness of the code based on the code's original intent or to make it easier for the ACCC to implement and monitor compliance with regulations?

Mr Samuel—No. The recommendations that are contained in the relevant chapter of the grocery inquiry report are all focused on trying to deliver to relevant stakeholders the objectives that they seek with respect to the code. But I repeat: there is some conflicting evidence coming through. There are in fact two codes that deal with the relationship between growers and those with whom they deal, wholesale merchants and supermarkets. One, of course, is the mandatory horticultural code; then there is the voluntary code, which is the code that was set up I think in the late 1990s. There is a conflict between those two codes and—

Senator BOSWELL—But surely the mandatory code most—

Mr Samuel—I was going to say that there is a conflict between them. The mandatory code obviously has precedence because it is mandatory, but we need also to keep in mind that there are different groups. Those associated with the voluntary code raised some questions about the relevance or the conflict associated with the mandatory code that is creating some confusion. There are a couple of questions to be asked. The first is: does the voluntary code have a future and a relevance? Secondly, is the mandatory code serving the interests of those who sought the mandatory code in the first place, and in particular the growers? In that context, I just mention for your interest the fact that there were a number of growers who were saying to us that the prescriptive requirements, particularly in relation to contractual negotiations and the contractual requirements under the mandatory horticultural code, were in many cases with growers proving to be too onerous to the extent that they were—how do I put it in the best form?—complicit in non-compliance with the code. They sought not to have the code apply because they were finding the prescriptive requirements were just too onerous for them.

Senator BOSWELL—This is my last question: the terms of reference for the new code committee focus on the implications of implementing the ACCC's recommendations; however, who is going to consider whether the implementation of the ACCC's recommendations would deliver on the original intent of the code?

Mr Cassidy—That would be a policy matter for government, ultimately, I would have thought.

Senator Sherry—I will take it on notice, Senator Boswell.

Senator FIELDING—I have one question on a point of clarification. There was a suggestion made that my office had received an invite for a briefing; we cannot find it. I am happy for you to take that on notice to find a copy. We cannot find it at all in the office, but I am happy if you could point to where the invite was.

Mr Samuel—I will check that out, Senator. It may have been that the initial briefings were to members of the House of Representatives as distinct from senators, but the briefings are there and they are available.

Senator FIELDING—I think you were definitely implying and inferring, and making a pretty cheap point about not taking up something you have offered.

Mr Scully—No.

Senator FIELDING—I take stuff from the ACCC very seriously. If I have missed it, I would like to know, but I do not think there was an invite to my office.

Mr Samuel—What I suggested was that these briefings were available and they ought to be taken up, and I made the suggestion to you that there were three issues that interested parties ought to follow. One was to read the report—

CHAIR—Thank you, Mr Samuel. We have been through that.

Mr Samuel—Yes, but I think my response to Senator Bushby was in answer to a question: has this invitation been extended to coalition MPs? The answer is yes, it has, but at this point of time the invitation to coalition MPs has to my knowledge not been taken up.

Senator FIELDING—With all due respect, Mr Samuel, I will check the transcript, because you made a very cheap shot.

Mr Samuel—Well, I did not, Senator—and if I did, I did not intend to.

CHAIR—Thank you, Mr Samuel.

Senator BRANDIS—Mr Samuel, can I start by asking you about the so-called Ruddbank that would provide up to \$2 billion as an investment vehicle to owners of commercial property, in which the big four domestic banks are proposed to be participants. I do not know if you have seen it, but I can show you a copy of a report in the *Australian* newspaper on 29 January—perhaps the secretary might just hand it to you.

Mr Samuel—I am familiar with the report, Senator.

Senator BRANDIS—Does the ACCC, as is reported in that newspaper report, have concerns about whether the proposed Ruddbank may be anticompetitive?

Mr Samuel—The issue with any of these arrangements—and it applies not only to this particular arrangement but also to that which was established prior to Christmas in relation to vehicle financing—is one obviously that goes to the extent to which participants use or, in the course of the operation of this particular bank, may use it for anticompetitive purposes. That is a matter as to how the bank is administered. For example, in the context of the commercial property bank that you are referring to there will be representatives of the four major banks sitting around the board table. On the other hand, if that bank is to be used to provide

commercial property loans in the context in which it has been described—I will not go into the detail of it—but it is not used by the representatives around the table to compare prices to fix prices between them in terms of interest rates or to allocate market shares between them, then it is probable that in those circumstances there is not a difficulty under the Trade Practices Act.

Senator BRANDIS—But how could it be other than that, Mr Samuel? The idea is that the four major banks will act collaboratively in a single institution to offer finance to a category of the market on given terms. How could that possibly not be anticompetitive behaviour because of necessity? They would have to be collaborating on price—in particular, interest.

Mr Samuel—It depends on the process that is adopted. As I understand it, this is a ‘commercial property bank’, if we can call it that, which will provide funding by way of second or last resort where foreign banks are no longer available to participate in syndicated loans. If that is the course that it follows, and it follows that course at the direction of a government that will have a substantial investment of it, and at the direction of its CEO, and its role is to provide that, if you like, ‘last resort’ substitute financing for foreign banks, that on its own would not necessarily give rise to a difficulty under the Trade Practices Act. If on the other hand the representatives of the four major banks around the board table were to say, ‘In the particular context of this loan, not only will we agree that this commercial property bank will provide funding to substitute for the foreign banks that are registered in the syndicated loans, but at the same time we will agree amongst ourselves that the interest rate that we will charge in the future on these syndicated loans—that is, where the Australian banks will charge—will be a fixed interest rate that we will all agree between us that we will share up the market between us in a particular way. Then, clearly, you would have difficulties under the Trade Practices Act, but I would suggest to you that at the present time—

Senator BRANDIS—Please, Mr Samuel, let us not be euphemistic about this. There would not be just difficulties under the Trade Practices Act; that would be the plainest case of a breach of section 45 of the Trade Practices Act on the hypothesis you have just advanced, would it not? It would be a plain case of a breach of section 45?

Mr Cassidy—You are correct. We have been given some fairly general details of what this proposed institution will do and some fairly general guidance. We have not been given specific details as to how it will operate, so we have not been able to say, ‘Yes, well, on the basis of what you have put to us, we either see a problem or we do not see a problem.’

Senator BRANDIS—You have referred to general guidance, Mr Cassidy.

Mr Cassidy—That is right.

Senator BRANDIS—Where has that general guidance come from?

Mr Cassidy—It has basically come from Mr Gregson, who is sitting on my right, and from me.

Senator BRANDIS—Mr Gregson?

Mr Cassidy—Because we were the two who were dealing with Treasury on it.

Senator BRANDIS—I am sorry. Well, Mr Gregson, you are the man within the ACCC who is primarily responsible for looking at this issue, are you?

Mr Gregson—That is correct. I was the person who dealt with Treasury on that matter in January.

Senator BRANDIS—All right. With whom at Treasury did you deal?

Mr Gregson—Mr David Martine.

Senator BRANDIS—Mr Martine. Has a document outlining the proposal or addressing the proposal been given to the ACCC by Treasury?

Mr Gregson—That is right. In January a high level document was provided to us.

Senator BRANDIS—Can we have a copy of that, please?

Mr Gregson—We can take that on notice, but I suspect there may be issues with that.

Senator BRANDIS—Well, you take that on notice, please. Given that Mr Cassidy has addressed this at a level of generality, can you be a little more specific, please, Mr Gregson? What specifically was it that Mr Martine put to you?

Mr Gregson—Put to me in the sense of the nature of the arrangements or the queries?

Senator BRANDIS—The nature of the arrangement first, please.

Mr Gregson—I might take that on notice. There are issues as to what I can provide in relation to the sensitivities of that.

Senator BRANDIS—All right. Rather than waste time, Mr Gregson, would you just take on notice my general question? I would like full details of what was conveyed by Treasury, by Mr Martine and his other officers, to the ACCC in relation to this matter, either verbally or in the form of a document? You will consider that and we will consider your answer.

Mr Samuel, you will see in the article in the *Australian* that Professor Ergas is quoted as saying:

The four major banks who will be shareholders, who otherwise compete for the supply of finance to property developers, will be agreeing on the terms and conditions on which an entity of which they are owners will make loans to property developers.

If it is as Professor Ergas describes, absent an authorisation or an amendment to the act to create a carve-out, how could that be otherwise than anticompetitive behaviour?

Mr Samuel—The difficulty is that we are dealing in generalities at the moment. I notice that Dr Ergas goes on in the article to say:

They are competing in the supply of this service of providing finance to property developers.

Because they will continue to compete outside of the structure, and in the structure they then reach agreements about loans that are substitutes for the loans that they provide in the market, that amounts to a price-fixing agreement.

Senator BRANDIS—Well, as you—

Mr Samuel—Just let me finish, Senator. I think, with respect to Dr Ergas, that is probably not an accurate statement about what the commercial property bank will be doing, because he says here, ‘They can reach agreements about loans that are substitutes for the loans that they provide in the market.’ As I understand it, these are not substitutes for loans that the four

major banks will provide in the market; they are substitutes for loans that others, that is foreign banks, would otherwise provide.

Senator BRANDIS—It does not matter, Mr Samuel. You and I both know that if competitive parties decide to segregate a market or to enter into a market vacated by other parties that had previously been competitors in the market and they decide to divide up that new sector of the market and reach agreement on price and conditions and so on in relation to that new sector of the market, for the purposes of this exercise the sector vacated by the foreign banks, that still falls foul of section 45. Doesn't it?

Mr Cassidy—What you are saying is, in essence, correct.

Senator BRANDIS—Thank you.

Mr Cassidy—I think this will be revealed assuming there is no impediment to us providing the material you have asked for on notice. The sort of discussion we had with Treasury, and why I call it high-level, was along the lines of this: if this new institution is going to be run by a board and it is called “the board”, where there are appointees from each of the major banks, to the extent that they then operate as an independent board with no reporting back by the representatives to their individual banks—in other words, to the extent that they are completely at arm's length from their individual banks—then there is unlikely to be a problem; to the extent that there is reporting back and that those representatives are on the board not as independent individuals, if you like, but truly as representatives of their individual banks, then we are more likely perhaps to start to run into some difficult issues. That was the level of the discussion that we have had. While I agree with your assessment of the situation that you outlined, the answer to the question that you put to the chairman—whether that will be a problem so far as the proposed new institution is concerned—really does turn on what the role of the individual bank representatives is going to be and how at arm's length they are going to be from their individual banks. We have not seen that level of detail as yet to be able to provide any advice to Treasury on whether or not a problem is likely to occur.

Senator BRANDIS—In other words, Mr Cassidy, you are not in a position to tell us that this arrangement is anticompetitive because you do not have enough details of the arrangement that is proposed; all you can say is that it may be anticompetitive.

Mr Cassidy—We cannot say whether it is or whether it is not, because we do not as yet have sufficient detail to do that.

Senator BRANDIS—But if it is as has been outlined by Professor Ergas or as explained in general terms by the Prime Minister and by the Treasurer, it plainly would be anticompetitive to the extent to which there is collaboration on the price of these financial services.

Mr Samuel—But that is where we need to be cautious because—

Senator BRANDIS—Well, I am being very cautious, Mr Samuel.

Mr Samuel—Well, I know, but there is a reason for this because you put forward a hypothesis before which may not necessarily be the appropriate hypothesis in terms of the operation of this bank. Let me just give an example. I do not want to verbal you, but the proposition that I think you put before, if I could put it in practical terms, was this: there is a

\$1 billion syndicated loan; in one way or another and in various proportions the Australian banks have in the past had \$600 million of that syndicated loan and foreign banks have provided \$400 million; the foreign banks decide that they want to exit; there will then be some individual negotiations with the Australian banks as to the extent to which they will take up that \$400 million; but there may be a point at which the Australian banks and other lending institutions just simply say, 'We cannot take any more of that shortfall.' As I understand it, it is at that point of last resort that the matter is then referred to this commercial property bank, at which point they will determine whether or not they are prepared to take up whatever it might be—\$200 million or \$250 million of shortfall.

If that were the circumstance that we are dealing with, then I think that is a different hypothesis from the one that you put, where you said, 'Look, what will happen is that these banks will sit around a table, they will agree amongst themselves that of that \$1 billion loan they will each take \$200 million—that is \$800 million between them—they will do it on certain terms and conditions which are somewhat the same in terms of interest rate, they will allocate the share of the market between them, and then they will allocate the balance to the commercial property bank.' If that, as I think Mr Cassidy has suggested, is what occurs, that is totally different from the hypothesis I just gave you in perhaps more detailed terms before. The latter course would potentially be a problem under the Trade Practices Act. It would be a breach of the Trade Practices Act. The former course is probably not going to run foul of that.

Senator BRANDIS—Hence my general observation to you that, depending upon such details, what the government is proposing may or may not be anticompetitive.

Mr Samuel—And then I think we have to await the details.

Senator BRANDIS—You will see in the second paragraph of the newspaper article I have put before you that an unnamed spokesman for the Australian Competition and Consumer Commission said to the journalist:

... the enlistment of the four big banks to run the fund with the Rudd Government could represent a breach of the Trade Practices Act.

That is nothing more than what I have been putting to you.

Mr Samuel—That is right. I have got that paragraph. It says:

An Australian Competition and Consumer Commission spokeswoman said last night the enlistment of the four big banks to run the fund with the Rudd Government could represent a breach of the Trade Practices Act.

Senator BRANDIS—Sorry—a spokeswoman, not a spokesman. Do we know who it was?

Mr Samuel—I would suggest it was no-one sitting at this table.

Senator BRANDIS—Do we know who this spokeswoman was?

Mr Samuel—Yes, it is one of our media officers. Lin Enright was the spokeswoman.

Senator BRANDIS—You have heard what Mr Gregson has described as his discussions with Mr Martine in the Treasury. You are all familiar, of course, with these meetings. Is it usual for the ACCC to sit down with a department of government to try and help the department of government work out in advance how a particular policy proposal of

government that operates in the market can be structured so as to avoid the effect of section 45 of the Trade Practices Act?

Mr Samuel—I think the question, if I might say so, overstates the role that Mr Gregson or the ACCC had in relation to this matter or in relation to, indeed, the vehicle financing bank. It is not unusual—

Senator BRANDIS—I asked about what particularly was being sought and did not get an answer, and I do not criticise that. Mr Gregson said he would take it on notice.

Mr Samuel—But I think your question implied that we were there giving advice as to how to structure it and the like, and I do not think that that is the extent of the advice that was sought nor of the response that was given by Mr Gregson to Treasury. It is not unusual for questions to come to us from members of parliament on both sides of the house as to the implications of certain courses of action under the Trade Practices Act. We will, where we can, provide assistance in that area. On the other hand, we may indicate—

Senator BRANDIS—I do not mean to cut you off, but let's come to the point here. This is not about members of parliament asking for sections of the Trade Practices Act to be explained to them; this is about a senior officer of the Treasury, presumably acting on the instructions of his minister, seeking to solicit from the ACCC its cooperation in devising a manner in which the scheme announced by the Prime Minister can be structured. Is that unusual?

Mr Gregson—I have to explain that that proposition is incorrect.

Senator BRANDIS—What did Mr Martine ask you to do?

Mr Gregson—For a start, communications occurred either by telephone or by e-mail on a few occasions in January, so the concept of sitting around a table is not correct.

Senator BRANDIS—I am sorry—I thought you said there was a meeting.

Mr Gregson—There was not a meeting.

Senator BRANDIS—So there were telephone conversations between you and Mr Martine.

Mr Gregson—Correct.

Senator BRANDIS—And there were e-mail exchanges between you and Mr Martine.

Mr Gregson—That is correct.

Senator BRANDIS—In relation to the substantive matters that were the subject of the telephone conversations, did you make a file note of what was said by Mr Martine?

Mr Gregson—There is a note or it is encapsulated in the e-mail exchange.

Senator BRANDIS—In any event, the substance and effect of the telephone conversation was embodied in some document.

Mr Gregson—Very much, and that will reveal that there was no suggestion of the ACCC being asked to devise, as you suggest, a means to avoid the Trade Practices Act. The nature of the inquiry from Mr Martine was that there was a proposal. Treasury was alive to the possibility of trade practices implications and sought our advice as to the relevant provisions and their application to that proposal. The information and advice that was responded to was

to identify the relevant provisions of the act, which you are familiar with—including both the per se and the substantial lessening of competition provisions of section 45—and issues that may arise in relation to the joint venture defences, which you would also be familiar with. It went on to indicate that, if concerns did arise, there were options available to deal with those: firstly, the authorisation process, which as you know is an open and transparent process to provide public interest protection, and, secondly, that if government wished to exempt conduct as a policy matter there were options under section 51 of the Trade Practices Act to do so. That information has been provided with an open offer that, if there are any questions they have as to the application of the Trade Practices Act with more detail available, it would be provided.

Mr Samuel—I might note that the advice given was Trade Practices Act 101. It was pretty basic stuff. More importantly, at the conclusion of the advice something was noted that was very important, which was to the effect that the banks have been participating in this have access to experienced Trade Practices Act legal advice and would be well placed to identify the issues, given their familiarity with the proposal.

Senator BRANDIS—I am glad you said that because—and I am not saying this did not happen—I would have thought that the first thing you would have said would have been that those who are seeking to devise this collaborative scheme among the four big banks should seek legal advice not from the regulator but from their own legal counsel. It is not your role—is it?—to act as legal counsel to the big banks or, indeed, to the Australian government.

Mr Gregson—That is a standard position in responding to not only government but also private parties' requests for application of the act.

Senator BRANDIS—I do not want to verbal you, as Mr Samuel was trying not to verbal me, but it seems to amount to this: after you had these telephone conversations and e-mail exchanges with Mr Martine, you basically said to him, 'If you want to do this you're going to have to get an authorisation or an exemption'—and perhaps you also said—'or seek a carve-out by amending the act.' Is that right?

Mr Gregson—No, you are misrepresenting that. Having identified the relevant provisions, going through the factors that you might consider as to whether they would contravene the provisions of the act, we set out that, if—having considered all that and with the benefit of the legal advice that Mr Samuel has referred to—there were concerns yet government wished to proceed, there were two options available to consider.

Senator BRANDIS—An authorisation or an exemption?

Mr Gregson—Correct.

Senator JOYCE—And joint ventures can be exempt.

Mr Gregson—There are defences for joint ventures.

Senator JOYCE—And contractual arrangements can be oral as far as a joint venture is concerned. People can just ring one another up and say, 'We are in a joint venture.'

Mr Gregson—It is not as simple as that.

Senator BRANDIS—You would not have told Mr Martine that you might need to get an exemption or an authorisation in respect of conduct that is not prima facie in breach of section 45. You would only get an exemption or authorisation in relation to conduct that was otherwise prima facie in breach of section 45.

Mr Gregson—This is the second time you have suggested that I have directed them down either the exemption path or the authorisation path. Having identified the factors they should consider, they needed to turn their minds, perhaps with the benefit of legal advice, as to whether these contraventions would apply to the situation they proposed then or subsequently. If they continued to raise concerns, they were the two options available. There was no direction down those paths.

Senator BRANDIS—I am not suggesting it was a direction.

Mr Gregson—I am sorry—you did.

Senator BRANDIS—It seems to me inevitably to follow that once you say to government, ‘You may have to get an exemption or you may have to get an authorisation following the legal advice you take and other counsel you take,’ you are talking about conduct that prima facie, but for the exemption or authorisation, is a contravention of section 45.

Mr Samuel—We need to clarify this. You have put forward a number of hypotheses as to what the conduct might be. I have put forward a number of other hypotheses as to what the conduct might be. If you adopt a certain course of conduct, that could well be a breach of the Trade Practices Act that would then require either exemption or authorisation. If on the other hand you adopt alternative courses of conduct, you may well find that you are not breaching the Trade Practices Act. Therefore, you would not require an exemption or an authorisation. The advice given to government was, as I say, trade practices 101. It was to describe what might or what might not be a breach of the Trade Practices Act. Once we have the details of that, after the relevant parties have got their own legal advice and the like, it is a matter for them to determine whether or not they need to apply for authorisation or whether, in fact, they fall outside the provisions of the Trade Practices Act in the arrangements and the conduct that is proposed.

Mr Cassidy—Senator, your own word was ‘may’.

Senator BRANDIS—That is right, and you agreed with me that they may.

Mr Cassidy—They may need to seek an authorisation or do something about an exception, but they may not.

Senator BRANDIS—Yes.

Mr Cassidy—In other words, the behaviour may not cause any problems so far as the act is concerned.

Senator BRANDIS—There are two issues here, you see. One is whether getting the four major banks to collaborate in a scheme to create a new entity, which—subject to, as Senator Joyce rightly points out, issues about whether it is a joint venture or subject to exception or authorisation—may very well, it seems to me, constitute a breach of section 45 of the act. That is one issue, and because of the level of generality at which we are addressing this issue I am not suggesting that you could definitively say that it is a breach of section 45 or that it is

not. But the other issue, it seems to me, is a process issue. Is it really appropriate for a regulator, which, in the event that this scheme comes into being, it falls to you to examine and form an independent view as to whether there is a breach of the act, to allow itself to be inveigled by government into the inception and architecture of the scheme? I know, Mr Gregson, you do not feel at liberty to tell me everything that passed between you and Mr Martine, but if you have been inveigled by government at some level into advising on the architecture of this scheme and the scheme comes into being, it seems to me to put the ACCC in a very difficult position, almost a morally hazardous position, to be then asked to determine whether or not the scheme is a breach of section 45, as at least Ms Enright *prima facie* thought that it could be, let alone to commence enforcement proceedings in relation to it.

Mr Samuel—But, Senator, if I would say so, you fortunately prefaced all that with the little word ‘if’—

Senator BRANDIS—Yes.

Mr Samuel—which has, as you know, a big meaning. The substance of the matter is that the ACCC have not been, I think you used the word, inveigled; we have not been involved in a collaboration; we have not been involved in providing advice as to the architecture of the scheme.

Senator BRANDIS—Okay.

Mr Samuel—Initial advice was sought at—the words that have been used by Mr Cassidy and Mr Gregson—a high level, and a high level is, as I have described it, trade practices 101. But what we have said is to those parties that may have some issues then it is appropriate they seek their own senior and expert legal advice, as I am sure is available to the four major banks, and at a point of time—

Senator BRANDIS—And to the Treasury.

Mr Samuel—And there will be a point of time at which the details of the scheme will be available, and one would expect that that would have gone through rigorous analysis by a number of senior legal firms in Sydney and Melbourne as to potential breaches of the Trade Practices Act. But this is not unusual. Our advice was sought as to the position relating to the financing of—

Senator BRANDIS—The vehicle financing.

Mr Samuel—motor vehicles.

Senator BRANDIS—The fact that it happened twice does not make it right.

Mr Samuel—No, but all I am saying to you is that the details that were provided to us on that particular proposal were very clear that there was not any suggestion of a potential breach of the Trade Practices Act.

Senator BRANDIS—I do not want to dwell any longer on this, Mr Samuel. I have made my point, I hope. It would be a very strong counsel of prudence to any regulator to keep itself completely at arms-length from government in relation to a scheme on the legal validity of which it might subsequently be asked to pass judgment.

Mr Samuel—I assure you on the advice given, Senator, I do not think you will find that we have crossed any lines on that.

Senator BRANDIS—Well, let us have a look at the email exchange, and I am sure even my sceptical mind might be able to be put at ease. Can I move on to something else, please. Can you, Mr Samuel, tell us in outline about the ACCC's regulatory submission to the national broadband network expert panel?

Mr Samuel—No, I am afraid we cannot, and you will have expected this answer. That advice has been provided. It is subject to the whole national broadband network proposal and the tender process is subject to some very strict probity requirements which would prevent us giving you any information on that advice.

Senator BRANDIS—All right. Previously, I am instructed, at the Senate Select Committee on the National Broadband Network, witnesses from the ACCC said that there would be no problem with the advice being made public. Are you aware of that?

Mr Samuel—I will refer that to Mr Cosgrave, if I can.

Senator BRANDIS—Mr Cosgrave, were you the person who said that?

Mr Cosgrave—I was present with Mr Dimasi. I certainly gave evidence to that Senate select committee. I could not, without reviewing the transcript of that, be confident that it was given in precisely the terms you have just put to me.

Senator BRANDIS—I am told by a senator who participated in that committee that that was what was said. I was not there, but this is what I am instructed, that the ACCC said there would be no problem making the advice public. If that was said, plainly, Mr Samuel, that is no longer the ACCC's position?

Mr Samuel—I am not sure what was said, so I cannot express a view on that, and nor can Mr Cosgrave because he does not have that *Hansard* in front of him. The position is that the NBN process is subject to probity requirements and at this point of time it is not possible for us to comment upon advice that we have given to the expert panel. That is ultimately, I guess, a matter for government.

Mr Cosgrave—Senator, I would be surprised if evidence was given in the terms you have put, because probity concerns have always been foremost in mind.

Senator BRANDIS—All right. Thanks, Mr Cosgrave. Can you tell me, please, Mr Samuel, where things stand in relation to reviewing cost models for Telstra's fixed-line network. Telstra, I understand, has done its own modelling. Will the ACCC be having regard to Telstra's modelling in arriving at its views on the cost models, and what other modelling will it be having regard to?

Mr Samuel—Mr Cosgrave will deal with that.

Senator BRANDIS—Mr Cosgrave, you are the Telstra man, obviously.

Mr Cosgrave—Indeed, Senator. Telstra currently has an access undertaking before the commission for the unconditional local loop service. Its application for a \$30 price in so-called band 2 or metropolitan services is supported by a cost model that the commission are assessing for the purposes of making a final determination in relation to that application.

Senator BRANDIS—Where are we at in that determination?

Mr Cosgrave—The commission have made a draft finding that the undertaking was unreasonable. Parties, as is usual, have made submissions around that finding and we are currently assessing those.

Senator BRANDIS—Thank you. Telstra has asked that both the ACCC model and the Telstra model be independently scrutinised. Is that a proposal you would entertain?

Mr Cosgrave—I am not sure what they mean by ‘independently scrutinised’.

Senator BRANDIS—Obviously scrutinised by somebody other than the ACCC.

Mr Cosgrave—The ACCC is the independent regulator, so I am not sure I understand their proposal.

Senator BRANDIS—There is an ACCC model, though, isn't there? What they are saying is that the ACCC model and the Telstra model should both be looked at by an expert third party independent of each. You cannot perform that exercise if you are passing judgment on your own model, surely.

Mr Cosgrave—Firstly, let me give a bit more detail. In terms of assessing whether Telstra's pricing is reasonable, the ACCC have commissioned an independent expert to develop a model that can model a number of different services. That is not to say that ultimately we do not take also strong account of material put forward to us by Telstra. That model is still in development. It is not clear at this stage, given that we have a six-month statutory time frame for determining the undertaking, whether we will or will not be taking that model into account in making our determination of whether Telstra's pricing is reasonable.

Senator BRANDIS—Going back to your draft determination that the Telstra pricing model is unreasonable—

Mr Cosgrave—I do not think we made a finding that their model was unreasonable; we made a finding that their price was reasonable.

Senator BRANDIS—Fair enough. When was that draft determination issued?

Mr Cosgrave—In December of last year.

Senator BRANDIS—Should someone other than Telstra win the national broadband network contract, what role do you envisage the ACCC playing in relation to access to existing infrastructure?

Mr Cosgrave—I am not in a position to speculate on the outcome of the national broadband network process.

Senator BRANDIS—Mr Samuel?

Mr Samuel—I have to go back to the comments I made before, Senator. The whole NBN process is subject to probity issues, and to be examining hypothetical situations would start to breach potential probity.

Senator BRANDIS—I understand that. Can I just ask you a couple of questions, please, though the subject has been canvassed—

CHAIR—Senator, can you tell me, is this the last set of questions?

Senator BRANDIS—No. Sorry, if there only 15 minutes left and there are other senators who—

CHAIR—No. We are overtime 15 minutes, but we can carry on, Senator.

Senator BRANDIS—I do not want to intrude on the time of others. Senator Bushby, do you have questions you want to ask?

Senator BUSHBY—No, I am happy for you to continue.

Senator JOYCE—Could I just put one question on notice before you go there. Monsanto and gene patenting is an issue that is been brought to life through domination of the marketplace by the capacity of someone to get themselves into a position of gene patenting and we have the experiences in the United States. Have these issues been brought to your attention and is there any current investigation about certain arrangements or peculiar arrangements that Monsanto has beguiled, wheedled, inveigled people into that has brought about a complete dislocation of a true marketplace in the sale and production of seed and the receipt of seed?

Mr Cassidy—Senator, I think you were putting that question on notice?

Senator JOYCE—Yes, I am. You can take it on notice but just tell me: have you had any cursory investigations?

Mr Cassidy—We have had some involvement with that issue, so that is taken on notice.

Senator JOYCE—Thank you.

CHAIR—Senator Brandis, would you like to continue?

Senator BRANDIS—Pardon me, Mr Samuel, if some of this was canvassed in my absence by other senators. I just want to talk to you about the substitution of CHOICE for the ACCC to run the GROCERYchoice website now. I have heard your evidence that this was a negotiation undertaken by Treasury, so I will have to ask Treasury about that. That transfer took place in December, did it not?

Mr Samuel—That is correct. Oh, I am sorry, the transition took place in February, I think.

Senator BRANDIS—So the decision was made in December and the transition took place earlier this month?

Mr Samuel—I cannot give you the exact date of the decision because these were issues that were dealt with by Treasury and government rather than the ACCC, but my understanding and recollection is that the first CHOICE website in respect to GROCERYchoice took place on 3 or 4 February this year.

Senator BRANDIS—On 2 February, I am instructed.

Mr Samuel—Yes, 2 February.

Senator BRANDIS—When this handover, as it were, from the ACCC to CHOICE took place did the ACCC have a role, and, if so, what was that role in assisting the establishment of the CHOICE website and in particular the oversight that the website as operated by CHOICE would be of the same standard and have the same scope as the website that the ACCC had

operated? I guess what I am saying is: what due diligence did you do, if any, in relation to CHOICE?

Mr Cassidy—Senator, perhaps just by way of a little bit of background, what in essence occurred was that we transferred to Treasury the website, the intellectual property in that website and, indeed, the remaining funding for GROCERYchoice. It is Treasury that is administering the website between itself and CHOICE. The website, as it is running at the moment, is still the website that we developed under the banner of GROCERYchoice, and my understanding is that that will be the case for the next few months while the CHOICE organisation decides what it wants to do with the website and what enhancements it wants to make. The questions as to exactly what CHOICE is doing with the website, what it is proposing to do and any issues in relation to the bona fides of the website are all issues for Treasury. We have no role in that whatsoever.

Senator BRANDIS—Did the cost of the development of the website come out of your budget?

Mr Cassidy—We were appropriated funds in the last budget for the—

Senator BRANDIS—Can you remind me how much it was?

Mr Cassidy—Yes, \$12.86 million over four years.

Senator BRANDIS—How much of that money was expensed?

Mr Cassidy—\$3.64 million.

Senator BRANDIS—\$3.64 million. And the rest was returned, was it, by the ACCC?

Mr Cassidy—The rest was transferred to the Treasury—\$9.22 million.

Senator BRANDIS—Of that \$3.64 million, would I be right in thinking that the vast majority of it would have been the cost incurred in the development of the website rather than the relatively brief period during which it was operated by the ACCC?

Mr Cassidy—A certain amount of it was in the development.

Senator BRANDIS—Do you have the disaggregation?

Mr Cassidy—I do.

Senator BRANDIS—Can you give it?

Mr Cassidy—\$3.64 million: \$486,000 was in salaries; \$64,000 was in salary oncosts; \$60,000 was the accommodation and fit-out for the relevant staff involved; \$1.4 million was for the data set-up and the data collection—which was the point I was going to make that we were paying a reasonable amount for the data to be collected; and \$1.5 million was for the development and establishment of the website and the associated IT architecture.

Senator BRANDIS—More than half of the \$3.64 million was the capital cost of getting this going. The \$1.5 million for the development, and presumably some of those other figures you have quoted about salaries and so on, were in relation to the development as well. Is it an unusual thing, after so much public money has been spent by a Commonwealth agency to develop the intellectual property and web presence of GROCERYchoice, that that would be just given away to a non-government organisation? Have you ever heard of that happening?

Mr Cassidy—I cannot say that I can recall another instance. On the other hand, I am probably not in a terribly good position for running my eye across the Commonwealth public sector and making that sort of judgment.

Senator Sherry—I will take that on notice and see if there is another instance.

Senator BRANDIS—Thanks, Senator Sherry. Were you consulted by Treasury in relation to the terms of the transfer of the website to CHOICE?

Mr Cassidy—No, our only role in that whole, what I might call, Treasury/CHOICE exercise was to provide some technical advice in relation to the website itself, its architecture and how it basically worked. The whole of the transaction was dealt with by Treasury with CHOICE.

Senator BRANDIS—These funds, the \$3.64 million that have been spent, they were funds that were appropriated, were they not, in the last budget of May 2008?

Mr Cassidy—That is correct.

Senator BRANDIS—When did the ACCC start accessing those funds for the purpose of developing the website?

Mr Cassidy—Almost immediately. Indeed, I think I could say that we probably started accessing them a bit in anticipation once we knew that it had gone through the budgetary process and been approved, because the first time the website appeared was in August last year.

Senator BRANDIS—Between May, or maybe a little bit earlier than May, and August the ACCC spends all this money developing the website and literally only a matter of weeks later at the beginning of December 2008 the government announces that CHOICE is going to be taking over the website. Were you annoyed? What was the ACCC's view of this? You had been given this task, you had spent an enormous amount of money developing it, presumably your staff had acquired an appropriate level of expertise, and then the government says, 'Well, we are going to give this away to an NGO.' What is the ACCC's view of this?

Mr Cassidy—Let me make a couple of comments. Firstly, all this money you are referring to is the \$1.5 million.

Senator BRANDIS—One point five plus some other costs too, Mr Cassidy.

Mr Cassidy—Yes, but in terms of the development of the website itself. That would be the first comment I would make. The second comment I would make is that we developed the website within, if you like, the guidelines that we agreed with the government. The issue that arose, and I think it only arose after the website had been up for a couple of months, was a suggestion that there should be various enhancements to the website. We found, and the government agreed with us, that that would be a difficult exercise for us to undertake as the regulator and law enforcer and that is what led to the website being transferred from us, if I can put it that way.

Senator BRANDIS—This is merely a website that aggregates a whole pile of data, a whole pile of information.

Mr Cassidy—Once you start talking about enhancements—let me give you one example which I think is fairly commonly known. Some people have suggested that the website ought to also carry specials of the grocery chains. Once the website starts carrying specials, that potentially leads to people saying, ‘I went to the grocery store and that special was not available. It is fake advertising.’

Senator BRANDIS—So you would not have been prepared to do that, and I can well understand.

Mr Cassidy—You can see where I am going. It just was not appropriate for us to be running that sort of website with those sorts of enhancements.

Senator BRANDIS—All right, I understand that completely. Nevertheless, you have been given a task to do, you have expended the money to do it, I am sure you did it very well, and you had staff trained up to perform this specialised task. Within a matter of weeks of it being up and running in August 2008, the government announced that it is taking it off you in December 2008. Perhaps I have asked this before but I do not think I got an answer: what was the ACCC’s view of surrendering all of the intellectual capital, time and money that had gone into this project?

Mr Cassidy—Senator, that is a decision for the government to make. We felt that, within the remit we were given, we had done a good job with the website. Much of the work was outsourced: the development of the website was outsourced, the data collection was outsourced, so we did not feel that we had accumulated or developed an enormous amount of in-house intellectual capital in relation to the website. With the government deciding that it wanted to move the website elsewhere, our attitude was, ‘So be it’.

Senator BRANDIS—During those fleeting weeks when the ACCC did operate the GROCERYchoice website, did you undertake any studies to determine whether or not the effect of the operation of the website was to place downward pressure on grocery prices? Was there any empirical evidence to suggest that that occurred?

Mr Cassidy—We did not undertake any formal study. We were rather interested in watching the way the prices of the different grocery chains were moving. We had what I might call some anecdotal evidence to suggest that the grocery chains themselves were rather taking notice of the results that we were putting up on our survey site.

Senator BRANDIS—That is merely to restate the Trade Practices 101 proposition that the greater the transparency of price movements, the greater the flexibility of the market, surely.

Mr Samuel—It was also the responsiveness of the market to the transparency of pricing. In the initial stages, one of the supermarket chains was shown across the board to have lower prices than the other major chain. That changed one or two months after that, which tended to suggest that there was a response from the competing chain to the fact that it was coming second, and it changed its position. The indication in terms of staple products of the role of Aldi in providing what appeared to be across the board substantially lower prices, put its own pressure on prices. But we did not go into an empirical analysis of this. As you have indicated, I think it became fairly clear soon after the site was established that the site could benefit from certain enhancements which we were not able to provide for the reasons Mr Cassidy outlined.

Senator BRANDIS—Other than this kind of anecdotal and impressionistic evidence, there is no empirical evidence that the operation placed downward pressure on grocery prices?

Mr Samuel—No.

Senator BRANDIS—I know that Treasury was the relevant agency here, not the ACCC, but you might nevertheless know the answer to this question: was consideration given to any organisations or entities other than CHOICE to operate the website when it was taken out of the hands of the ACCC?

Mr Cassidy—I am afraid that is something you would have to ask Treasury, Senator.

Senator BRANDIS—Do you know the answer to my question?

Mr Cassidy—No I do not. That is what I am saying you would have to ask Treasury.

Senator BRANDIS—That is fine. Do you know whether there was a tender process?

Mr Cassidy—No, not that I am aware of—certainly not a public tender in that sense.

Senator BRANDIS—Thank you, that will do. Thank you, Mr Samuel and Mr Cassidy.

CHAIR—I thank the Australian Competition and Consumer Commission for coming in.

[12.32 pm]

Productivity Commission

CHAIR—Welcome to the Productivity Commission. Do you have an opening statement to make?

Mr Wonder—Yes, just a brief statement, Chair, to update the committee very briefly in respect of our program and where that is at. Before I do so, I would like to let you know that the commission's chairman, Gary Banks, could not be with the hearing today. Gary did actually try and make himself available to be with you. Your originally scheduled meetings of the 11th and 12th were doable for him. However, he had a longstanding overseas leave commitment of a family nature that he was committed to just at this time, so unfortunately he was not able to be with us today.

In respect of our program, I will make my comments very brief. We have seven projects commissioned from the government that are currently underway, and two of those you will be particularly interested in. Firstly, we are finalising our report on paid maternity/paternity/parental leave and indeed we will be providing our final report to the government on 2 March, next Monday. I should flag, though, in terms of when the government would be in a position to table that report or present it to the parliament, we need to acquire sufficient copies to make presentation to the parliament possible, and we will not have sufficient copies available until 6 March. That is a few days delay but I wanted to bring that to your attention.

The other one that we are presently finalising—in fact, tomorrow we will send our final report to the government—is the report on the economic assessment of drought support measures. Again, that will be with the government and they will take a decision in terms of its time for tabling.

I will briefly mention the other projects. We are conducting a review of regulatory burden on the upstream petroleum oil and gas sector, and we anticipate a final report to government in early April. We are conducting a review of copyright restrictions on the parallel importation of books, for which we are anticipating a final report in May and a draft report some time later in March. You will be aware of our public inquiry on gambling that has commenced, for which we are scheduled to provide a final report to the government in late November this year.

We are conducting stage 2 of our business regulation benchmarking work. Through the course of this year, we are working on two aspects of benchmarking the regulatory burden on business. The first area is in respect of occupational health and safety and the second area is in respect of food safety regulation. We are working on that and scheduled to give final reports to government at the end of the year in December. The final one of the current lot is the annual review that we conduct of regulatory burdens on business. This year we are conducting that with a focus on social and economic infrastructure services; that means construction, utilities, health, transport and the like. We will provide a final report to the government on that one at the end of August. Those are the seven reports.

The other reports that you may have an interest in are our reports on government service provision, for which we conduct an ongoing preparation for presentation once a year. The next one of those will be coming out in January next year, having just published our review of government service provision. We publish the *Overcoming Indigenous disadvantage* report every two years and this year, 2009, we will put that out in July.

Since the commission last appeared before this committee, we have completed a number of key reports. One was on the review of mutual recognition schemes, which came out in February. As I just mentioned, every year a report on government services is done; that is put out by the Steering Committee for the Review of Government Service Provision, and it came out at the end of last month. There is a supplementary report on chemicals and plastics regulation; a staff paper on productivity in the mining industry, which was published in December; and a methodology paper on how we go about our trade and assistance review, which will be put out in December. An earlier version of our performance benchmarking work, which focused, amongst other things, on business registration costs, came out in December last year. Thank you; that is all I wanted to say.

CHAIR—Thank you, Mr Wonder. Mr Senator Joyce?

Senator JOYCE—I have got three issues I want to cover: regulatory burdens, *Overcoming Indigenous disadvantage* and maternity leave. I will start with regulatory overburdens. Have you in your studies of regulatory overburdens been able to concentrate on the regulatory overburden that is currently apparent in getting through development applications, especially at local government and state government levels in the housing industry and in the commercial sector?

Mr Wonder—The cycle of things we do for the regulatory burden work that we have been given covers, in the first instance, various sectors. As you might recall, we started out with the primary sector and then moved on, and currently we are doing this group. The subsequent

series I think will pick up those questions, because next year's focus will be picking up on development applications of that kind.

Senator JOYCE—So next year you will be concentrating on development applications?

Mr Wonder—Amongst other things. I just do not have the title. I will find that title. I just do not have the program of future reviews in front of me. It will be on our website. The fourth year, I believe, will pick up those aspects. The fifth year, which I do recall, which is nonsectoral, focuses on all the economy-wide issues, if you like, that are common to all of the sectors for which we have looked at the regulatory burden. It is an opportunity in the final year to draw together. I guess development applications would be something that would come under that heading as well—all of the things that we found in common and things that did not actually come up in any particular sectoral review that we can look at in the economy-wide review.

Senator JOYCE—It did not come up?

Mr Wonder—That did not come up, and ones indeed that we were able to isolate as common issues from the sectoral reviews that we feel we are able to look into.

Senator JOYCE—It is anecdotal, but every time I go somewhere, something that always comes up with people I speak to is the state government regulatory overburden they are faced with in trying to get especially housing developments going. That is an impediment in trying to get an affordable housing program going. You are envisaging a report into that and it is in the coming year?

Mr Wonder—Yes, and it will not be by itself; it will be, as I say, matters of an economy-wide nature, together with other factors that fall neatly under that heading.

Senator JOYCE—Have you done any precursor studies on the regulatory burden associated with the emissions trading scheme?

Mr Wonder—Not that I am aware of in our current suite; no, we have not done that. Our regulatory burden work, as I said, has focused to date specifically in the primary sector or in other sectors on particular on regulations of Commonwealth origin that impinge in a costly way, although we obviously have to look at the benefits too on that sector. If I go back to my earlier answer about the last year of these reviews, which is year 5—we are currently in year 3—the various issues that come up that affect the entire economy would fall under that banner.

Senator JOYCE—Surely the emissions trading scheme will affect the entire economy.

Mr Wonder—That is what I am saying; for issues that are of an economy-wide nature we will need to assemble a list of what we in fact look at in the final year. I am just making the point, Senator, that that is an economy-wide issue rather than a particular sectoral issue that we have been dealing with to date.

Senator JOYCE—So you will or you will not be looking at the regulatory burden associated with the emissions trading scheme?

Mr Wonder—We have not focused on what will be in our purview in terms of exactly the list of things we need to look at. We are currently focusing, as I say, on the social and

economic infrastructure services. It is two years before we will be looking at those economy-wide aspects that the government has asked us to look at, so we will have to formulate, prior to undertaking that work, exactly what is of an economy-wide nature.

Senator JOYCE—In your purview, where do you anticipate investigation of the regulatory burden of the ETS to come into play?

Mr Wonder—If we were to look at that, it would be in that economy-wide area, because, obviously, as I mentioned, it is more than sector specific; it is of an economy-wide nature.

Senator JOYCE—So this year?

Mr Wonder—No, as I said, in year 5—the final year of our reviews is the economy-wide segment.

Senator JOYCE—The final year?

Mr Wonder—The final year, year 5. We are in year 3 of these reviews.

Senator JOYCE—Would it not be worth while changing the agenda, seeing that this is probably one of the biggest issues that is going to go before our economy? Really it would be better to be fully informed and have done your analysis on it prior to the implementation of the scheme.

Mr Wonder—I understand your point. The order in which we conduct these reviews is something that is given to us by the government in our terms of reference. Our terms of reference lay out, if you like, the order of reviews on which I have just been commenting. We are in year 3; the instruction of and specification for the five annual reviews that we are scheduled to undertake we received from the government over two years ago.

Senator JOYCE—So your agenda is determined by the government's criteria?

Mr Wonder—This is a commissioned reference that has been originally sent to us by the previous government.

Senator JOYCE—Basically, the government determines the agenda. If you were to investigate the regulatory burden of the emissions trading scheme, that would have to come as an instruction from the government?

Mr Wonder—The government has determined the various sectors and the economy-wide agenda in year 5. We have determined what falls in each of those years that we will actually look at. For example, in the primary sector we held meetings, received submissions and got evidence together in respect of what of a regulatory burden nature there was in the primary sector. We looked at all of that evidence, and then we analysed it and prepared a report. Similarly, when we get into year 5 of the economy-wide focus, we will do the same thing. There will be an opportunity to put evidence to the Productivity Commission and we will look at that evidence and prepare a report, both draft and final.

Senator JOYCE—Could you choose to change the agenda so that you did investigate the regulatory burden associated with an emissions trading scheme now?

Mr Wonder—We cannot change unilaterally the order in which the government has asked us to look at these things. As I have mentioned, it has given us a—

Senator JOYCE—So how would that order get changed?

Mr Wonder—What we can do is make our own decision in respect of the content of any particular regulations that we look at for any one of these reviews, as I have been trying to explain, and that would apply to the economy-wide review as much as it would the primary sector or any other sector review.

Senator JOYCE—So you could look at the implications of an ETS on a specific sector now?

Mr Wonder—No, we could not. If we were to do that, it would be of an economy-wide nature and it would be something for year 5. Presently the government has asked us to look at social and economic infrastructure services.

Senator JOYCE—Well, economic infrastructure would have to include ramifications by reason of the ETS.

Mr Wonder—As I said, this is a particular focus on those sectors that I mentioned in my opening statement—the construction, utilities, health, education, transport and communication industries. So we are looking at regulations of a Commonwealth nature directly specific to those industries that carry a regulatory burden. We are not looking at the economy-wide regulations—

Senator JOYCE—Until year 5, and you cannot change things; you are going to do an examination in year 5 and we are at year 3 now. By your own volition you have to get the government to change that?

Mr Wonder—Yes, that is our terms of reference.

Senator JOYCE—If the government did change it, you would have the capacity to start looking at the regulatory burden of an ETS?

Mr Wonder—If the government directed us to undertake a different order of the work or to be looking at something different from what we currently are, that is within the government's gift. We could be sent terms of reference accordingly. What I have been talking about is the terms of reference that we have.

Senator JOYCE—Let me turn to *Overcoming Indigenous disadvantage*. What have we done lately that will overcome Indigenous disadvantage?

Mr Wonder—Dr Kirby might wish to add to this, but our involvement in *Overcoming Indigenous disadvantage* is as a participant on the review of government services. This is a Commonwealth-state group for which the Productivity Commission serves as a secretariat. As that secretariat, as I mentioned, we prepare the review of government services; we also prepare an *Overcoming Indigenous disadvantage* report every second year. In that report—and previous versions of it are available, and you would be able to spot them on our website—you will see that we prepare and report on a whole lot of indicators of Indigenous disadvantage. Effectively, as a secretariat, the Productivity Commission is providing to the steering committee a report which basically captures what progress or otherwise has been made on these *Overcoming Indigenous disadvantage* issues via the indicators that we report on. That is essentially our role.'

Senator JOYCE—You are aware of the report; you are writing it. Give me a précis of what the big issues are or the big key performance indicators that we have addressed in *Overcoming Indigenous disadvantage*?

Mr Wonder—The big one, just to give you a sense of it—and I do not have the report in front of me—would be an issue like the life expectancy of Indigenous people vis-a-vis other Australians. So we pick out a whole lot of indicators like that and report on them. We can monitor over time what progress is being made on such issues.

Senator JOYCE—Are we making progress on life expectancy in Indigenous areas?

Mr Wonder—Perhaps I will pass to Dr Kirby in terms of what our indicators have shown to date.

Dr Kirby—The report is released every two years, and the last report was released in July 2007. If you look at the large number of indicators, some got better, some got worse and a lot remained unchanged.

Senator JOYCE—Most remained the same.

Dr Kirby—This report is designed to provide information which hopefully will contribute to policy development in this area. It is not a policy assessment document.

Senator JOYCE—Have you done any assessment of what has happened since last year?

Dr Kirby—The next report is scheduled for release in July, so the team at the moment is undertaking the relevant research for the next report.

Senator JOYCE—That will happen in July?

Dr Kirby—At this stage it is scheduled to be released in July 2009.

Senator JOYCE—Have you done any assessment between what happened at, say, the start of last year and where we are sitting right now?

Dr Kirby—We have not released any published research or analysis.

Senator JOYCE—You have not released any published research. So, if I were to make a statement today about where we have got to since last year in relation to *Overcoming Indigenous disadvantage*, I would not have much to go on, would I, because there is actually no published data?

Dr Kirby—There would be a lot of data which other agencies would have published in the interim. Mr Wonder referred to the report on government service delivery which we produced at the end of January this year. Typically each year, generally around April or May, we do an actual slice of the underlying data which focuses on issues relevant to the Indigenous situation; we call it our *Indigenous compendium*. It is our intention that we will be doing a slice of that data again this year.

Senator JOYCE—So, if I made a statement today, I would have to anecdotally wing it?

Senator Sherry—You are used to that, aren't you, Senator!

Dr Kirby—And hopefully draw upon the data sources and information that are out there.

Mr Wonder—There are previous versions of that *Indigenous compendium* to which Dr Kirby referred, and the last version of that would have been produced in April 2008. We put that *Indigenous compendium* out annually.

Senator JOYCE—Printed in April 2008 or finalised in April 2008?

Dr Kirby—Released in 2008.

Senator JOYCE—Sorry?

Dr Kirby—Published in 2008.

Senator JOYCE—From data that finished on when?

Dr Kirby—The data would range in terms of its timeliness. So there would be a whole variety of data points in that report.

Mr Wonder—In this other report to which we are referring to, which Dr Kirby said would be out in July 2009, we take a much more sort of focused set of indicators, such as the life expectancy one that I mentioned, and we pull them together and publish that task quite separately.

CHAIR—Senator Joyce, we have a meeting organised; we might just have to bring the Productivity Commission back after lunch if you have many more questions.

Senator JOYCE—All right.

CHAIR—Do you have more than five minutes of questions?

Senator JOYCE—Yes, maternity leave is the next issue.

CHAIR—Is that more than five minutes?

Senator JOYCE—I could do it in five minutes.

CHAIR—Go ahead.

Senator JOYCE—With respect to maternity leave, from your studies so far, how much will that cost?

Dr Lattimore—The net cost of the scheme is \$530 million in the draft proposal that we put forward in September. That comprises two components: one from the business sector and one from the government. The government cost was \$450 million. That is a net cost, so that reflects the gross payments that would have to be paid out, but there is a range of savings, and these savings emerge from savings on the baby bonus, taxation and so on.

Senator JOYCE—Okay, so there is \$450 million from the government, but the net cost is \$530 million?

Dr Lattimore—The net cost overall is \$527 million across the economy, \$450 for government, for taxpayers. But this is for the draft report, I might emphasise.

Senator JOYCE—What is the business cost?

Dr Lattimore—The business cost is the difference between the two, so about \$70 million or \$75 million.

Senator JOYCE—So business pays about \$70 million?

Dr Lattimore—Yes.

Senator JOYCE—Through your studies, have you discerned the implications with businesses having to pay a maternity cost? Will this influence the way they employ people?

Dr Lattimore—I should draw a distinction again between a draft report and a final report. The process that we have is we put this report out, and of course we have a range of submissions, more than 150 submissions, after the draft report.

Mr Wonder—Which was last September.

Dr Lattimore—Business has indicated a range of concerns about the two components of the proposed scheme, one in relation to superannuation contribution, which is the major element of cost for them, and also in relation to some of the compliance issues. We take these things on board and consider them in drafting the final. But we certainly have considered the impacts for business, including an assessment of, say, how much it would add to total wage costs and the likely influence that might have on discrimination or on the employment of women. At the time of the draft report, our view was that the effects would be quite small, because the increment to wages was very modest indeed. But, of course, we listen to what people say in response to a draft report.

Senator JOYCE—Would all businesses be caught in the net of having to pay maternity leave?

Dr Lattimore—No, the businesses themselves, under this proposal, would not be paying maternity leave by and large. It is a cash payment from the government for the actual leave component. The proposal for businesses was that for a certain group of employees they would pay a superannuation component of nine per cent, but not for all employees, I might add. It would be only those employees who had had sufficient tenure with a business—

Senator JOYCE—Those who had been working there for a year or something?

Dr Lattimore—They would have had to have met the conditions for getting unpaid leave under the National Employment Standards to qualify.

Senator JOYCE—So if I had one employee and, after working with me for a year, she got pregnant, she would be entitled to maternity leave?

Dr Lattimore—She would be. She would have had to have worked for a sufficient number of hours as well, but under the draft proposal she would get 18 weeks times \$543.78.

Senator JOYCE—What would the business have to pay?

Dr Lattimore—The business component would be nine per cent of that, which would be about \$1,100 spread over 18 instalments or nine fortnightly payments.

Senator JOYCE—That proportion would be entirely different from that of a business that had multiple employees, wouldn't it?

Dr Lattimore—Over their wage bill, it might be similar. I should also note that the maximum that they would be paying would be that \$1,100. Were the employee to be on a lower wage than the minimum wage, it would be commensurate to that wage. If the person was working part-time and getting \$300 a week, the superannuation component would be in respect of the \$300 over 18 weeks, not the \$543. But, yes, if the employer is a larger

employer, they have to pay more in aggregate, but of course they are a bigger company so the share of the wages accounted for by this would be also not changed.

Senator JOYCE—Once this was in place, obviously there would be the capacity over time for the government to transfer more of the weight to the individual business to pay. It is just a matter of a stroke of the pen as to legislation and the liability would move to the business, wouldn't it?

Dr Lattimore—That would be a decision for government.

Senator JOYCE—Yes, at the time. Taking the current costs that the Productivity Commission is looking at, as we are positioned at this point in time, the government would just have to borrow that money, wouldn't it?

Dr Lattimore—I would not want to speculate.

Senator JOYCE—There is no appropriation set aside for this money?

Dr Lattimore—I would not want to speculate on the financing mechanism that government might use.

Senator EGGLESTON—Chair, I have some questions on notice for the officers on paternity leave, fertility rate, parent support and Labor election promises as to each childcare centre.

CHAIR—Thank you, Senator. I thank the officers. The committee will adjourn from public session until 2 pm, when we will begin with the Resources, Energy and Tourism portfolio. The committee will have a private meeting at this stage.

Proceedings suspended from 12.59 pm to 2.00 pm

RESOURCES, ENERGY AND TOURISM PORTFOLIO**In Attendance**

Senator the Hon. Kim Carr, Minister for Innovation, Industry, Science and Research

Senator the Hon. Nick Sherry, Minister for Superannuation and Corporate Law

Executive

Mr Drew Clarke, Acting Secretary

Mr John Hartwell, Acting Deputy Secretary

Enabling Services

Ms Jo-Ann Rose, Chief Financial Officer

Mr Robert Towner, General Manager, Enabling Services

Resources Division

Mr Bob Pegler, Acting Head of Division, Resources Division

Ms Sue Kruse, General Manager, International, Resources Development and Taxation Branch

Mr Chris Stamford, General Manager, Minerals Branch

Ms Marie Taylor, General Manager, Fuels and Uranium Branch

Mr Peter Livingston, Acting General Manager, Offshore Resources Branch

Mr Steve Tantala, Manager, CCS Legislation Section, Low Emissions Coal and CO2 Storage Branch

Mr Patrick Davoren, Manager, Radioactive Waste Section, Fuels and Uranium Branch

Global CCS Initiative

Mr Michael Sheldrick, General Manager, Global CCS Initiative Project Team

Mr John Karas, Manager, Low Emissions Coal Policy

Resources and Energy Policy

Ms Tania Constable, Principal Adviser, Resources and Energy Policy

Energy and Environment Division

Mr Brendan Morling, Head of Division

Mr John Griffiths, General Manager, Energy Security Branch

Dr Chris Locke, General Manager, National Energy Market Branch

Mr Geoff Stone, General Manager, Energy Futures Branch

Mr Paul Johnson, General Manager, Industrial Energy Efficiency Branch

Mr Gino Grassia, Acting General Manager, Environment Branch

Ms Tania Constable, Principle Advisor, Energy and Resources

Ms Wendy Launder, Manager, Clean Energy Development Section, Energy Futures Branch

Mr Richard Miles, Manager, Asia Pacific Partnership Secretariat Section, Environment Branch

Mr Rick Belt, Manager, Renewable Energy Section, Environment Branch

Tourism Division

Ms Jane Madden, 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 Chris Pigram, Acting Chief Executive Officer and Chief, Geospatial and Earth Monitoring Division

Dr Clinton Foster, Chief, Petroleum and Marine Division

Dr James Johnson, Chief, Onshore Energy and Minerals Division

Ms Dianne Clarke, General Manager, Corporate Branch

Mr Glenn Ashe, Chief Information Officer

Mr Geoff McMurray, Chief Finance Officer

Tourism Australia

Mr Geoff Buckley, Managing Director

Mr Grant Le Loux, Executive General Manager, Corporate

[2.01 pm]

Department of Resources, Energy and Tourism

CHAIR—The committee will now examine the Resources, Energy and Tourism portfolio commencing with questions for the Tourism Division of the department. For the benefit of officers I advise that the committee has fixed Friday 17 April as the date for the return of answers to questions taken on notice. Do you wish to make an opening statement?

Senator Sherry—No, thank you.

Senator RONALDSON—You may need to take this on notice, but can you let me know how many staff are currently employed by the Tourism Division of the department; how many staff have resigned since December 2007 following the change of government; what amount from the 2008-09 federal budget has been allocated to wages and salaries of staff in the Tourism Division; how many DLOs with responsibility for the tourism division are currently working in the minister's office; and how many Tourism Division staff have been employed in the minister's office as DLOs since December 2007? I now turn to the global financial crisis and tourism, and in particular can I refer you to the National Tourism Incident Response Plan. I have some questions in relation to that. I will just call it the NTIRP to save you and me a bit more of this hour. When was the NTIRP last reviewed?

Ms Madden—In relation to the review of the NTIRP, it was last formally and comprehensively reviewed at the time of the SARS attack.

Senator RONALDSON—Could you just remind me when that was?

Ms Madden—In 2001-02.

Senator RONALDSON—When was the last meeting of the monitoring group?

Dr Tucker—The monitoring group is convened when there is an incident that would justify an examination of the National Tourism Incident Response Plan. In other words, when we need to consider whether that would be activated.

Senator RONALDSON—When was the last time?

Dr Tucker—There are a number of exercises that are undertaken to make sure the system is working properly. There was one last year, so the monitoring group would have been called together then.

Senator RONALDSON—It has not been reviewed since SARS in 2001 and there was a meeting of the monitoring group last year, was it?

Dr Tucker—Can I just elaborate a little bit further on that? Whenever there is an incident that might justify an activation of NTIRP then we look at the incident, the extent of the incident and its impact on the tourism industry. We then run an exercise to determine whether the plan should be implemented and that is done in consultation with the monitoring group. In effect, either through actual incidents or through an exercise to check the systems, it would happen on an annual basis. Perhaps I could add that we have reviewed it in the context of the current Victorian bushfires to see the extent of the impact on the tourism industry.

Senator RONALDSON—I gather the NTIRP was introduced by the former government to monitor major international events that may affect the tourism market. Is that the background of the NTIRP?

Dr Tucker—It is a so-called ‘all hazards plan’ that is designed to respond to any incident that has a national impact on the tourism industry, whether it is an international event such as a pandemic or an outbreak of disease, through to some domestic event that would have a national impact on the tourism industry.

Ms Madden—May I add in relation to the NTIRP, planning and some work is underway in relation to the global financial crisis and the work of the NTIRP, and this is an item that has been included on the Australian Standing Committee on Tourism that is meeting late next month in Western Australia.

Senator RONALDSON—I assume this monitoring group can be activated at short notice?

Dr Tucker—Yes.

Senator RONALDSON—The nature and extent of the global financial crisis was, I would assume, well known to the department, at the latest, late last year when you received forecasts from the ABS in relation to international visitor figure downturns of some 5.1 per cent. You must have been aware that the global financial crisis, even in the third quarter of last year, meant that there was potentially going to be some quite dramatic ramifications for the tourism industry?

Ms Madden—Yes—

Senator RONALDSON—It would not have been rocket science to figure that out—

Ms Madden—The department is represented on the Tourism Forecasting Council that was responsible for some of those estimates and forward projections that you mentioned, so we have ongoing work underway in relation to the impact of the global financial crisis. As the minister’s statements have made clear, there is work in a broader government context, the stimulatory packages, to support Australian tourism operators and keep people in employment.

Senator RONALDSON—I understand that but I am actually talking about the NTIRP, what underpins the NTIRP, the impact of the global financial crisis and the quite dramatic potential impact on the tourism industry. When did the bushfire group meet?

Ms Madden—The bushfire group is being coordinated by Minister Macklin and her department, FaHCSIA. They are meeting on a regular basis. On an as-needed basis, the Department of Resources, Energy and Tourism and the responsible areas are participating in that taskforce.

Senator RONALDSON—But that is under the NTIRP banner, is it?

Ms Madden—No. But in the context of the bushfires having an impact on tourism in regional Victoria, we are looking at the responses and the impact through the mechanism of the NTIRP and we have been in touch with all state and territory governments, but we have particularly been working closely with the Victorian government, to do some work on what needs to be done in response to this terrible event.

Senator RONALDSON—It was a terrible event and as a Victorian I am acutely aware of that. It does not concern me that you have moved in relation to the bushfires but it seems quite remarkable to me that you have responded on the back of what must be three, nearly four weeks now that we have had the Victorian bushfires. You have apparently moved very quickly, and rightly so, in relation to the bushfires. You have acknowledged that you were aware of the impact of a global financial crisis potentially on the tourism industry in the middle of last year. It is now nearly the end of February 2009 and I put it to you that it is quite remarkable that the NTIRP, which was established to address these very sorts of crises, has not been in any way implemented to plan an approach to address what will potentially be a quite dramatic impact on the tourism industry.

Ms Madden—To clarify, the NTIRP is actually specifically framed to react to shocks and how brand Australia is affected as a result of shocks. My colleague might elaborate further.

Senator RONALDSON—But you said to me before it was shocks as to domestic or international events that might impact on the tourism industry.

Dr Tucker—That is certainly true but the major impact that we are looking at through the NTIRP is the impact on brand Australia—in other words, how the incident affects the perceptions that international tourists have about Australia as a desirable destination.

Senator RONALDSON—With the greatest respect, it is not just limited to that. That is not the sole criterion for the NTIRP, is it?

Ms Madden—It is a major criterion.

Dr Tucker—There are a number of criteria that are evaluated through the framework.

Senator RONALDSON—Is one of the criteria the impact on the tourism sector?

Dr Tucker—That is true.

Senator RONALDSON—It is a National Tourism Incident Response Plan, so presumably it is related to incidents that might impact on the tourism sector.

Ms Madden—I can clarify. As my colleague said, the NTIRP has a major focus on how Australia is perceived as an international tourism destination. That is the focus of the NTIRP.

Senator RONALDSON—Is that one of the criteria?

Ms Madden—Yes, it is.

Senator RONALDSON—We have already had it acknowledged from Dr Tucker that the impact on the Australian tourism market is one of the factors as well. It has got to be. Dr Tucker said it was, so I am taking it at face value.

Senator Sherry—I think you are being a touch harsh at such an early stage. I do not know whether withdrawal symptoms are being exhibited, but you are coming close to badgering the witness.

Senator RONALDSON—I do not think so. I think there are a lot of tourism operators throughout Australia—and I am sure my colleagues are acutely aware of this—who are under enormous pressure through the global financial crisis. I have been told that the buttons have been pushed in relation to the bushfires, which is absolutely dire, and that is loosely associated under the banner of the NTIRP. We have also been told that the department was acutely aware in the middle of last year of the potential impact of the global financial crisis on the tourism market. We have been told that one of the criteria to implement NTIRP action is impact on the tourism sector, and yet we have seen absolutely no action at all. I do not think I was badgering the witnesses at all. If they thought I was badgering them then I most humbly apologise.

Senator Sherry—Thank you. Certainly the impact of the world financial and now economic crisis on the tourism industry is understood, but my suggestion is to at least give the witnesses a chance to respond to the question without jumping to another question before they have concluded. That is all I am suggesting.

Senator RONALDSON—What answers haven't you given?

Ms Madden—The department is acutely aware of the impact of the global financial crisis on the industry. As per the minister's statements and previously in questions on notice, we have responded that the government has a number of measures in train, including the minister explicitly highlighting the value of the government's stimulatory packages to support Australian tourism operators and to support employment. Tourism Australia has a new focus on domestic tourism—No Leave, No Life—in the midst of softening tourism demand which is a major response to the impact of the crisis, which they can explain later. They also have a very active monitoring campaign so that they can respond to key developments.

Senator RONALDSON—I understand that. My question is why the monitoring group that has responsibility for taking action and implementing an action plan under the NTIRP for a variety of reasons, including the crisis we have seen at the moment, was not called together in the middle of last year, before Christmas or even now. I am just wondering how many tourism division staff are allocated to the management and updating of the NTIRP.

Ms Madden—I will just finish the earlier question. In the work that we have done in responding to the global crisis, both in the division and in Tourism Australia, to date there has not been an explicit linkage to the NTIRP, but that matter is being discussed with state and territory partners. The immediate activation of the NTIRP has not been considered appropriate to date, because the NTIRP is about the brand of Australia: is Australia less or more attractive in the wake of an external shock like the SARS crisis?

Senator RONALDSON—With the greatest respect, that is one of the criteria which was acknowledged before. Other criteria include the impact on the tourism market in this country.

That was acknowledged before. You can call out one part which suits the government's imperative, but I am putting to you that the other criterion is 'major impact on the Australian tourism sector'. That is why I am asking you why this group has not been brought together, why you don't think there is a sense of urgency now and why are you going to wait for discussions with the state and territory ministers, particularly when you seem to be able to bring the bushfires under a broad banner of the NTIRP?

Ms Madden—The reason is that those involved with the NTIRP have considered that it is more effective to tackle the impact of the global financial crisis through other mechanisms, including, as I said, a major stimulatory package, work to reorient the marketing campaign and so forth and there has not been a strong push to activate the NTIRP. It certainly remains one policy option for consideration. We take note of your comments, but there has not been a push from other members to activate the NTIRP at this point, or in recent weeks or months.

Senator RONALDSON—When did the monitoring group make that decision?

Ms Madden—We are in touch with all members of the monitoring group on a very regular basis.

Senator RONALDSON—Have you had a phone hook-up to determine this, and when did that take place?

Dr Tucker—In relation to the bushfires?

Senator RONALDSON—No, not about the bushfires. Ms Madden just said that there was contact between the monitoring group when they made the decision that there were other ways of addressing this, and I want to know when that meeting was, and are there any minutes of that meeting? When did those phone calls take place?

Dr Tucker—What we would normally do is consult the monitoring group about whether or not the NTIRP should be activated. In the case of the global financial crisis we did not contact the monitoring group to discuss the activation of NTIRP because the judgment was—

Senator RONALDSON—I will interrupt. I was just told by Ms Madden—

Ms Madden—I said we were in contact with the members.

Senator Sherry—Let him finish the answer.

Senator RONALDSON—The decision was made not to activate the NTIRP.

CHAIR—Dr Tucker was trying to round out that answer.

Senator RONALDSON—I am sure he was.

Senator Sherry—Let him finish before you interrupt.

Dr Tucker—I will add to my comments. We are in quite frequent contact with members of the monitoring group. The members of the monitoring group, as representatives of the state and territory tourism organisations, are working with us and with Tourism Australia on a coordinated approach to handling the impact of the global financial crisis on tourism. The judgment has been that it is not useful or appropriate to activate NTIRP in response to the global financial crisis.

Senator RONALDSON—Was that a formal decision of the monitoring group?

Ms Madden—No, informal.

Dr Tucker—It was an informal decision by the members of the monitoring group.

Senator RONALDSON—One criterion for the activation of the NTIRP is impact on the domestic tourism market. Why was the decision not made by the minister or someone else to at least get the monitoring group together to make a formal decision as to whether it was appropriate to use the NTIRP or to go via other avenues? If you do not think that the NTIRP is now relevant then please just tell us. If it has effectively been disbanded then tell me so.

Mr Clarke—What my colleagues are trying to lay out for you is that in the view of the members of the group that they have talked to regularly the NTIRP is not an appropriate vehicle at this stage for responding to the global financial crisis, but other interventions and mechanisms are more appropriate. There may well be views of other parties as to the appropriateness of that mechanism, which is a legitimate debate, but that is the position that we are in today.

Senator RONALDSON—How many Tourism division staff are actually allocated to the management and update of the NTIRP?

Ms Madden—The staff are under Dr Peter Tucker's responsibility and there is approximately half a person—that is, 0.5 staffing level—allocated to this NTIRP in the work program. The way the department and the division works is that if there is a requirement other resources in the division are allocated to this in times of need.

Senator RONALDSON—What is that person doing if they have not had a meeting for six or eight months and there have not been any changes to the NTIRP since 2001? What is that person actually doing?

Dr Tucker—The NTIRP is under fairly frequent review. The last review was in 2007. As I mentioned in my earlier remarks, we do exercises with the NTIRP to test its functionality, to make sure that all the people who are listed as contacts are in fact the right ones, and just to make sure that the system is tuned and can react to incidents as they arise. It is under review fairly frequently. When an actual incident does arise, in consultation with the members of the working group, as is the case with the bushfire, we will discuss with them the standing of the NTIRP and whether it needs to be activated.

Senator RONALDSON—When were those informal discussions between the monitoring group members and, I presume, the department? When did those informal discussions take place in relation to a course of action?

Dr Tucker—In relation to the Victorian bushfires?

Senator RONALDSON—No, in relation to the global financial crisis.

Dr Tucker—I could not pinpoint the exact date as to when they started, but we have been in contact with them over quite an extended period as the global financial crisis has unfolded.

Senator RONALDSON—Given that the operations of the monitoring group I presume are public to the extent of when meetings et cetera take place, can you take on notice when those discussions were held, whom they were held with, and any correspondence between the

parties in relation to a decision to not implement the NTIRP in relation to the global financial crisis.

Dr Tucker—If I might clarify your request, we will of course take your question on notice. We have made clear that this was not a formal decision. It was a discussion amongst parties and we will, as you request, give you the details of the time and format in which those discussions took place.

Ms Madden—Before leaving this, could I also just point out that the SARS crisis was in 2003. I made an error there. That was the last formal comprehensive review of NTIRP. There was an internal review conducted by the former Department of Industry, Tourism and Resources in 2007.

Senator RONALDSON—I am sorry. I missed that.

Ms Madden—There was an internal review of the effectiveness and value of NTIRP in 2007. I am just confirming that.

Senator RONALDSON—What was the outcome of that internal review?

Ms Madden—I would have to take the details of that on notice as well.

Senator RONALDSON—Did you think it was worth while continuing with? Was that the outcome of the internal review?

Ms Madden—I understand that to be the case, yes.

Dr Tucker—There were a number of recommendations that arose from the review, and we are in the process of implementing those now.

Senator RONALDSON—What were those recommendations?

Dr Tucker—The recommendations had to do with streamlining some of the processes.

Senator RONALDSON—Would you provide that on notice, because clearly the response planned to a major event is a matter of national interest. Could you also provide the committee with those recommendations.

Ms Madden—Yes, we can.

Senator RONALDSON—The activation level, which I understand is the threat level, has not been downgraded or changed since October 2005. Are there any plans to review that to a green level or something? I do not pretend to fully understand the activation level.

Dr Tucker—The purpose of our consultations with the members is to gather their views about the impact—I refer to the bushfires in particular here—of the bushfires on the tourism industry and make a decision about whether the level of activation needs to change.

Senator BUSHBY—What is the current level of activation?

Dr Tucker—The current level of activation is green, but it is under review.

Senator BUSHBY—Which means what?

Dr Tucker—The information that we have received is that there is clearly international media coverage about the fires. There is no evidence of media coverage deterring people from

coming to Australia, but clearly people reading about the fires might be postponing their travel arrangements.

Senator BUSHBY—Was the activation level set at green because of the Victorian bushfires?

Dr Tucker—No, it has been at green for some time.

Senator BUSHBY—What does green mean in terms of the plan? If you set something at green what is that saying?

Ms Madden—There is a formal description, which we can provide on notice. But it means ‘status normal, travel to Australia’, and the perception of travel to Australia is positive.

Senator BUSHBY—So, green is like a green traffic light in a sense?

Ms Madden—Going to the bushfire example again, which is currently under discussion, there is a proposal that the green be moved to a more amber setting, at least for some parts.

Senator BUSHBY—There are three levels, are there?

Ms Madden—Yes, there is green, amber and red.

Senator EGGLESTON—Can you give us any examples of when the system warning has been red?

Ms Madden—To my knowledge, it has never been red.

Dr Tucker—To my knowledge, it has not been red, but perhaps we could take on notice to investigate whether it has been red.

Senator RONALDSON—What is an example of amber?

Dr Tucker—Perhaps during the SARS outbreak it may have been amber.

Senator EGGLESTON—Is it just related to regions of Australia? You do not have an overall green, amber or red for Australia but for different regions?

Dr Tucker—No. In fact, it is a National Tourism Incident Response Plan that looks at the impact on national tourism.

Senator RONALDSON—SARS was not an issue domestically, was it? There is no avian flu in Australia. It was an Asian issue, wasn't it?

Dr Tucker—As far as I know, there were no SARS cases reported in Australia.

Senator RONALDSON—On what basis did you give it an amber?

Ms Madden—We will confirm the exact historical rating of this. My understanding, although I was not working in the area, is that because of the impact of SARS, particularly in transit areas for travel to Australia through the Asian hub airports, there was a strong perception—particularly in some of the developed country markets, from Europe and the United States—that travel to Australia was dangerous because travel to Australia occurred via areas where there was an impact of SARS. This changed the impact, the perception of travel to Australia. It affected the brand, and it was deemed necessary at that time to change the rating under the NTIRP.

Senator RONALDSON—I presume one of the other criteria was the potential threat to the general tourism market as well from SARS? The inability of people to travel and therefore spend dollars, I presume, would have contributed to the amber as well?

Ms Madden—As I mentioned earlier, it was particularly about the perception of Australia, about ‘brand Australia’, and it was in that context that the NTIRP was used and continues to be used.

Senator RONALDSON—That was the only criterion, was it?

Ms Madden—No, that was the major criterion, the perception and—

Senator RONALDSON—What were the other criteria?

Ms Madden—At the time of the SARS attack in 2003?

Senator RONALDSON—Yes.

Ms Madden—I would have to take that on notice. I am sorry. I do not have the historic detail.

CHAIR—That concludes the time for the tourism section. Do you have any more questions?

Senator RONALDSON—I do. I am happy to put the bulk of these on notice. I have questions on the tourism industry accreditation scheme. I am sure you are fully briefed on that, Mr Clarke, in relation to what appears to be substantial slippage. We were told, I think, in February 2008 by Ms Constable that the minister’s commitment to an accreditation scheme would be in place by July 2008. Is that scheme in place yet?

Ms Madden—The government did make a commitment to promote a national accreditation scheme. I am happy to report that there has been significant progress towards this goal. There is already a business plan that has been agreed through a very active joint working group comprising industry and public sector. This business plan and approach has also been endorsed by the Standing Committee on Tourism, senior officials at state and territory level and also by the Tourism Ministers’ Council last year.

Senator RONALDSON—Is the framework finished?

Ms Madden—A broad framework recommending a particular model for the national tourism accreditation scheme has been secured in principle. At the moment we have progressed a business plan recommending a particular approach for implementation. We have gone out to all private sector and state and territory government bodies that were involved in the discussions, and the work on accreditation seeking final comments and input before operationalising an implementation plan that would be expected later this year.

Senator RONALDSON—The contract for the delivery of this framework was \$100,000. That was the tender, wasn’t it? Was that the final cost?

Ms Madden—There was a business plan, a consultancy, and the total value was \$100,000, to which state and territory governments contributed as well as the Commonwealth.

Senator RONALDSON—There was still no formal action framework at this stage?

Ms Madden—That consultancy was used to formulate a business plan for the proposed implementation. We have to progress that through the joint working group to secure everyone's final agreement to a proposed implementation of that plan.

Senator RONALDSON—I will put the rest on notice. Thank you.

Senator BUSHBY—As part of the federal government's award modernisation program the Industrial Relations Commission has approved an increase in Sunday penalty rates and casual loading for retail staff, which I am informed will result in a 14 per cent average increase in retailer wage bills across Australia. Restaurant and Catering Australia said that the consequences of this will cost the restaurant, cafe and catering industry \$500 million per annum and will cause 8,000 jobs to be lost. Has the department undertaken any consideration of the potential impact of such changes in the retail, restaurant, cafe and catering industry on tourism and how that may play out?

Ms Madden—I am aware of the very recent comments by Restaurant and Catering. This matter is primarily a matter for the Department of Employment, Education and Workplace Relations, Julia Gillard's department. But I should note that we are working with Restaurant and Catering and other tourism bodies in a tourism and hospitality employment working group, and some work is under way particularly with a view to having discussions with Restaurant and Catering more about the possible impacts of these—

Senator BUSHBY—That is what I am interested in.

Ms Madden—Next week a meeting is scheduled to be held between the division, Restaurant and Catering and other industry players to evaluate and hear directly from them about their particular concerns?

Senator BUSHBY—Is that a formal investigation you are conducting? Will it be something that you will be able to report back to the committee on once you have completed that?

Ms Madden—It is part of our regular stakeholder consultations. It is not formal—

Senator BUSHBY—You are not conducting a review?

Ms Madden—We are not conducting a review, but we meet regularly with industry players in the tourism sector.

Senator BUSHBY—If it actually does highlight that there is likely to be an impact of note, whether that is a severe one or more moderate, will you be looking to then take some action to try to alleviate those impacts so that it does not flow through into the industry?

Ms Madden—What I can say, both through this mechanism and other consultation mechanisms we have, is that the department is working on a national long-term tourism strategy in which skills and the whole retention of employment in the tourism sector is under consideration, both by a steering committee headed by Margaret Jackson and also by a whole-of-government interdepartmental committee in which Julia Gillard's department, the department of employment, is included. If there are particular concerns and issues coming forward that affect the viability of the industry, both in the short and long terms, these are being discussed and will be discussed further in the development of this strategy as it goes forward in the middle of this year.

Senator BUSHBY—I will leave it there, but I will put on notice that at the next estimates we will be looking to ask you how that has gone and what impact you have actually assessed it is having.

Senator Sherry—I will take that on notice and pass it on to Minister Ferguson.

Senator EGGLESTON—Do you as a group of witnesses cover ATEC, the Australian Tourism Export Council?

Ms Madden—We have a close and regular dialogue with ATEC, the Australian Tourism Export Council.

Senator EGGLESTON—I understand that they have approached the federal government for assistance to the tourism industry because of the downturn. I point out that tourism directly employs something like 400,000 people, but the federal government has not apparently so far been forthcoming in providing assistance. Do you want to tell us what the proposal was and what was sought to assist the tourism industry?

Ms Madden—We fully acknowledge, as I said before, that this is a very difficult environment for tourism and other businesses. As noted previously and also as set out clearly in Minister Ferguson's statements, the government is seeking to assist businesses in a range of ways to manage the global financial crisis. This includes the stimulatory package. The \$42 billion stimulatory package provided some support, including for the small and medium sized businesses that are part of ATEC's broader membership. As I said, there are other initiatives in train to support the tourism sector with the global financial crisis. There are some mechanisms in train but to my knowledge there has not been a formal response to the particular request.

Senator EGGLESTON—As I understand it, the federal government also announced back in January a \$1.35 million package to help tropical North Queensland attract more tourists. Why was tropical North Queensland, lovely as it is, selected as an area of support from the federal government when many other areas of the country that have equally enticing tourist attractions are apparently missing out?

Senator JOYCE—I have a disagreement with Senator Eggleston.

Mr Clarke—The Queensland tourism assistance package had its origin back in June last year following decisions by airlines about capacity into that part of Queensland. It was a targeted program on that region in response to a particular issue that was occurring inside that region.

Senator EGGLESTON—It was a result of very good lobbying by local member Jim Turnour, was it?

Mr Clarke—It was a direct response to decisions made by the aviation industry that affected that region.

Senator BIRMINGHAM—I suspect it was very good lobbying by Senator Joyce and Senator Macdonald.

Senator EGGLESTON—Nevertheless, there are other areas of Australia that depend heavily on tourism. One could run through them all. One might think I was a little biased perhaps if I just mentioned the Western Australian ones.

Senator Sherry—We have had a discussion previously about the particular circumstances that confronted North Queensland. Senator Joyce obviously understands. We have been through why there was a particularly focused approach.

Senator EGGLESTON—That is true, and I was here for that at a previous estimates. Nevertheless, as we have said, tourism does employ 800,000 people. It is an industry that is worth billions of dollars to this country. It appears strange that in a time of global economic crisis one area alone is being given extra support by the Commonwealth government to sustain its tourist industry when there are many others, such as Tasmania and parts of New South Wales, Victoria, Western Australia—

Senator Sherry—That answer was explained at the last estimates.

Senator EGGLESTON—If I might just finish. I would have thought that, given the size of this industry and the number of people employed in it, it is rather strange that perhaps in the much-needed stimulus package there was not a specific focus on some support for the tourism industry.

Senator Sherry—I will make two points. Firstly, the response to the circumstances in North Queensland has been discussed. They were validly recognised and, certainly as I understood it, had everyone's support.

Senator EGGLESTON—Nobody is arguing about the support for North Queensland.

Senator Sherry—The second issue is the response to the global financial crisis. There have been a number of responses by the Commonwealth government in a range of areas to the global financial crisis, and I am obviously not going to run through those now.

Senator EGGLESTON—You do not need to.

Senator Sherry—And I do not intend to. In terms of the package that passed the parliament a fortnight ago, I would like to make it clear that not every impact on Australia of the world financial and now economic crisis is or was contained in that particular package. It is a mistake to argue that, because a particular issue was not addressed in that \$42 billion package, it may not get some particular attention. For example, the Deputy Prime Minister announced a package in respect of employment issues, separate from the \$42 billion package. The issue relating to the age pension was not included, but it does not mean that it will not be addressed in some way.

Senator EGGLESTON—That is reassuring because, as I said, tourism employs 800,000 people and according to an article in the *Australian* on 30 December last year it is actually valued at around \$24 billion a year. It is a very special industry. This article is headed 'Tourism heads for free fall as Japan visitors down 30pc' and I would have thought that there would have been some special consideration given to supporting an industry worth \$24 billion a year, which employs 800,000 Australians. I am surprised that it seems to have a lower priority with the Rudd government than one might have assumed would be the case.

Senator Sherry—I will take that as a statement of concern rather than a question and I will pass it on to the minister.

Senator EGGLESTON—I am very grateful.

CHAIR—Can we move on to Tourism?

Senator RONALDSON—I have a question. Minister, can you advise me what the margin of the underperforming local member, Jim Turnour, is? I have lost my bit of paper with that on it.

Senator Sherry—We are not in electoral matters now so I do not see the relevance of the question. He obviously is a very hardworking member because he defeated the previous Liberal or National Party member.

Senator JOYCE—He actually did not. He retired. His name was Warren Entsch and he did not defeat him.

Senator Sherry—You should have asked him to stay on. This is an attempt by the opposition to waste time. This issue is clearly not relevant to tourism.

Senator EGGLESTON—We do have falling tourist numbers. One thing I read in these clippings is that we are focusing now on India to perhaps compensate for the drop in tourism from Japan. Would you like to make some comments about how successful you expect that campaign to be, perhaps on the back of the film *Australia* and how that will run in India?

Senator Sherry—My comments earlier, to which you are purportedly responding, related to the incorrect and irrelevant claims by Senator Ronaldson—who is obviously going into deep withdrawal in respect of Mr Turnour. Secondly, some of the issues you are now transgressing on may best be covered if we bring Tourism Australia to the table before we run out of time.

CHAIR—Thank you.

[2.45 pm]

Tourism Australia

CHAIR—Welcome. We are still on tourism. We have a very long list of questions on resources and we are going to be very pushed.

Senator Sherry—You do not have to ask questions for the sake of it. We can go on to resources if that is the wish of the committee. We are in your hands. I can go and call Senator Carr and we can bring him up here in five minutes.

Senator EGGLESTON—You are making a presumption.

Senator Sherry—I am going. Senator Carr will be here for resources.

CHAIR—Do we have questions for Tourism Australia?

Senator MILNE—Firstly, I am wondering what analysis you have done in respect of the impact of climate change and voluntary offsets, given the new focus on long-haul flights? Especially in the European Union, people are being encouraged to stay within the European Union and not take long-haul flights? What are Tourism Australia's thoughts on that in terms of tourism numbers to Australia? Secondly, it has been put to me that we could expect a contraction of global airlines to maybe three airlines in the next five years or so. What is the likely impact of that in terms of long-haul flights?

Mr Buckley—On the first question, on the impact of climate change, we have been using consumer surveys to try to understand what the consumer might do in response. At this stage our research is telling us there is no impact on the decision to travel long haul for leisure purposes. It has come up in their list of overall concerns. Some of the responses from markets like Germany are that they recognise that they will be more at home but still are quite comfortable to take long-haul travel. So far there have been no direct impacts that we can see. The issue is slightly different in the business events area, where corporates are making that decision. It is impacting quite significantly on the bidding process to ensure that Australian's green credentials or the credentials of the conference or destination are put up as part of the bid. That whole corporate social responsibility area is a very strong concern for the corporates. We are seeing that raised in business events but not in leisure.

On the second issue of global aviation, we are tracking the aviation sector as closely as we can. Changes are occurring almost daily, so it is a challenge. Our forecasts indicate that in fact Australia will see a growth in seat capacity in 2009 of something like 8 per cent. That is off the back of new airlines like V Australia starting up, the A380 aircraft coming on line and lifting the seat capacity on existing routes and some other changes across the network. The longer term is a challenge to really push. We are very strongly dependent on access. We work very closely with the airlines to try to prove up, if you like, the value of a route like Australia and we see enough demand from the consumer to warrant that process. Again, it gets down to airline economics when they finally make the call. Like you, I have read about some potential for mergers and I think that is likely to be the case. It seems economies of scale are the only way in which airlines can keep the cost down and continue to evolve the quality of the product and the time frame, so we are watching it closely. In the short term we are positive about the seat capacity, which we think in 2009 might help us overcome some of the other issues.

Senator MILNE—Given the increase in seat capacity and the global financial crisis, it seems to me that people are going to be more conservative in their choices. Is there any preliminary indication through your networks of whether we are going to be able to take advantage of that additional seat capacity or are we seeing extreme discounting to try to fill the seats? What is the trend emerging in the early months of this year?

Mr Buckley—We are seeing a combination of those factors. We have undertaken what we call a global tourism monitor. We are going to do that monthly. We did some survey work in early January to try to understand what was going on in each of our key markets around the world, but also what is happening in Australia. What was coming through was that, in aviation and seat capacity, particularly on routes like the United States/Pacific route, we were seeing some stimulation in that area and some fairly strong competitive fares coming through, which was starting to stimulate the market. The market, like the US, has held up remarkably well in current circumstances. The thing we are seeing is that airline fare competition is likely also to play out in the UK and Europe. That is the expectation and, certainly, we are starting to see some great fares on the kangaroo route as well. That is good. It is stimulating the market, and those people who do have dollars to spend are still travelling. It is going to be that combination of the economy in the local source market versus the opportunity and the price

stimulation that the airlines particularly are going out with. It is a mixed message at this point in time.

Senator EGGLESTON—I would like to ask you about the focus on India. I gather that tourist numbers from Japan are falling quite dramatically. What is it that we are offering Indian visitors to Australia?

Mr Buckley—In terms of product?

Senator EGGLESTON—Yes. Are you offering to take them to the outback or North Queensland?

Mr Buckley—No. It is much more east coast at this stage. India is what we would term a fairly young market for Australia. They are still exploring the major destinations. Most of the Indian market comes through Singapore and down and then they hit the east coast of Australia. The majority is still east coast, then the capital cities and exploring from there. There is very strong growth and what we are also seeing is a bit of growth out of the education market, as well as the leisure market.

Senator EGGLESTON—What does your research tell you about the causes for the fall in tourism from countries like Japan and perhaps Korea?

Mr Buckley—For us, Japan is a quite specific case. We were seeing challenges in that market well before the current global financial crisis. We were trying to put in place a whole range of activity to keep that market from dropping away too far, off the back of a quite difficult economy and reduced aviation capacity. It is those two factors. The yen, when you go back six to 12 months, was almost ¥100 to the dollar, but it is now down to something like ¥60 to the dollar. I think therein lies the challenge for us. It was a combination of factors, which is probably true for just about every market we are in. It is a combination of the local economy, what people are thinking about in terms of their jobs and financial situation, and then access and the offer that is available. Exchange rates have made a very big difference to that offer for us in many of our markets.

Senator EGGLESTON—The tourism industry placed a lot of emphasis on the movie *Australia*. A lot seemed to ride on its success, but from what I read it has not actually been such a great success in the United States and perhaps in other parts of the world. Do you feel that it might not have been so wise to use that as a vehicle for tourist promotion to the extent that you have?

Mr Buckley—No, on the contrary. It is still in its early stages. The movie has gone out to something like 14 out of 20 markets so far. It is due for release tomorrow in Japan, so it is still developing. Our advertising campaign is also still developing, which leverages off the themes of the movie, but is stand-alone. From the earlier results point of view, we are really pleased. We are told that the movie itself has generated something like US\$196 million already at the box office. It is at No. 3 and, potentially, it will go to the No. 2 all-time best box office Australian made movie in Australia. When it is rolled out in many of our key markets, whether it be the UK, Germany or France, it is No. 1 in that week of the rollout. What that has done for us and what we see the movie as is that it acts as a huge PR machine driving Australia as a destination. What that has generated is that something around 700 million

people have now been exposed to Australia in a positive way since we launched the campaign and the movie in October last year.

Senator EGGLESTON—Has that translated into increased bookings from various countries?

Mr Buckley—It is translating into the next phase. We have had 100 per cent increase in our website hits, which takes people into that process. In some markets we have early indications from some of our partners, being the likes of Etihad and also Qantas in the US where there have been strong spikes in their sales. For us, the core KPI for Tourism Australia is trying to increase that intention to travel in the next 12 months. What we do know from our brand tracking, which we track right around the world, is that, when you ask the consumer if they are intending to travel to Australia in the next 12 months, the answer comes back across our key markets that about 15 per cent of our target market are intending to travel to Australia in the next 12 months. That is the average. If you ask the question about whether they have seen the movie and campaign, we get an answer back that 24 per cent of that group are intending to travel to Australia in the next 12 months.

Senator RONALDSON—It will be on DVD within 12 months. In fact it will probably be on DVD within six months. Surely the measure is not going to be the intention to travel. It is going to be bums on seats, isn't it? What is your forecast for the taxpayers' \$40 million investment in this film? What numbers are you expecting? What are your forecast numbers to justify this investment?

Mr Buckley—I can answer that in two ways. In fact our focus is on intention to travel. That is Tourism Australia's KPI. That is what the taxpayers' funds are meant to generate. That intention to travel is then able to be converted by the industry, which is their role. Having said that, we are looking to try to achieve and maintain a better tourism forecast. What we are trying to do is maintain that potential forecast in what is a really different market.

Senator RONALDSON—Your KPI for Tourism Australia is the intention to travel. Is that the start and finish of Tourism Australia's KPI?

Mr Buckley—That is our primary KPI. It is not our only KPI. We have a whole range of others which are around supporting and helping the industry in terms of their activity. We do trade events and a whole range of other things which are supporting the industry. In terms of brand Australia, that is how we measure whether it is moving forward. If we can increase that number then it will translate into numbers further down by the industry. That is the belief.

Senator RONALDSON—A 15 per cent increase in the intention to travel, but you do not have one increased visitor. Are you still satisfied with the outcome of your expenditure?

Mr Buckley—No. What we know is that that intention to travel translates into actual travel. That is the way it works.

Senator CAMERON—I would like to ask a question on that point. How long has that been your KPI?

Mr Buckley—Certainly as long as I have been in Tourism Australia, which is since 2004.

Senator RONALDSON—I take it you are very worried about the Japanese market?

Mr Buckley—The Japanese market, yes.

Senator RONALDSON—I take it you are trying to put a floor under that reduction, which I gather the Tourism Forecasting Council, TFC, is indicating a downturn of 11.9 per cent in the Japanese market this year. Is that right?

Mr Buckley—I will get someone to double check that number, but it is in that order.

Senator RONALDSON—I understand from the TFC figures for the Asian market that they are forecasting an increase in the Chinese market of 4.5 per cent. Is that right?

Mr Buckley—Are you talking about tourism forecasts?

Senator RONALDSON—I will start again. Did you hear my comments about Japan?

Mr Buckley—Yes.

Senator RONALDSON—In relation to China, I understand the TFC is indicating a boost in the Chinese market of about 4.5 per cent.

Mr Buckley—I think that is correct. I will double check my numbers for you. It just depends on whether you are talking about the financial year or calendar year, but approximately that number.

Senator RONALDSON—What are the raw numbers from Chinese tourists as opposed to Japanese tourists? Is it equal, half or double?

Mr Buckley—The Japanese numbers are larger than the Chinese numbers. The Chinese are around 360,000 visitors. I will give you the exact figures: China was 356,000 arrivals in 2008 and Japan was 457,000.

Senator RONALDSON—That is substantially greater. We have dwindling visiting numbers from a very significant market. If these figures are wrong, please correct me, but why would you be spending \$3.7 million in this Baz Luhrmann *Australia* campaign in China, but only \$1 million in Japan where the market is in free fall and a market that you have indicated we need to put a floor under?

Mr Buckley—We had a separate campaign running in Japan. We have retained that focus in Japan, which was really about the World Heritage campaign.

Senator RONALDSON—That does not really give me an answer. Why would you be spending four times as much in a market which is forecast to grow and you are only spending a quarter of that in a market that is in absolute free fall, which is delivering visitor numbers of about a third greater than the one that you are directing the majority of the money into?

Mr Buckley—What I am saying is that we are not spending much less in Japan. We have two campaigns being the Transformation campaign and the World Heritage campaign. I will just pull the numbers out in a moment as to what we are spending in Japan in total versus what we are spending in China. From memory, we are spending something like A\$10 million in the Japanese market this year and something like \$8 million in China.

Senator Sherry—I would like to clarify that. Does your question about the relative levels of expenditure go to the film *Australia*?

Senator RONALDSON—Yes.

Senator Sherry—Maybe Mr Buckley might like to comment but I would have thought that at least one of the themes of *Australia* may not have as strong appeal to the Japanese market as to other markets.

Mr Buckley—That is why we have a second campaign in the Japanese market being the World Heritage, which we started with and which is leveraging a huge amount of support from the Japanese wholesalers. The senator might be referring to some dollars we provided in response to the previous Senate estimates and we are only talking about the dollars we spent on the Transformation campaign, which was approximately \$1 million in Japan. We are spending a much larger amount in terms of the World Heritage campaign. On balance we are spending more dollars in Japan than we are spending in China this year.

Senator Sherry—I would like to add to that answer. I do not know whether or not Senator Ronaldson has seen the film *Australia*, but it does contain a series of events around World War II. It would seem fairly blindingly obvious to me why you would not have the same weight for the *Australia* campaign in Japan as you would have for other countries.

Senator RONALDSON—That is all very well, but I am sure you were acutely unaware of the fact that the Japanese market is in complete and utter free fall. If your view is that it is not a market worth protecting then there is really not much we can do and I cannot comment on it.

Senator Sherry—That is not what I said. I am very well aware that the Japanese market has been in decline. The witness has indicated a range of factors. I do not know whether you saw the film or not, but I would suggest to you that the events that occur in part of that film relating to the Japanese attack on Australia would not be particularly appealing to a Japanese audience. That may be a factor.

Senator RONALDSON—My colleagues and I are a bit taken back—and it came out of the department and it has come out of you as well—that for an industry that is absolutely pivotal to this country, particularly in regional and rural Australia, there just seems to be little or no focus on protecting this industry or doing anything constructive for it. There are informal meetings in relation to the National Tourism Incident Response Plan. They are not meeting. They are picking up the phone and having ad hoc meetings. I think it is about time this government got off its backside and did something constructive for the industry. You can use the mechanisms that you have in place to do something about it.

CHAIR—The place for debating is in parliament. Mr Buckley was vainly trying to answer a question some time back.

Senator Sherry—Mr Buckley was trying to give some figures on Japan and China.

Senator CAMERON—Have you discovered there is a crisis?

Senator RONALDSON—The minister was asking me a question, which I think is bizarre, but I am happy to respond.

CHAIR—Mr Buckley is trying to answer your question.

Senator Sherry—Have you seen the film?

Senator RONALDSON—Yes, I have seen the film.

Senator Sherry—You should know then.

Mr Buckley—The expenditure for 2008-09 for Japan in Australian project dollars is \$7.3 million and for China it is \$3.7 million.

Senator RONALDSON—From the *Australia* campaign it is \$1 million into Japan.

Mr Buckley—Of that \$7.3 million—that is correct. The balance goes into the World Heritage campaign, which had been launched in the previous 12 months, and we felt was getting good traction and good support from the industry, so we kept that momentum going with that support. We were doing the very thing you suggested, that is, trying to hold up the market.

Senator RONALDSON—It is interesting to see whether you put the floor under the dwindling Japanese market. I am mindful of the time. What is the anticipated downturn in the domestic tourism and international tourism markets as a result of the GFC?

Mr Buckley—The Tourism Forecasting Council are forecasting a 4.5 per cent drop in international visitors for 2009 versus 2008 and a similar percentage for the domestic market.

Senator RONALDSON—When did they last meet?

Mr Buckley—The new forecasts were released on 30 December.

Senator RONALDSON—Do they meet annually?

Mr Buckley—No. We normally would produce the forecasts twice a year, but in these circumstances we clearly will stay very close to the economic changes that are taking place around the world which do impact on the forecasts. If they shift significantly again from end of December then we will look at whether we need to redo the forecasts.

Senator RONALDSON—You do not believe that there has been any deterioration in the last three months in the global economic situation?

Mr Buckley—The numbers for December were based on mid-December economic data.

Senator RONALDSON—Are you not due to meet until June or July?

Mr Buckley—We will keep monitoring right now. You are correct; the next forecast will be something like that. We will keep an eye on the way in which the economy is moving. If it shifts quite significantly from the current global forecast of about minus one per cent then we will have another look and see what impact that might have on the tourism forecasts. There is a whole modelling process that backs this up.

Senator RONALDSON—Do you think it is appropriate not to have a meeting for six months? Why would you not plan to have a meeting in March, for example, after three months to review this situation? There just does not seem to be a sense of urgency—

Mr Buckley—As I said, the tourism forecasting team are monitoring the economic conditions weekly so that if they deteriorate significantly from where they were at the end of December then they will trigger a review process and we will then review the forecast and produce new ones. In these sorts of circumstances that is the way we work.

Senator RONALDSON—What is the trigger point going to be?

Mr Buckley—It will be a significant downgrade in the global economic forecast currently. As I said, with the numbers we use they were talking about minus 1 per cent GDP globally.

Senator BIRMINGHAM—Most of the flight cancellations and cuts to route numbers, particularly by the domestic carriers, have occurred since December though. That is right; isn't it?

Mr Buckley—I think we have seen enough change to anticipate that it is going to impact the forecast significantly. Aviation is only one component of the domestic market. It is very strongly driven by both other forms of transport.

Senator BIRMINGHAM—What movement have you seen to international carrier movements?

Mr Buckley—As I said, we are anticipating 2009—and it has just started now—we will be at 8 per cent growth in seat capacity into Australia compared to 2008. That has been factored into the forecast. Again, if there were a major shift then we would start to rethink whether we needed to reissue the forecast.

CHAIR—One of the problems with the economics committee this afternoon is that we have a number of different agencies, and your colleagues were all on lists to come here. Pushing out the time like this is going to cause problems. Do you have many questions left? I am in the committee's hands. I am just saying your colleagues are informing me that they want to come in and ask questions.

Senator Sherry—I will be excused. Senator Carr will take over because in about 20 minutes I have to go to another committee.

Senator BIRMINGHAM—Just confirm something for me. Has the *Australia* campaign completely supplanted and replaced the *Where the Bloody Hell Are You?* campaign?

Mr Buckley—That is correct.

Senator BIRMINGHAM—When was the decision to end that campaign made?

Mr Buckley—It was around about July but we started working on this current campaign before that. It was about July.

Senator BIRMINGHAM—Because in June last year when we met across the table here, you said about that campaign that it was 'showing broadly positive results for the western markets'.

Mr Buckley—Absolutely.

Senator BIRMINGHAM—It was showing positive results in June but you ended it in July?

Mr Buckley—I think what we saw was an opportunity to take advantage of something that was extraordinary. With limited amounts of dollars you take that opportunity, and that is what we have done. Certainly we recognised we only had a limited window of opportunity so we took that opportunity. As we indicated at that point in time, we saw it as a transition campaign around a movie which will have a tail. But that was the decision that we took to take advantage.

Senator BIRMINGHAM—How long had the Where the Bloody Hell Are You? campaign run for?

Mr Buckley—It was launched in early 2005 from memory.

Senator BIRMINGHAM—It was about 2½ years?

Mr Buckley—Yes.

Senator BIRMINGHAM—For how long do you expect the *Australia* campaign to run?

Mr Buckley—This one was always said to be a transition campaign. We are seeing a great take-up of some of the concepts there, so we might evolve some of those concepts, but we always saw the movie as a leveraging opportunity. It would only have a limited amount of life. Right now we are working on whether the concept of transformation underpinning it, which we used, has a longer life, so that is part of the review process we are taking with our agency DDB.

Senator BIRMINGHAM—By transition do you mean 12 months, roughly?

Mr Buckley—Potentially for the movie-based leveraging, yes; but if the concept works for us the way we believe it is working and it has further legs then we will not change the campaign just for the sake of it. It will need to be strategically aligned.

Senator BIRMINGHAM—How long is an ideal period of time for a campaign? I would have thought a good few years was your ideal time.

Mr Buckley—Yes. Most of the time marketers would tell you there is a wear-out factor and you actually monitor that wear-out factor in terms of the consumer not seeing it and it starting to lose its traction with the consumer. That is when you start to move to a new campaign.

Senator BIRMINGHAM—How much is invested in the No Leave, No Life program this year?

Mr Buckley—In an earlier phase of our planning, we were looking at a relatively small number of \$450,000. As we have evolved the concept further and talked with a lot of partners, I think it is going to be larger than that. We have yet to make a final decision. That will go to my board the week after next in terms of what we would like to put behind the campaign. It will be more than that but at this stage we have not finalised it.

Senator BIRMINGHAM—That is in this financial year?

Mr Buckley—Correct.

Senator BIRMINGHAM—In terms of Business Events Australia, can you tell me how much is committed to it this year, please?

Mr Buckley—I think I answered that at the last Senate estimates. I will just confirm that number but my memory is \$5.6 million. That is a total commitment of resources.

Senator BIRMINGHAM—You answered last time that for 2007-08 it was \$5.737 million and you had not set the budget last time I asked you as to what it is this year.

Mr Buckley—We maintained the budget so it would be of the same order. It varies a little depending on some of the in-market activity that gets supported. Business Events is not

driven out of a single point. In each of our key markets we have people and campaigns going, but it is of that order. I will get the numbers specifically. You are asking about 2008-09?

Senator BIRMINGHAM—Yes, thank you.

Mr Buckley—I will take that on notice if I can and just confirm the number. It shifts and changes as we test with partners but it would be something of that order. I will double check.

Senator BIRMINGHAM—Do you measure the incentives-based travel meetings, conferences, et cetera, separate from overall business travel?

Mr Buckley—Yes, we try to. The difficult area is that of incentives, which gets caught up in the way in which people actually nominate. We get data from the Australian Bureau of Statistics on arrivals and it talks about business or convention and if you tick that box you count it. About 186,000 last year came in with that sort of conventions and incentives, but we know there is some underreporting in that incentive area.

Senator BIRMINGHAM—With reference to Senator Milne's opening comments, is that a market that is still in growth?

Mr Buckley—Our advice is that it is under some challenge. There are certainly some corporations that are cutting back on conferences and meetings. What we are seeing is that the exchange rate is working in our favour out of Asia so there is some offsetting there, but certainly in markets like the US and the UK there is some concern. As you would be aware, a lot of the conferences, particularly association-type conferences, involve long-term plans, so a lot of the things that are coming now had been planned and agreed to years ago. They are happening. There is a lag in the response, if you like.

[3.21 pm]

CHAIR—That concludes Tourism Australia. Thank you for coming in this afternoon. I now call the resources and energy section of the Department of Resources, Energy and Tourism. Do we have an opening statement?

Senator Carr—No.

Mr Clarke—No.

CHAIR—Questions. Senator Ludlam?

Senator LUDLAM—I thank the committee for allowing me to drop in. I have a couple of questions that relate to the proposed Commonwealth radioactive waste dump in the Northern Territory and the legislation around it.

Mr Clarke—I will bring the appropriate officers to the table.

Senator LUDLAM—You are probably aware that last year the ECA committee inquired into a bill, which I moved in the Senate, to repeal the Commonwealth Radioactive Waste Management Act and replace it with other legislation. To what degree has your department been consulted and to what degree are you involved in the replacement legislation?

Ms Taylor—There really is not anything new to say on this issue, following the last estimates hearing. These matters are under active consideration by the government.

Senator LUDLAM—Has the tabling of the Senate inquiry made any material difference to the work that you are undertaking?

Ms Taylor—We are undertaking a range of different work on a range of different issues, and we are continuing to do that.

Senator LUDLAM—I am aware of that, but that does not answer the question at all. Are you aware of the recommendations of the Senate inquiry?

Ms Taylor—Yes.

Senator LUDLAM—Has that made any difference at all to the work that you are progressing?

Ms Taylor—Not at this stage. We are still awaiting the government's decision in this matter.

Senator LUDLAM—Are you involved in advising the government on drafting instructions for new legislation?

Ms Taylor—We have been involved in advising the minister on a range of different matters and that has been ongoing.

Senator LUDLAM—That can be answered with just a simple yes or no.

Ms Taylor—I am unable to comment on the advice that we have given to the government.

Senator LUDLAM—Why is that?

Mr Clarke—We are giving it; you do not ask how we are giving advice.

Senator LUDLAM—I will take your advice. I was asking for a fairly simple yes or no.

Ms Taylor—Yes.

Senator LUDLAM—So you are involved in drafting instructions for replacement legislation?

Ms Taylor—I am sorry; we have given a range of different pieces of advice to the government.

Senator LUDLAM—On that specific issue?

Ms Taylor—On the whole radioactive management issue.

Senator LUDLAM—That is fairly obvious; I appreciate that. I am seeking your guidance, Minister. This is a fairly simple yes or no question. I do not understand what the evasion is about.

Mr Clarke—Can we just ask for clarification—

Senator Carr—Could you ask the question again, please, Senator?

Mr Clarke—I think your question specifically is: are we advising on drafting instructions?

Senator LUDLAM—Are you advising on replacement and repeal legislation around the Commonwealth radioactive waste dump?

Mr Clarke—Perhaps we are being too literal about policy advice versus drafting instruction advice. I am not sure how literal you want us to be.

Senator LUDLAM—Just tell us initially about policy advice.

Ms Taylor—Yes, we have given policy advice on that matter.

Senator LUDLAM—And drafting instructions?

Ms Taylor—No.

Senator LUDLAM—So, to your knowledge, you would not be able to tell me whether we can expect the legislation in any particular period of time.

Ms Taylor—The timing of this issue is a matter for the government.

Senator LUDLAM—Last time we met—I am not sure which of the officers it was—you spoke of a peer review of the report generated by Parsons Brinckerhoff reviewing the four sites identified by the last government. Can you tell me the status of that review?

Ms Taylor—Yes. As you rightly point out, we have engaged CH2M HILL to undertake a peer review of the Parsons Brinckerhoff work to assess a range of sites in the Northern Territory. That peer review process has been completed and Parsons Brinckerhoff is currently assessing its findings.

Senator LUDLAM—So that has gone back to PB. Last time I think I also asked whether you would be in a position to table the PB report. Are you in a position to do that now?

Ms Taylor—It is still in draft stage.

Senator LUDLAM—Can you tell me whether, since October 2008, the department has met with representatives of the Northern Land Council?

Ms Taylor—No.

Senator LUDLAM—So that is essentially since the last estimates hearings, which is the last time that you were here.

Ms Taylor—That is correct.

Senator LUDLAM—I have no further questions; thank you.

CHAIR—Thank you. Senator Joyce.

Senator JOYCE—I refer directly to this outcome: the improved strength, competitiveness and sustainability of resources to enhance Australia's prosperity—I imagine that means understood—into the future. Would the increased ownership of Australian resources by a Chinese sovereign wealth fund fulfil that outcome?

Mr Clarke—Judgment as to the impact, appropriateness et cetera of changes to foreign ownership of Australian entities is a matter that the Treasurer, through the FIRB process, makes a final decision on. I do not think I can speculate in particular terms in the way that you have invited me to do.

Senator JOYCE—But it is the outcome that we have here and which has been delivered by the government. Would 'improved strength, competitiveness and sustainability of resources' for Australia's prosperity be enhanced by greater ownership by another nation's government?

Mr Clarke—My response is that I obviously recognise the significance and the relevance of the question in today's environment but I do not think I can give a simple yes or no answer to it. It is a complex question, and the ultimate judgment in regard to each individual application is made by the Treasurer.

Senator JOYCE—I want to outline some directions that the Treasurer gave in a speech he made in July to the Australia China Business Council. Amongst other things, he said that he would take great consideration of whether the investor is individual from the government. Can you tell me whether Chinalco is part of the Chinese government?

Mr Clarke—That question should be directed to Treasury, which is the responsible department for analysing the bids that come forward for FIRB consideration under foreign investment.

Senator JOYCE—Is Rio Tinto a major exporter of Australian resources?

Mr Clarke—Yes.

Senator JOYCE—Is China a major purchaser of Australian resources?

Mr Clarke—Yes.

Senator JOYCE—Is Chinalco owned by the Chinese government?

Mr Clarke—The situation with Chinalco is on the public record.

Senator JOYCE—This is a question of fact: is Chinalco owned by the Chinese government?

Mr Clarke—Yes, it is a state owned enterprise.

Senator JOYCE—In the resources sector, are you aware of the particularity between such things as bauxite and the technology that develops bauxite in aluminium smelting?

Mr Clarke—Are we aware? I am sorry; I do not follow the question.

Senator JOYCE—Are you aware that there is a direct correlation, that the technology to develop aluminium is particular to the bauxite that is used in it.

Mr Hartwell—We monitor developments in a whole range of resource sectors and, of course, in doing so we are apprised from time to time of changes in technologies.

Senator JOYCE—Is there usually, implicitly, a sense of protection of the technology that develops aluminium?

Mr Hartwell—As applies with a number of technologies in the resources sector, intellectual property is an issue. Processes are developed that can add to the commercial strength of an operation or a company, and they may go to some extent to protect them. That is normal business practice.

Senator JOYCE—Are you aware that at times, especially in the resource sector—this has occurred lately—commercial disputation over contractual arrangements, especially between buyers and sellers of resources, has arisen or been experienced?

Mr Hartwell—Yes.

Senator JOYCE—At this very moment, is there a push on by China to try to reduce the purchase price of Australian resources?

Mr Hartwell—The prices of a great many of our resources are determined by what happens on world markets. Essentially, China is a part of that world market; it is a significant purchaser of some raw materials and it is not so significant in other areas. Prices are a reflection of supply and demand.

Senator JOYCE—What percentage of coal and iron ore purchases are made by China?

Mr Hartwell—Do you mean from Australia?

Senator JOYCE—The percentage of exports of coal and the percentage of exports of iron ore.

Mr Hartwell—From Australia?

Senator JOYCE—Yes.

Mr Hartwell—The percentage of coal from Australia is quite small; I could not give you the precise percentage. Of course, they are a much more significant purchaser of iron ore from Australia. But they also purchase iron ore from other suppliers, such as Brazil, which is a very major supplier—

Senator JOYCE—I just want to know what percentage of Australia's iron ore exports they purchase.

Mr Hartwell—My colleague here thinks that probably around 40 per cent of Chinese imports of iron ore come from Australia, but we will have to take that on notice.

Senator JOYCE—But do about 40 per cent of Australia's iron ore exports go to China?

Mr Hartwell—It is just a different figure. I do not have that figure immediately available, but we will find it for you.

Senator JOYCE—Are royalties determined as a baseline rate or as a percentage of price?

Mr Hartwell—Iron ore royalties?

Senator JOYCE—Iron ore and coal.

Mr Hartwell—Royalties are a matter for state jurisdictions and can vary from state to state and from commodity to commodity.

Senator JOYCE—But, generally, are they a percentage or a baseline price?

Mr Hartwell—As I have said, they can vary. I would not like to hazard an answer there. As I have said, it really does depend on the jurisdiction and on the particular commodity.

Senator JOYCE—What percentage of Australia's export wealth is determined by mining exports?

Mr Hartwell—Our minerals and energy exports this year will be around \$160 billion. As a percentage of our total exports, minerals and energy would probably account for around 60 per cent.

Senator JOYCE—So 60 per cent of our nation's exports are minerals.

Mr Hartwell—We can get you a statistical compendium, if you like, but I do not have one directly in front of me.

Senator JOYCE—Can you please give me, in some sort of priority order, the ratios of where our mineral exports go to? Is China our first and major export destination?

Mr Hartwell—Our major export destinations are in North Asia, of which Japan, Korea, Taiwan and China are all parts.

Senator JOYCE—Where does China rate with those?

Mr Hartwell—Currently, it is very, very close to the top and essentially that is driven largely by iron ore.

Senator JOYCE—Do you know of any capacity for Australians to buy into Chinese resource companies in China?

CHAIR—Senator Joyce, even if the officers do know the answer to that question, I do not know whether the department has any responsibility in that area.

Mr Clarke—This would be one of those questions where we do not know what we do not know, so I would not profess to be able to answer your question.

Senator JOYCE—Are you aware of arrangements with the export of Australian resources that can be affected by transfer pricing—that is, the manipulation of pricing between an entity that is both the miner and the ‘attainer’ of the resource after export?

Mr Clarke—That is certainly one of the issues that is considered in foreign takeover situations and other commercial transactions.

Senator JOYCE—To your knowledge, what is the current state of play regarding the purchase of Australian resources by foreign entities in Western Australia? That is the mines and not the minerals.

Senator Carr—I think you will have to be a little more specific, Senator. That is an extremely broad question.

Senator JOYCE—With organisations such as Fortescue Metals and Midwest, has a major play been made by foreign entities to purchase not so much the minerals extracted from these mines but the actual mining companies themselves?

Mr Clarke—As is well known, a number of proposals are currently on the table for acquisitions in Australia’s resources sector. We cannot give you advice other than what is in the public domain in that area.

Senator JOYCE—In your role in Treasury as a determinant of the revenue of the nation, do you think you should be concerned about or involved with anything in view of what is currently happening—that is, the purchase of Australian mines and the actual substance of that wealth by foreign sovereign wealth funds?

Mr Clarke—I cannot answer your question literally in terms of views that we might have. I can only state that this department provides specific resources sector advice to Treasury when Treasury is considering foreign investment proposals in this sector. We examine all of the sorts of issues that you have canvassed and we provide our advice to Treasury.

Senator JOYCE—What portion of the sector does Rio Tinto have with the export of coal?

Mr Hartwell—Of total Australian coal, both thermal and metallurgical coal? Again we can take that on notice and give you a precise figure, if you so wish. It is just that we have not come equipped with all of those specific sorts of market shares and individual companies. We will take that on notice.

Senator JOYCE—Can you tell me what, to the best of your knowledge, Rio is involved in the export of?

Mr Hartwell—Rio is a diversified company. It exports coal, iron ore and alumina. It also has a large share of Energy Resources of Australia, which exports uranium. Essentially, it is a very diversified export base.

Senator JOYCE—Where does Rio operate from?

Mr Hartwell—The managing director of Rio is located in London.

Senator JOYCE—St James Square.

Mr Hartwell—Its headquarters are in London, yes.

Senator MILNE—I would like to go to some questions around the Renewable Energy Demonstration Program, which was announced by the minister a short time ago. I understand from the minister's speech—he made the announcement on 20 February—that companies have 12 days to register. After that, they have only six weeks to put in a full application. This is for a \$450 million fund where the government is asking the companies to provide \$2 for every dollar that the government puts in. Why do you have such a compressed time frame? In addition, where do you think the Australian companies and technologies will come from in the middle of the current environment to make a bid in, in total, 7½ weeks from the minister's announcement?

Mr Clarke—There are a couple of points to your question. You are quite right about the headline time frames, of course, but there are a number of aspects. The initial registration period is in order for the department to be aware of what projects do intend to bid, and then there is that longer period to put in their full bid. You would be aware that the Prime Minister announced last year a desire to accelerate or bring forward the implementation of this program, so the registration period essentially enables us to test the market for which projects will be ready and potentially be able to be implemented very quickly.

The industry, though, has been aware of this program for a lot longer. The industry has been preparing for this announcement, and the broad parameters of it—a \$435 million program to support large-scale renewable energy projects—have been widely known for quite some time. The potential applicants have been talking to us about that. I would observe that the guidelines do not require the companies to have secured or locked in their financing, their matching funding, at the time they submit the application. With large grants programs such as this, a normal process is that their ability to match their raising capital will be contingent on their being successful in obtaining a grant from the Commonwealth. So a lot of negotiation and capital raising would occur after the Commonwealth has made its decision about the allocation of the funds.

Senator MILNE—The minister said that proven pilot projects will be able to commercialise. Where are these proven pilot projects around Australia that might qualify? Which ones are they?

Mr Clarke—I cannot speculate on who will apply for the project and it would not be appropriate for me to speculate on who might be the applicants. The program is now open and applications will come in in the way in which you have outlined.

Senator MILNE—My issue is that you would be able to count the number of proven pilots around the country on the fingers of both hands. Anyway, can you tell me whether Australian companies will just fly in overseas technology in order to meet the deadline? In other words, in order to put in a bid, are they likely to be citing the use of overseas technology rather than considering manufacturing here?

Mr Clarke—Again you are inviting me to speculate about what the applications will be, and it is not appropriate for me to do that at this stage.

Senator MILNE—So, under this program, is there any support for manufacturing? For example, you have Origin Energy with sliver cells, Spark Solar and so on. Where is there any funding for manufacturing support for companies like that?

Mr Clarke—The program's focus is on demonstrating large, commercial-scale renewable energy projects. I will invite my colleagues to respond as to the extent to which manufacturing activities are eligible expenditure in the jargon of a program in this case.

Mr Morling—The fact sheets for the program, the program guidelines, state that the REDP, the Renewable Energy Demonstration Program, aims to demonstrate the technical and economic viability of renewable energy technologies for power generation through large-scale installations. As Mr Clarke has said, we do not want to speculate but, if some part of a project were manufacturing but integrated with power generation, that may be eligible. We cannot speculate at this stage, but the program itself is clearly for the demonstration of technologies for power generation.

Senator MILNE—Given that it is for large scale, where is the funding for post-research development and initial commercialisation?

Mr Clarke—Yes, you are right. We are talking about a particular part of the innovation cycle at that large-scale demonstration and there are other important points. There is one other program that Geoff will talk about now.

Mr Stone—The \$500 million Renewable Energy Fund includes three programs: the Renewable Energy Demonstration Program, which you have mentioned; the \$50 million Geothermal Drilling Program, which is for proof of concept geothermal concepts; and \$15 million for second-generation biofuels. There is also a \$150 million Energy Innovation Fund, which includes a \$50 million program for clean energy research and development and will cover the range of renewable energy technologies plus energy efficiency and enabling technologies.

Senator MILNE—From what I can see from this, there seems to be me to be a gap: closed research development, technology transfer, small-scale demonstration, adaptation of technology for manufacturing and then support for manufacturing. If you do not have those

essential parts of the research manufacturing continuum, you are simply not going to get the industry development in Australia. Where is the emphasis going on those gaps?

Mr Clarke—I do not believe there is a gap in the way in which you describe it. Across the range of clean energy programs that are delivered out of the resources and energy area and the range of innovation programs delivered through the innovation, industry, science and research department, I think all of those bases are, in fact, covered.

Senator MILNE—I will go back to one of my earlier questions. You are doing a 12-day scoping exercise. You must have some idea of how many proven pilot projects there are around the country because, if they are proven, you would surely know about them. Can you just give me a sense of how many proven pilot projects to commercialisation that are ready to go to large scale we actually have in Australia?

Mr Clarke—You are asking us to speculate on how many projects we will register during that initial phase.

Senator MILNE—No, I am not asking you how many; I am asking you how many proven pilot projects do we have in Australia to date. I am not asking how many might apply for this fund but how many proven pilots to commercialisation we have; where are they and what are they?

Mr Clarke—So, in essence, are you asking us for a list of pilot-scale projects in technology classes that would be eligible to apply for this project?

Senator MILNE—Yes. Where are they, how many are there and what are they?

Mr Clarke—We do not have that list in front of us today. We would have to take that question on notice.

Senator MILNE—Thank you. I would appreciate it if you would.

Mr Morling—Perhaps I could add something here. What we have done with the design of the program is appropriate because the expression of interest stage is actually to go out there and ask the industry to come back to us with what they have on their books rather than for us to push forward some idea of what might be out there. So ‘expressions of interest’ is entirely as it says: it is for giving the industry the opportunity to come to us and show what is on the books.

Senator MILNE—The point I am making, though, is if a pilot project is already proven to commercialisation, the bureaucracy should know about it. My concern is that you do not know about it. You do not have a sense of the industry or the pressure you are putting them under in requiring them to try to get a project bid in in 7½ weeks.

Mr Clarke—I think I understand the point you are making. My concern is that, while the program is open, I do not want to be seen to be pre-empting or making any value judgments about potential applications for the program.

Senator MILNE—I want to move on quickly to Minister Ferguson’s speech in announcing this last week. In the course of his speech, he made a number of claims about feed-in tariffs, in particular, which were of considerable interest to me. Does Germany have a renewable energy target and a feed-in tariff?

Mr Clarke—Yes.

Senator MILNE—It does. It has both.

Mr Clarke—That is my understanding.

Senator MILNE—Thank you. Perhaps you ought to tell Minister Wong that that is the case then. The minister says that there are two paths available to governments seeking to promote renewable energy: the first is to pay feed-in tariffs and the other is for governments to mandate a renewable energy target and support broad based research et cetera. In fact, Germany does both, doesn't it?

Mr Clarke—A range of countries apply a range of different measures, yes.

Senator MILNE—The minister went on to talk about Germany's feed-in tariff. He said that Germany's solar subsidy saw around half of one per cent of Germany's gross electricity consumption. In talking about Germany's solar subsidy, what was he talking about? Was he talking about the feed-in tariff that the Germans have under their act? What solar subsidy was he talking about?

Mr Belt—The estimate that the minister used comes from a German government report—it was done by the German department of environment—entitled *Renewable energy sources in figures*. That report provides information on the feed-in tariff scheme in Germany. The figure was derived from the fees paid by German consumers for the feed-in tariff.

Senator MILNE—I strongly object to this paragraph because it represents the biggest mental gymnastics in putting the worst case scenario. I will read it to you and ask you some questions about that. The paragraph says, 'Germany's solar subsidy saw around half of one per cent of Germany's gross electricity consumption come from solar PV in 2007.' In fact, 14 per cent of gross power consumption is provided by renewables in Germany. So you went to great lengths to break that down to solar. Then you go on to say that German consumers that year paid more than \$1 billion in additional power bills to cover the cost of that policy. Where did the \$1 billion come in, particularly for solar? The solar subsidy is rolled into the Renewable Energy Sources Act, which is the basis on which the subsidy is paid across the whole of the renewable energy sector and a fair percentage is taken out first because of hydroelectricity, which they do not get the rebate for. When you are breaking down the cost, you are suggesting that half of one per cent is solar and that \$1 billion is paid for that, but you have taken it without the context of the whole renewable energy tariff and the feed-in tariff. This is really important because it misrepresents the whole thing, Minister.

Senator Carr—Senator, I understand that you feel strongly about these matters.

Senator MILNE—I do.

Senator Carr—However, I do not think it is reasonable to ask officers to answer questions about a minister's speech that contains interpretations that you are disputing. The chamber is available to each of us to make our points and I am sure there will be ample opportunities in the chamber to do so. But I do not think the Senate estimates is an appropriate forum in which to question officers about a minister's statements and your disagreements with them.

Senator MILNE—Somebody wrote this speech for the minister about the cost of the feed-in tariff. That is the context. Feed-in tariffs can have a number of unintended consequences, and we go on to the cost. I want to know specifically about the \$1 billion cost of the solar PV.

Senator Carr—What particularly do you want to know?

Senator MILNE—I want to know where that figure came from in the context of the whole feed-in tariff.

Mr Belt—As I have said, the figures that I understand the minister used were derived from a German government publication produced by the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety. The document was produced in June last year and is entitled *Renewable energy sources in figures*. The information regarding the proportion of electricity consumption that is coming from solar was taken from page 10 of that document. The information about the cost of that was taken from page 32, which provides information on the total fees paid for the feed-in tariffs. On the same page, the comment is made that 23 per cent of the fees currently apply to photovoltaic electricity. So, if you apply 23 per cent to the total fees paid, you get a figure for what is being paid for photovoltaic electricity.

Senator MILNE—So we have a statement about feed-in tariffs, we then narrow the German experience to the specific solar aspect of the tariff and then we take it back out with \$A2.5 billion in one year—without pointing out that the cost of the feed-in tariff to Germans is between €1.4 and €4.5 per month, so that, at the maximum range, you are looking at just over €50 a year. Anyway, I just want to make the point that this was a very interesting speech. I also want to know where the evidence is that the Australian government has the world's best policy settings to achieve this growth, innovation, creativity and competition in renewables. Minister, which policies are the best in the world?

Senator Carr—No doubt the officers will point to a range of programs within this portfolio that have been highlighted and are available in terms of the Renewable Energy Fund. You have asked the officers to source a comment; remarkably, they have been able to do that. I am truly impressed that they have been able to source that comment. As for the terms of debate, I think we can pursue that through other quarters.

Senator MILNE—Let me come back to another one. Minister Ferguson said that it was too early to be picking winners, nor should we be picking winners. How much has the government spent on carbon capture and storage in the last year, and how much is available to be spent on carbon capture and storage this year?

Mr Clarke—We will certainly provide you with the data you are seeking in a moment, but you have phrased the question as though that were picking winners. Was that also the question you were asking?

Senator MILNE—When I get the figures on how much you have spent on carbon capture and storage relative to the renewables, that will answer the question itself. Will you take that on notice and provide the full range of subsidies for carbon capture and storage?

Mr Clarke—Certainly. I will just make sure that we do understand the question to take on notice. Is it the outlays in the current financial year or is it the sum of announced programs?

Senator MILNE—I would like both, actually: in this financial year, the sum of outlays and also the promised outlays—and that is to clean coal and to carbon capture and storage. I would also like to know how much carbon capture and storage has contributed to the Australian electricity supply in the last year.

Mr Clarke—Let me give you the headline answers to those questions. In the government's announced programs on clean energy technology, there is a \$500 million program that was called clean coal but which is perhaps better characterised as CCS, as with the term that you have used, and there was a \$500 million fund on renewable energy. We can give you actual expenditure and the individual year, as you have requested.

Senator MILNE—Thank you. So that is \$500 million to clean coal and \$500 million to renewables. How many different energy sectors are in the renewables?

Mr Clarke—There are probably five or six dominant ones and then there would be any number of ways you could break it down beyond that.

Senator MILNE—So it is 50 per cent to one technology and 50 per cent, or less than 50 per cent, to more than five technologies.

Mr Clarke—No. I would characterise it as 50 per cent applied to the fossil fuel source, which currently is 80 or 90 per cent of stationary energy, and 50 per cent to the emerging and important renewable area.

CHAIR—Senator Milne, could you finish up soon?

Senator MILNE—Okay.

Mr Clarke—Was the second part of your question, 'What proportion of Australia's electricity is currently produced from CCS technology?'

Senator MILNE—Yes.

Mr Clarke—Zero.

Senator BUSHBY—I refer to the government's election commitment to implement a flow-through shares initiative and note that the measure was not accommodated in the 2008-09 budget. When will the government meet its promise to support a flow-through share scheme so as to encourage resource exploration initiatives?

Mr Hartwell—The government still has that under consideration.

Senator BUSHBY—So the department has received no instructions to proceed?

Mr Hartwell—The department is certainly working with a number of stakeholders on the appropriate design for such a scheme, but the government is yet to commit to a scheme in the sense that I have said—

Senator BUSHBY—So it is proceeding within the department?

Mr Hartwell—Yes.

Senator BUSHBY—At this stage, the final parameters of how that might be put together are yet to be determined?

Mr Hartwell—Yes.

Senator BUSHBY—In that sense, is it anticipated that the scheme will apply to both brownfield and greenfield exploration initiatives?

Mr Hartwell—Again, they are the details that are being worked through.

Senator BUSHBY—Have departmental officers had discussions with their colleagues within the investment attraction arm of Austrade that handles strategic investment coordination projects pertaining to the resources sector?

Mr Hartwell—Yes.

Senator BUSHBY—Have any of those discussions extended to carbon capture and storage projects?

Mr Hartwell—To my knowledge, they have not extended to carbon capture and storage projects.

Senator BUSHBY—You do not sound absolutely sure about that.

Mr Hartwell—I am not the person who has conducted all of those discussions and I am just saying that, to my knowledge, the ones that I have been involved in—

Senator BUSHBY—Would you put it on notice to check that to see whether any of those discussions have been held in regard to those projects?

Mr Hartwell—Yes.

Senator BUSHBY—Are the discussions with that particular arm of Austrade on investment attraction initiatives held in an ad hoc fashion or are there regular meetings on a scheduled basis?

Mr Hartwell—There have been a number of meetings over the last year or so in relation to the strategic investment coordination process, and I think it is fair to say there have been some regularly scheduled meetings, yes. The answer is yes.

Senator BUSHBY—Has anything really changed since the extent of the problems with the global financial crisis became apparent? Has any decision been made to have meetings more often or to add different items to the agenda?

Mr Hartwell—Not specifically in that sense, but I think it is well recognised that many companies are essentially finding it very difficult in the present circumstances—I am talking about the resources sector here—given the drop in prices, the impact on revenue flows and, as we have seen, some considerable pressure on balance sheets. In a sense, as part of those discussions, of course, that obviously would be a background to—

Senator BUSHBY—I am sure that would be a topic of discussion. I just wondered whether there had been any specific changes to the way you have approached your interaction with Austrade in that sense.

Mr Hartwell—I would not suggest that there has been any specific change with that. Obviously there is a process by those corporates who may ask for strategic investment assistance; there is a process worked through by the relevant line department. Of course, the strategic investment coordination process can involve a whole range of agencies in Canberra.

Senator BUSHBY—Are you aware of any change in the level of interest in potential investment attraction in terms of resource initiatives? Has it dropped off or picked up?

Mr Hartwell—At this point in time I do not detect any great drop-off or increase of interest in Australian resources. I think the fundamentals of the Australian resource industry, despite recent challenges, are still there and levels of investment are continuing to go forward.

Senator BUSHBY—That is encouraging to hear. Essentially, may I extrapolate and say that perhaps those companies that might be thinking of investing are looking long term and beyond the current challenges?

Mr Hartwell—Obviously, essentially, the current challenges have led to rethinking in a whole range of corporate boardrooms and so forth. We would expect that some projects on the books might be delayed or postponed. But the fundamentals remain there, and recent statistics indicate that there have been reasonable degrees of investment even over recent periods.

Senator BUSHBY—I will move on now to clean coal technology. In relation to the again revised ZeroGen Project in Queensland, what would the department estimate the commercial gap to be in terms of funding?

Mr Hartwell—That depends possibly on the parameters of the project. The ZeroGen project has gone through many configurations and, as has been reported at previous estimates, there have been discussions with ZeroGen proponents. The level of ‘non-commerciality’, if you wish to put it that way, is something that would really depend on, as I say, the size of the project, the types of technologies perhaps being pursued and a whole range of other factors.

Senator BUSHBY—Presumably you have had discussions with ZeroGen about the commercial gap.

Mr Hartwell—There have been discussions about a number of various proposals that the ZeroGen consortium have put forward over recent years, yes.

Senator BUSHBY—Are you able to tell the committee when those conversations occurred?

Mr Hartwell—I cannot remember them all specifically. But, as I have mentioned, there have been, if you like, a number of proposals put forward in relation to—

Senator BUSHBY—Are you able to take on notice to provide the dates of any meetings you have had?

Mr Hartwell—Yes, we can look at finding when those discussions were.

Senator BUSHBY—There have been warnings by the International Energy Agency that not enough progress is being made towards clean coal technology and that carbon capture and storage needs a kick-start. In view of that, what is the Rudd government doing to ensure that carbon capture and storage technology is not 15, 20 or 30 years away, which is suggested as being a problem? That is a very general question.

Mr Hartwell—Yes. I think the government has a very active program indeed in relation to carbon capture and storage. The \$500 million on low-emissions coal, which was announced in the last budget, has been mentioned already; that involves expenditure on post-combustion capture projects in Victoria and New South Wales. There is also expenditure on a coal

gasification facility in Queensland and a lot of work towards what we call carbon storage infrastructure mapping, essentially linking sources of CO₂ in Australia with possible sequestration sites. Also, \$75 million has been allocated towards coal R&D, which is focused particularly on providing research and development towards commercial scale CCS projects. In addition, of course, the Prime Minister did announce in September last year an international initiative to establish a global carbon capture and storage institute.

Senator BUSHBY—The global institute for carbon capture and storage.

Mr Hartwell—Yes.

Senator BUSHBY—I will come to that in a moment. Do any of those initiatives that you have listed look like bringing the technology to commercial realisation in the near future?

Mr Clarke—We would need to distinguish between the domestic initiatives and Australia's contribution to the global initiatives.

Senator BUSHBY—My question was about what the government is doing to actually bring forward the date of that technology and the answer I received listed certain things. I was asking whether any of those are likely to achieve that outcome.

Mr Clarke—Achieving that outcome is, of course, a global question.

Senator BUSHBY—It is, and they are obviously spending money domestically to try to achieve it.

Mr Clarke—Correct.

Senator BUSHBY—So I am really asking whether that is going to work.

Mr Clarke—We are all very interested in the answer to that question and, as these programs mature, we will be better able to answer it.

Senator BUSHBY—As I understand it, Australia is probably the nation with the greatest interest in actually—

Mr Clarke—There certainly would not be any nations that have a greater interest, but there are probably a number that have a similar degree of interest. The domestic projects that Mr Hartwell has outlined are there; they were part of that \$500 million clean coal program. The global question you draw from the International Energy Agency, of course. The IEA along with the Carbon Sequestration Leadership Forum set this goal or this target of 20 commercial scale CCS projects worldwide by 2020, and that goal was endorsed by the G8 last year. That has become a very useful point of reference for the global initiative to test the commercial application of CCS technology and it is really the focal point of this global CCS institute that Australia is currently establishing; that is to bring a portfolio of commercial scale CCS projects to realisation worldwide, some of which will be in Australia.

Senator BUSHBY—As I say, I am going to come to the global institute in a moment. I do not know that I necessarily got an answer as to how effective what we are spending domestically will be. It sounds as though maybe we would be better off taking that money and putting it into the institute, but—

Mr Hartwell—No, I—

Senator BUSHBY—I am conscious of the time, so I will move on from that. I will accept your answer as it is. In relation to the global institute for carbon capture and storage, who now is the lead officer in the department for moving this institute forward?

Mr Clarke—We have contracted into the department Mr Nick Otter to perform the duties of interim chief executive of the institute. Because the institute has not yet been established as a separate legal entity, Mr Otter is, in effect, a contract employee of the department.

Senator BUSHBY—So he is interim CEO. At some point the institute will become a separate legal entity; will he then become the permanent CEO?

Mr Clarke—Not necessarily. At this time we are also selecting a global search firm that will conduct a formal global search.

Senator BUSHBY—So he is interim in the true sense.

Mr Clarke—Yes.

Senator BUSHBY—Since being appointed, has he visited any other nations in relation to setting up the global institute?

Mr Hartwell—Perhaps we could just go back to the establishment of the institute itself. Following the announcement by the Prime Minister, there was a small preparatory team in the Department of Resources, Energy and Tourism, which Mr Clarke and other officers and I were involved in. We had a lot of discussions around the world, building consensus towards the establishment of the institute to address the gap that Mr Clarke outlined in the context of the recommendations by the Carbon Sequestration Leadership Forum and the International Energy Agency. Mr Otter was appointed from 12 January. By that time, of course, we had built quite a bit of support for the institute, and Mr Otter has continued that work. Since he has been appointed, he has made one overseas trip on behalf of the institute, continuing to build what I call a consensus around this proposal.

Senator BUSHBY—Which countries did he visit on that overseas trip?

Mr Hartwell—I do not have his full travel details in front of me, but I do recall him being in the United Kingdom and he could possibly have been in France also.

Senator BUSHBY—Would you take it on notice to find that out? When you do, could you also inform the committee of the size of the delegation that went with him? Presumably he did not travel on his own—or did he?

Mr Hartwell—On this particular trip, I believe that he did travel on his own, yes.

Senator BUSHBY—Please confirm that and also provide the committee with details and a breakdown of the expenses that were incurred as a result of that trip.

Mr Hartwell—Okay.

Senator BUSHBY—Are you aware of the reaction of government representatives in the countries that he has visited so far?

Mr Hartwell—The reaction of the United Kingdom—because they are already a foundation member; that was announced at the preparatory conference that we held in London—would have been quite positive. I have not been privy to the other discussions that

he was involved in. I do know that he was involved in some preparatory discussions for a meeting of the Carbon Sequestration Leadership Forum, the ministerial meeting, and there would have been other countries represented at that—

Senator BUSHBY—Can any other officer in the room assist with that?

Mr Clarke—Perhaps I can jump in here. If I understand your question correctly, it suggests that Mr Otter's primary function is consulting with potential members of the institute and encouraging them to join; that is not the case. That function Mr Hartwell and I are essentially—

Senator BUSHBY—We will move to that then. How is the department going in attracting interest from other countries to join the institute?

Mr Clarke—We would say that we are being very successful and we are very pleased with the global response from both global participants and industry. We have, we think, a very strong list of organisations, government and private, that have agreed to be founding members of the institute.

Senator BUSHBY—Are you able to provide the list of those who have agreed? Obviously, you may still be in negotiations with some and I am not asking for that detail, but can you provide the list of those who have agreed?

Mr Clarke—The list will be announced in due course when we conduct the launch of the institute. A shortlist was announced in London in November, at that very first prep meeting. A large number of other entities have since signed. But in all cases, except one that I can recall, we have asked them to keep their signing confidential until such time as the Australian government announces the full list of founding members.

Senator BUSHBY—I presume, with your saying that, the minister is actually invoking one of the exceptions to answering questions to the estimates committee on the basis of commercial in confidence. Would that be fair, Minister?

Senator Carr—The officer has explained the circumstances.

Senator BUSHBY—I know, but—

Senator Carr—Did you ask me a question?

Senator BUSHBY—I am giving you the opportunity to say that you agree that information cannot be given because it actually falls in one of the exceptions to questions.

Senator Carr—That is what the officer has just indicated to you.

Senator BUSHBY—But it is not his call to do that; it is the minister's call to do that, if anybody is going to claim that they cannot answer a question.

Senator Carr—I think you can be certain that we will be supporting officers in this way.

Senator BUSHBY—I am just trying to make sure that everything is done properly. There is a list. Presumably, you are still in negotiations with other nations and organisations.

Mr Clarke—Yes. A number of parties have signed and a number of parties are still negotiating.

Senator BUSHBY—Have you approached any national governments that have said they are not interested?

Mr Clarke—There is one I can recall whose position is that they do not wish to join as a founding member at this time and for whom, therefore, we are not continuing discussions.

Senator BUSHBY—That is the only nation that you are aware of?

Mr Clarke—Yes.

Senator BUSHBY—Are you able to indicate which nation that is?

Mr Clarke—I do not—

Senator BUSHBY—I will ask you to take it on notice that I would like that and you can come back to me with the response, as it may be.

Mr Clarke—Thank you.

Senator BUSHBY—With those who have signed up—

CHAIR—It is time for the scheduled afternoon tea break.

Senator BUSHBY—Can we continue afterwards?

CHAIR—Perhaps we might ask officers of the department to come back.

Senator Carr—There is a problem. We have officers from other departments. A timetable was published and people have planes to catch and there are all sorts of reasons why we should stick to that. Is there a suggestion that this committee is not going to stick to its timetable?

CHAIR—I did discuss this with the committee earlier and pointed out to them that this would cause problems because there are a number of different agencies, but the decision was made to continue on.

Senator Carr—So the published timetable means nothing.

CHAIR—The timetable is always flexible, and we endeavour to keep to it.

Senator BUSHBY—We are about an hour out of kilter, I would say.

Senator Carr—An hour—you think that is endeavouring.

CHAIR—Indeed.

Proceedings suspended from 4.15 pm to 4.29 pm

CHAIR—I call the meeting to order. We will continue with resources.

Senator EGGLESTON—There has been a lot of discussion about the Chinalco bid for part of Rio Tinto. Of course, although we have a long history of having foreign ownership of our mineral resources or being involved with mineral resources companies the difference here is that Chinalco is a sovereign wealth company of the Chinese government. The fact is, however, that Rio is registered on the London Stock Exchange. If the Chinese were to buy into Rio in London there seemed to be some doubt yesterday or question about whether our Foreign Investment Review Board would have jurisdiction over such a transaction. Therefore, I wondered whether the Rudd government was giving any consideration to a return to the

system of export licences used in the 1990s for mineral exports. Is the Rudd government considering that?

Mr Clarke—There are a couple of points here relating to the framing of your question that I just need to clarify. My answer was that Chinalco is a state owned enterprise. I think that is a different concept from a sovereign wealth fund. Rio Tinto is of course dual listed—in both the London and on Australia Stock Exchange. In answer to your question about policy matters, the answer is, no, not to my knowledge.

Senator EGGLESTON—I understand it is a state owned enterprise, but I think it is owned by a sovereign wealth fund, is it not?

Mr Clarke—The formal characterisation of it, as I understand it, is as an SOE.

Senator EGGLESTON—So, there is definitely no consideration by the Rudd government of reintroducing export licences?

Mr Clarke—None that I am aware of.

Senator EGGLESTON—The next thing I wanted to ask about was the comment by Twiggy Forrest. Hunan Valin Iron and Steel Company has just taken a 15 per cent stake in FMG for \$1.2 billion. I presume that will be subject to Foreign Investment Review Board assessment.

Mr Clarke—We are not the responsible department for determining what does and does not need to go through the FIRB panel.

Senator EGGLESTON—No, that is not actually my question. Mr Forrest has said that he thinks Chinese companies should be excluded from having any marketing rights, and asked for a so-called standstill arrangement to apply to any Chinese companies investing in Australian mineral companies. Is that a matter which you would be involved in discussions about?

Mr Clarke—Our role in regard to such foreign investment proposals is indeed to provide advice to the Treasury for FIRB consideration on sector-specific matters, which does include commercial marketing, et cetera, aspects.

Senator EGGLESTON—Do you have any views about Mr Forrest's opinions?

Mr Clarke—No, in this environment it would be inappropriate for us to comment on views.

Senator EGGLESTON—The other question I would like to ask you is about the Varanus Island gas explosion, which occurred last year and which had quite a devastating impact on the economy of the southwest of Western Australia. Is your department encouraging the Western Australian government towards the establishment of an energy security plan for the southwest of Western Australia and diversification of energy sources?

Mr Clarke—I am not sure quite how to respond to it. We are obviously all aware that there are a number of reviews and so forth going on in regard to Varanus Island. One would imagine that the Western Australian government would consider energy security issues in the light of the Varanus Island experience.

Senator EGGLESTON—But the federal government is not particularly pressing that issue with the Western Australian government?

Mr Clarke—No. We observe that all jurisdictions make considerations about energy security aspects and it is perfectly natural and proper that WA would be doing that in the light of that recent very significant event.

Senator BUSHBY—Prior to the break we were talking about the global CCS Institute, and we got to the point where we had established that there were a number of countries that had indicated their willingness to join, that there was one that had indicated it was not and that you were negotiating with others. Are you in a position yet to have scheduled meetings with those countries that have you received an agreement from, to develop ideas for the institute or proposals?

Mr Clarke—As to the timeline that we are currently working on, the objective we are working towards is to have the institute formed as a legal entity with its governance structures and programs, et cetera, by 30 June/1 July this year. As we have indicated, a significant number of government and private entities have already agreed to become founding members. The stage that we are now in, which Mr Otter is leading, is to prepare draft work plans, governance documents and more detailed implementation plans, and we will be engaging with all of those parties that have agreed to become founding members and will be consulting with them on those detailed implementation plans. That is the process that is currently under way.

Senator BUSHBY—Is there any regular scheduled plan as part of that consultation at this point or not?

Mr Clarke—It is currently ad hoc and will soon be broadcast by email. In due course there will be a formal meeting of all of those parties, but we have not yet locked in with those parties the date of that first full meeting.

Senator BUSHBY—Since the announcement last year of the global institute what requests have been made by the United States government in relation to the already existing CSLF and Australia's role in that organisation?

Mr Clarke—We have had many discussions with our colleagues in the US about the linkages between the institute and the CSLF, both before and after the US election, and those discussions are ongoing.

Senator BUSHBY—Have you had any requests from the US government in respect of the CSLF?

Mr Clarke—No. We have had discussion and debate about the terms and relationships, but in the literal sense of requests, certainly no requests—

Senator BUSHBY—Nothing as to funding?

Mr Clarke—We have had discussion about the potential for the institute to be an agent to deliver a number of CSLF programs—for example, capacity building has been discussed—but there are no formal requests currently in front of us.

Senator BUSHBY—I have some more questions, which I will put on notice in the interests of truncating time. I will leave it at that.

[4.40 pm]

INNOVATION, INDUSTRY, SCIENCE AND RESEARCH PORTFOLIO

In Attendance

Senator the Hon. Kim Carr, Minister for Innovation, Industry, Science and Research

Department of Innovation, Industry, Science and Research

Executive

Mr Mark Paterson, Secretary
Ms Jessie Borthwick, Acting Deputy Secretary
Mr Tim Mackey, Deputy Secretary

AusIndustry

Mr Bill Peel, Executive General Manager
Mr Chris Birch, General Manager, Research, Development and Venture Capital
Mr Sam Skrzypek, General Manager, Business Development and Commercialisation
Ms Judith Zielke, General Manager, Innovation
Mr Paul Sexton, General Manager, Customer Service
Dr Russell Edwards, State Manager, NSW

Corporate Division

Ms Melissa McClusky, Head of Division
Mr Richard Byron, General Manager, Human Resources and Facilities
Mr Brad Medland, General Manager, Corporate Finance
Ms Chris Butler, General Manager, Corporate Strategy
Ms Cherie Ellison, General Manager, Business Collaboration
Ms Michele Clement, Manger, Budget Policy and Strategic Planning
Ms Susan Charles, Manger, Marketing and Communication
Ms Denise Le Mesurier, Manager, Ministerial Liaison Office

eBusiness Division

Mr Ken Pettifer, Division Head and Chief Information Officer
Mr Mike Sibly, General Manager, Online eBusiness Services
Ms Trish Porter, General Manager, ICT Systems
Mr Steve Stirling, General Manager, ICT Operations

Enterprise Connect

Mr Barry Jones, Head of Division
Mr John Dean, General Manager, Enterprise Connect
Mr Ken Miley, General Manager, Trade and International

Industry and Small Business Policy

Ms Sue Weston, Head of Division
Mr Tony Greenwell, General Manager, Business Conditions Branch
Mr Michael Schwager, General Manager, Small Business and Deregulation Branch
Mr Richard Snabel, General Manager, Industry Policy and Economic Analysis Branch
Ms Ann Bray, Acting General Manager, Business Registration and Licensing Branch

Innovation Division

Mr Craig Pennifold, Head of Division
Ms Tricia Berman, General Manager, Innovation Policy

Mr Peter Chesworth, General Manager, Pharmaceuticals and Enabling Technologies
Ms Stella Morahan, General Manager, Cooperative Research Centres
Mr Tony Weber, General Manager, Innovation Analysis

Manufacturing Division

Mr Steve Payne, Head of Division
Mr Ivan Donaldson, General Manager, Australian Building Codes Board
Mr Mark Durrant, General Manager, Automotive and Engineering
Dr Michael Green, General Manager, Manufacturing Innovation
Mr Mike Lawson, General Manager, Competitive Industries
Ms Cecilia Wood, Manager, Textiles, Clothing and Footwear
Mr Alan Coleman, Manager, Textiles, Clothing and Footwear

National Measurement Institute

Dr Laurie Besley, Chief Executive Officer
Dr Valerie Villiere, General Manager, Legal Metrology

Questacon

Professor Graham Durant, Director
Mr Graham Smith, Acting General Manager, Development
Ms Lorraine Neish, General Manager, Operations

Science and Research Division

Ms Mary Finlay, Acting Head of Division, General Manager, international Science and Co-ordination
Ms Donna Valenti, Acting General Manager, Science Policy and Programs
Ms Anne-Marie Lansdown, General Manager, Research Infrastructure
Dr Anne Byrne, General Manager, Research Policy and Compacts Taskforce

Office of the Chief Scientist

Professor Penny D Sackett, Chief Scientist for Australia

Australian Nuclear Science and Technology Organisation

Dr Ron Cameron, Acting CEO
Mr Douglas Cubbin, CFO and Acting Chief of Operations
Mr Steve McIntosh, Senior Advisor, Government Liaison

Australian Research Council

Mr Len Marsden, Chief Operating Officer
Ms Leanne Harvey, General Manager, Research Excellence
Mr Andrew Cameron, Director, Resources

Commonwealth Scientific and Industrial Research Organisation

Dr Megan Clark, Chief Executive
Dr Alastair Robertson, Deputy Chief Executive, Science Strategy and Investment
Mr Mike Whelan, Deputy Chief Executive, Operations
Dr Martyn Jeggo, Director, Australian Animal Health Laboratory

CHAIR (Senator Hurley)—The committee will now examine the Innovation, Industry, Science and Research portfolio, commencing with questions for the department relating to industry and innovation. For the benefit of officers, I advise that the committee has fixed Friday, 17 April as the date for the return of answers to questions taken on notice. I welcome

officers of the department and Senator Carr, the Minister for Innovation, Industry, Science and Research. Minister, do you have an opening statement?

Senator Carr—Yes, I do. At the estimates hearing for my portfolio in October last year, Senator Abetz asked me about the scheduled biannual review of the Australian Stem Cell Centre which had just been completed. As I said at the time, I had only received the review's final report a day before the hearing and I was seeking advice on how much of it could be made public.

On the one hand, we have a report which deals with commercial matters which are confidential. On the other hand, this is a centre that has received significant Commonwealth funding, and so how we use this funding, of course, is a matter of both parliamentary and public interest. In my judgment, the best way to balance these considerations is to table the executive summary and the recommendation, which I wish to do today. I formally table the report.

The Australian Stem Cell Centre was established as the Australian Biotechnology Centre of Excellence in 2002, with most of the funding provided by the Commonwealth. Additional funds were provided by the government of Victoria, Monash University and the University of Queensland. The centre's brief was to establish itself as a global centre of excellence in stem cell research, to attract investment and expertise, to build Australian capacity, and to successfully commercialise research outcomes.

The quality of the centre's research is beyond dispute. The summary that I am tabling particularly notes the high calibre of the research funded by the centre, both internally and externally, and the excellence of their research. An expert science panel has judged the centre's research outputs, in terms of both its publications and its presentations, to be of a very high standard. The review has acknowledged the centre's role in postgraduate training and nurturing emerging scientists, and of course they also acknowledge its contribution to stem cell research internationally, not least in helping the stem cell network Asia Pacific. These successes are a credit to everyone involved.

Unfortunately, other aspects of the centre's work have not gone so well. The review has found that, while the centre's governance framework is sound, its governance practices have left something to be desired. The year 2008 was a particularly difficult year. On 29 July the board replaced the CEO. Later in the year, the board itself resigned. The deed of agreement governing the operations of the centre requires regular reviews, but these developments made the 2008 review especially timely. The reviewers identified what they saw as problems with the centre's management, its business strategy and its research direction. These included a lack of consensus about the centre's identity and purpose, a narrow view of how intellectual property should be generated and exploited, inadequacies in the centre's approach to commercialisation and translational research, and of course a closed organisational culture that impeded interactions with potential partners and collaborators.

I emphasise that my decision to table the executive summary and recommendation from the report should not—and I want to emphasise this—be taken to imply that the government endorses its conclusions. Members of the previous board have challenged some of the review's findings, particularly those relating to ethics and to the international standing of the

centre. They also suggest that expectations of the centre have been unrealistic. This is an opinion shared by the reviewers. In particular, they describe the expectation that the centre would generate significant commercial returns in less than 10 years as ‘unduly optimistic and exaggerated’. These will inevitably be matters of debate.

My concern, however, is not with the past but with the future wellbeing of this major national research initiative. With that in mind, I have asked my department and the Australian Research Council to work with the centre’s new interim board on a response to the issues that have been raised. Their advice should be available in the next couple of months.

Senator ABETZ—Before I get onto questions, That statement falls into the area of science and research, which we will be doing after dinner. If that statement could be made available I will be able to read it during the dinner break. Minister, is the Prime Minister’s job safe?

Senator Carr—Sorry?

Senator ABETZ—It’s a fairly simple question: is the Prime Minister’s job safe?

Senator Carr—Don’t be ridiculous, Senator.

Senator ABETZ—Is it or isn’t it?

CHAIR—We have elections for that.

Senator ABETZ—Is your job safe?

Senator Carr—Senator, I serve at the pleasure of the parliament, the Prime Minister and of course the Labor caucus. In that context I look forward to their confidence.

Senator ABETZ—So you are not willing to tell us that the Prime Minister’s job is safe? Does that mean that you and Ms Gillard are starting to do the numbers already? What is happening there?

CHAIR—We are here for supplementary budget estimates.

Senator ABETZ—Absolutely. This morning this minister was on radio telling Australians that nobody’s job was safe. It is interesting that he is not willing to say that about the Prime Minister’s job or his job. It is now quite obvious that two people in Australia have safe jobs, and they are the Prime Minister and the Minister for Industry, but not all those workers in industries all around the country.

Senator Carr—I accept that the words that I used this morning were poorly chosen. Jobs and employment in Australia are the paramount concern of this government and that is why we are focussing on supporting jobs across the Australian economy during this global recession. There is, of course, no silver bullet, but we will take action wherever we can. We will take it responsibly to support Australian jobs during these difficult times. That position stands in very sharp contrast with that of the opposition. They have voted against our Nation Building and Jobs Plan. They have rejected the idea that we should be stimulating the economy to support jobs. We have been very frank with the Australian people about just how difficult these economic conditions are. We have been upfront about the challenges that this country faces. The tougher things get, the more determined we are to shield Australia from the worst effects of this crisis. We will fight every inch of the way to support Australian jobs and growth, whether the opposition likes it or not.

Senator ABETZ—Clearly there was a prepared brief in relation to that matter, which you faithfully read out, as I anticipated.

Senator Carr—You are pretty predictable.

Senator ABETZ—I said to my staff, ‘The minister won’t be able to ad lib this. He’ll have to have a script where he does his mea culpa upfront and then give us a spray.’

CHAIR—Senator Abetz, do you have a question?

Senator ABETZ—Yes, I do. He now acknowledges that in his interview with Neil Mitchell he used some words that, chances are, on reflection he would not have used. Further on in that interview you talked about Pacific Brands. Did you have any discussions with Pacific Brands in recent times—and that means in the weeks leading up to yesterday’s announcement?

Senator Carr—Yes.

Senator ABETZ—What were those discussions about? Were they about the difficulties they were facing?

Senator Carr—I think I made public comment on these issues.

Senator ABETZ—Was it about the issues that the company was facing?

Senator Carr—Three weeks ago I spoke to the chairman of the board of Pacific Brands in the terms of whether or not the company was considering any changes. There was an indication that there were matters that were being debated within the company and I asked whether or not there were matters that we could assist with in terms of any further action to prevent the closure of factories in Australia. The chairman of the board indicated that there were no further actions the government could take.

Senator ABETZ—Mr Neil Mitchell said, ‘Were you aware of the depth of these problems before yesterday?’ You replied, ‘No.’ Mitchell said, ‘What?’ Can you tell us whether or not you were aware of the depth of the problems before yesterday? Clearly you were because it seems that part of your discussion three weeks ago was about how the closures could be prevented. That is pretty serious stuff. Closures mean everybody loses their job and in answer to the question, ‘Were you aware of the depth of these problems before yesterday?’ you told Neil Mitchell, ‘No.’ I would have thought you were from the discussion that you have just recounted. Did you choose your words in that part of the interview in an ill-advised way as well?

Senator Carr—The question related to the depths of concerns within the company. We have seen by the statement issued to the stock exchange yesterday by the company, and with regard to the debt levels, the share price and the discussions with banks, a range of matters which I was not aware of. Therefore to the question asked by Mr Mitchell this morning about whether I was aware of the depths of concern I answered, ‘No.’

Senator ABETZ—The depth of these problems necessitated the closure. You discussed the closure. You were told that nothing could be done about the closure three weeks ago and yet you tried to tell the Australian people via radio that you were not aware of these problems. You clearly were because the very direct question of closure of the plants was discussed by

you and the chairman of the board three weeks ago and you were told nothing could be done about it. Clearly you were aware. Isn't that the fact?

Senator Carr—I have answered that question.

Senator ABETZ—You were asked whether you were aware of the depth of these problems before yesterday and you are telling the Australian people to believe that you were not, although the chairman of the board actually told you they were closing and there was nothing you or the government could do about it.

Senator Carr—I think you should—

Senator ABETZ—Fair enough. I accept your answer. I do not think many others will.

Senator Carr—That is very good of you, but—

Senator ABETZ—Can you now backdate us—

Senator Carr—Senator, you have asked a question. Pacific Brands made a statement to the stock exchange yesterday. I was not aware of the details of that statement that was made to the stock exchange yesterday. That statement went to a range of factors which I, of course, was not made privy to. That is the property of the board. The board made its decisions with regard to the report that they had received from McKinsey on Friday. It would be wrong—and in fact what you are suggesting would be inappropriate—for the chairman of the board to be advising me of matters that he had not disclosed to the stock exchange.

Senator ABETZ—But the chairman did, did he not, because he told you there was nothing you could do about stopping the closure. Now you are putting the chairman into it, aren't you, big time by saying that he told you before he told the stock exchange three weeks ago that they were closing and there was nothing you could do about it.

Senator Carr—On the contrary: I have indicated to you that the board did not make its final decisions until last Friday. I have indicated to the committee that I was not privy to the report that the board had prepared for the stock exchange and was handed to the stock exchange yesterday.

Senator ABETZ—In that case, were you told three weeks ago that there was nothing you could do to stop the closure?

Senator Carr—I was.

Senator ABETZ—Thank you very much.

Senator Carr—There are a number of different questions that are being pursued by that report which goes to the depth of the problems at Pacific Brands. The closure is only one aspect of those problems.

Senator ABETZ—Can I tell you the only problem that the Australian people and the workers at Pacific Brands are concerned about is the closure and the loss of over 1,800 jobs. If you see that as just only one aspect of it, to be dismissed lightly, so be it, but let's go to—

Senator Carr—Senator, do not play these silly games. We have indicated just how profoundly disappointed we are in the decisions of the company. The company employs over 6,000 Australians. It has announced the closure of a number of plants. It has a number of

plants it has kept open. The company has indicated that it wishes to make redundant 1,850 people of the 6,000-plus that it employs.

Senator ABETZ—It is only 1,850 now, is it?

Senator Carr—We have indicated that our deep concern is with the welfare of those 1,850 people who have been made redundant through no fault of their own. We have indicated that the government is very concerned to take all possible steps to ensure they are able to move through this very difficult period as quickly as possible and to get their lives back on track as quickly as possible. We have indicated, because of the particular nature of that workforce, why it is necessary to take additional steps to ensure that we are able to provide the support they need. You may wish to play silly political games with this. You may wish to try to take political advantage out of these people's suffering, but it will not change the determination of this government to do all that it can to keep people in work, to do all that it can when people are made redundant to get them back into work as soon as possible and to do all that it can to provide the necessary support that people have a right to expect from their government.

Senator ABETZ—Have you stopped reading the brief? Can I ask another question? Thank you. It does not alter the fact that you told Neil Mitchell that you were not aware of the problems yet you were told that there were going to be closures. Regarding the way you say it is only 1,850 out of 6,000 jobs, can I tell you: out of the 1,850 I do not think they would see it as a small number. But can you tell us—

Senator Carr—I suggest you read the transcript again. You are more than happy to quote selectively. You are more than happy obviously to misrepresent the situation. I have expressed a view. The quotes if you read them accurately would reflect what was actually said.

Senator ABETZ—I have.

CHAIR—Clearly Senator Abetz was about to move on. Can I ask that that happen?

Senator ABETZ—Let us do that. Can you update us on how many jobs have been lost in the manufacturing sector since 24 November 2007? I would have thought that would have been an unfortunate but nevertheless front-of-mind figure.

Senator Carr—We are doing our best to give you an accurate answer.

Senator ABETZ—I think last time you told us it was 7,000.

Mr Payne—ABS statistics show that between November 2007 and November 2008 the numbers employed in the manufacturing sector declined from 1,084,000 to 1,066,000.

Senator ABETZ—That is—what?—18,000 jobs if my maths is right. Is that right?

Mr Payne—It is 17,800.

Senator ABETZ—What is 1,000 jobs or even 200 jobs between friends? That is a significant—

Senator Carr—That is the sort of flippant attitude that you have got, isn't it? That is exactly the sort of flippant attitude—

CHAIR—Can we continue?

Senator ABETZ—That is a very significant number and would it be fair to assume that since November 2008 that figure has been driven even higher?

Mr Payne—I am not really in a position to comment on that. Our source of the statistics is the ABS and the next quarterly figures are due out next month. Until then I am not in a position to comment.

Senator ABETZ—Do you have any sort of finger on the pulse to indicate whether there has been a growth in manufacturing jobs in Australia since November 2008 or a decline in manufacturing jobs since November 2008? What are you expecting the trend to be, up or down?

Mr Payne—It is not really something that I should comment on. We do monitor public announcements. We compile information but it is not a comprehensive database.

Senator ABETZ—I am not asking for an exact figure. All I am asking is this. When the next set of figures comes out, do you anticipate that the loss of manufacturing jobs will be higher or lower than the 17,800 figure?

Mr Payne—You are asking me for a personal opinion which I am not willing to express. The figures that we would always provide to you are those ABS statistics.

Senator ABETZ—I will not push it any further. Suffice to say many departments tell us what their expectations are in relation to trends and that this portfolio is not willing to indicate what they anticipate the trend is, unfortunate though it might be. I would simply say I find that disappointing. But if that is the position we will move on.

Mr Paterson—We are not market commentators and we do not pretend to be market commentators. The statistics and market expectations in relation to employment numbers, both aggregate numbers and employment numbers by sector, move around and a variety of people whose full-time job is focused on this area do not get it right by speculation. We have always provided you with numbers that reflect the breakdown as we understand it, and it is a highly volatile time. There is no doubt there is movement up and there is movement down and we cannot tell you what those numbers will show.

Senator ABETZ—Can I tell you the Treasury department and other departments can tell us that they anticipate a growth in the unemployment level. They do not have any difficulty. I just thought that this department might be able to indicate whether they think they might be part of that unfortunate growth in the unemployment level, but you say you are not and I accept that and we will move on. Which sector of the Australian economy has suffered the most job losses since November 2007?

Senator Carr—I do not have a number to hand on that.

Senator ABETZ—Could you could take that on notice, if yours is the right department to ask that question?

Senator Carr—In terms of the compilation of numbers it is the Treasury portfolio and the ABS who were here earlier today I think, but we are happy—

Senator ABETZ—If the department would be as kind as to flick that through to Treasury I would be much obliged. The situation is that we have lost a lot of manufacturing jobs. We

have had these quotes. On 16 March 2007, 'I do not want to be the Prime Minister of a country where we do not make things anymore.' On 23 April, 'If I become the next Prime Minister of Australia I do not want to be Prime Minister of a country which does not make things anymore.' Then, on 6 June 2008, 'What I would say is that I said explicitly prior to the last election that I did not want to be Prime Minister of a country where we did not make things anymore.' In my home state of Tasmania—on a very rare visit—the Prime Minister said 15 August 2008, 'As I have said before and I said prior to becoming Prime Minister of Australia, I do not want to be Prime Minister of a country that does not make things anymore.' How many days have you been in office? Do you know?

Senator Carr—I do not count them. How many days have you been in opposition?

Senator ABETZ—Too many, I can tell you that. It has been a very long time. You then had a press release. That was the promise that was made to the Australian people. We have seen manufacturing jobs heading south big time. But then almost a year ago on 8 March last year and on 19 September last year—161 days ago—you said, 'The TCF industries have an important role to play in Australia's economic and social future but the right policy settings must be put in place now'—with the emphasis on 'now'. Then you said, 'The report demonstrates'—and this was the Green report—'that we can be confident about the future of TCF industries if the right policy decisions are made now.' Tell me: what decisive action has the government taken since the Green report was provided to you some five months ago to support the TCF sector?

Senator Carr—We have indicated to you in the past and I repeat: despite what was effectively a decade of neglect by the previous regime manufacturing remains a cornerstone of the Australian economy. It still employs well over 1.1 million Australians. It has proved to be extraordinarily resilient to the pressures that it was facing. However, we do have to acknowledge that, because of the global economic downturn, the sector is facing considerable pressures. Various survey results that I have seen indicate we might be operating at about 70 per cent of capacity at the moment. What we have seen is a range of pressures coming to bear. That is why the government has moved to restore liquidity and stability to the financial system. That is why we have sought to stimulate demand and keep the economy moving. That is why we have indicated—

Senator ABETZ—To buy socks and jocks.

Senator Carr—that we are prepared to move heaven and earth to protect the Australian economy and that is what we have been doing. We have introduced a deposit and wholesale funding guarantees—

Senator ABETZ—How does that help the TCF with—

Senator Carr—It supports the financial system. We have invested \$4 million in the residential mortgage market—

Senator ABETZ—That helps the TCF sector.

Senator Carr—We have implemented a \$10.4 billion economic security package—

Senator ABETZ—Yes, to buy socks and jocks. We were told that.

Senator Carr—We have indicated support of the automotive industry—

Senator ABETZ—Yes. That is a great help.

Senator Carr—You would be surprised how much textiles are involved—

Senator ABETZ—Talk to Melba.

Senator CAMERON—Chair, I raise a point of order. The minister has been asked the question and Senator Abetz interrupts every time he answers the question. The minister is entitled to answer the question uninterrupted.

Senator ABETZ—If he answers the question.

CHAIR—I think the minister is struggling on manfully but I think it would assist if there were not interjections.

Senator Carr—We have invested \$300 million in regional and local government infrastructure. We have invested \$15 billion in investment in education, health and housing. We have provided guarantees in terms of the special purpose vehicle for car dealerships of \$2 billion. We provided a further \$4.7 billion in nation building packages to strengthen the economy. We have established a \$4 billion Australian Business Investment Partnership in terms of the commercial property sector. We have announced a \$42 billion Nation Building and Jobs Plan, which you voted against. The government have sought to strengthen the level of aggregate demand and have sought to encourage and develop the economy to move through this period of difficulty as quickly as possible. We are in the process of providing assistance such as investment allowances and providing assistance with regard to the taxation system. You have seen in the context of declining interest rates a range of other measures that have led to an improvement in the overall position. The recommendations in the Green report that you refer to were not and never were intended to be considered until 2010. The industry and the government have been in a process of discussion and only last Friday have had a situation where the industry has come to us with a united position. We are in the process of discussing the implementation of Professor Green's review. We are, as a government, considering our response to that review and we will do so in the budget context.

Senator ABETZ—Thank you for reading out that brief and then finally starting to be relevant with a note that the secretary slipped you. My question related specifically to the TCF sector. Could I invite you to take on notice, in relation to all aspects that you read out, how that directly benefits the TCF sector?

Senator Carr—I will not take that on notice. I will make it very clear to you that, if you have such a limited view of what the TCF industries are about, then there is not much I can do to educate you. I will just refresh your memory.

CHAIR—Senator Bushby?

Senator BUSHBY—The minister has just indicated that he is refusing to take it on notice.

Senator Carr—I do not have to take things on notice.

Senator ABETZ—The minister can be arrogant, as he is.

Senator BUSHBY—He is refusing to provide the information that Senator Abetz, as a member of the committee, is seeking.

CHAIR—Senator Bushby, you just interrupted the minister's answer.

Senator BUSHBY—I am making a point of order which I have not completed. The minister is entitled to refuse on certain grounds. I did not hear the ground that he was using to refuse to answer that question.

CHAIR—He does not need to cite grounds as to whether or not he takes a question on notice. That is relating to whether he refuses to answer the question.

Senator BUSHBY—His reason for not accepting was because he did not accept the validity of the question.

CHAIR—No. He is saying that he is not taking it on notice because he is answering it now.

Senator Carr—TCF industries involve employment of over 40,000 Australians. They range in terms of their impact on different sectors of the economy from clothing, footwear to textiles.

Senator ABETZ—A point of order if I may. There is a standing order that does require ministers to be relevant to the question that they have been asked, and in these situations when ministers are asked to take questions on notice it has always been accepted that they will be taken on notice, because otherwise the minister can filibuster and wind down the clock on those matters that we do not necessarily want to spend time on.

CHAIR—It is not my experience that a witness or the minister necessarily accepts a question phrased as being on notice and takes it on notice. They are quite entitled to answer it at the time.

Senator ABETZ—In that case I will withdraw the question. Therefore, there is no question to be answered and I will provide it in writing to the minister after today's event.

CHAIR—Certainly.

Senator ABETZ—If we have to play this game, I will. I am more than willing to oblige. I notice you issued a press release on 25 February 2009 in which you indicated to us:

We are determined to maintain textile, clothing and footwear jobs and manufacturing capacity in Australia—

which is to be welcomed—

and we will be talking to unions and industry to see how this can be done.

That is very well and good, but can you just briefly remind us what the Green report was all about? I thought that was the dialogue that was had to enable us to maintain the textile, clothing and footwear capacity in Australia, being a report that you received five months ago.

Senator Carr—Which, of course, makes recommendations for the period post 2010. The report has been received and has been considered by government. There are comments being made by a range of players within industry. We are talking to people about their responses to these recommendations.

Senator ABETZ—Is the government giving any consideration to using the spare capacity in the Auscar SPV to make funding or borrowing capacity available to the TCF sector?

Senator Carr—The SPV in the automotive sector was not designed for anything other than car dealerships.

Senator ABETZ—I know that. We have since learnt that the \$2 billion to which the banks agree will not be fully taken up. I am wondering if the government is giving consideration. That is the question. It either is considering it or is not considering it.

Senator Carr—It is not considering any changes to the SPV.

Senator ABETZ—That was not the question I asked.

Senator Carr—It was the question. You asked the question and you got an answer.

Senator ABETZ—Will the extra capacity that is available by not being taken up through the SPV for the automotive sector in any way be freed up or considered to be freed up to assist the TCF sector?

Senator Carr—I have answered the question.

Senator ABETZ—The answer is either yes or no.

CHAIR—The minister has said that he has answered the question.

Senator ABETZ—Chair, with great respect, I am sure you would not accept that as an answer. As he will not answer it, we will move on. See if you can answer this one. Can you explain the time line to us of how it came to be that the Prime Minister appeared in an advertisement for Holden?

Senator Carr—Is this the Australia Day weekend advertisement?

Senator ABETZ—How many ads has he appeared in? I thought there was only one, but if you have trouble identifying it then tell us how many he has appeared in and I will ask about all of them.

Senator Carr—There was an advertisement that appeared on Australia Day that I understood used previously published footage of the Prime Minister and me at the Holden factory.

Senator ABETZ—I do not think you featured in it.

Senator Carr—I have not seen the ad myself; I have better things to do with my time.

Senator ABETZ—GM was smart enough not to have you in the ad. Do not delude yourself in that regard.

Senator CAMERON—They must have thought you were marketable.

Senator Carr—That is probably what it was.

Senator ABETZ—Not him; Mr Rudd possibly, but not the minister. Were you, your office or the department contacted about permission to use that particular footage of the Prime Minister in the ad?

Senator Carr—Yes.

Senator ABETZ—Which one? Was it you, your office or the department?

Senator Carr—My office.

Senator ABETZ—Were you personally involved in that?

Senator Carr—From my recollection I was, yes.

Senator ABETZ—Did you then put that request to the Prime Minister's office?

Senator Carr—I cannot recall that. I made the call about the use of public footage in an advertisement for a great Australian product at a time when the industry is under considerable pressure.

Senator ABETZ—Did you contact the Prime Minister's office to get their approval or the Prime Minister's approval for use in the advertisement?

Senator Carr—I did not contact anyone.

Senator ABETZ—Thank you for that. Did any person in your office contact anybody?

Senator Carr—I will have to make inquiries on that because I am not aware.

Senator ABETZ—You are not aware. The Prime Minister's office is on record as saying that there were discussions and that it was your office that provided the approval.

Senator Carr—I will establish what the circumstances were.

Senator ABETZ—Can you give us a full and detailed account of all the conversations between your office and the Prime Minister's office and then who it was? I do not need to know the name of the officer, but whether it was an officer in your office or you who personally passed on the permission to General Motors for that footage to be used in the advertisement.

Senator Carr—I have taken the question on notice.

Senator ABETZ—I have detailed the question somewhat further, which I trust will also be taken on notice. In making that determination, did you seek any advice as to when the last time a Prime Minister or indeed any other member of parliament appeared in commercial advertising?

Senator Carr—No.

Senator ABETZ—In light of GM's recent announcement of further job cuts since Australia Day, can you guarantee—

Senator Carr—What announcement is that?

Senator ABETZ—If you are not aware then that is a very sad reflection.

Senator Carr—You have made an assertion. What is the announcement that you are referring to?

Senator ABETZ—Can you guarantee that none of the workers that appeared in the footage surrounding the Prime Minister will lose their jobs at GM?

Senator Carr—I have not seen the advertisement.

Senator ABETZ—That is an amazing thing. You have approved something that you have not seen. That shows the detail to which you went. Thank you for that. Could I invite you to have a look at the advertisement? I dare say it is archived, if not in your office, then definitely the Prime Minister's office. Chances are that it is under a little black book for Senator Carr,

because it was not a wise thing to have done. Can we get an assurance that all those workers that were in the footage with the Prime Minister have not lost their jobs?

Senator CAMERON—Is this your new policy? You did not do it for 11½ years.

Senator ABETZ—I can assure you that none of us appeared in commercial paid advertising. If you think it is a good look for the Prime Minister then so be it. What I want to know is whether we can be assured that none of the workers that appeared with the Prime Minister will be laid off by Holden?

Senator Carr—The Prime Minister and I published a press release on this.

Senator CAMERON—Point of order. Senator Carr does not employ workers at GM. Senator Carr cannot be in a position to guarantee the jobs of workers in the manufacturing industry.

Senator ABETZ—Or any job, as we have heard about.

Senator CAMERON—I do not think it is appropriate for the minister to be asked to guarantee jobs of individual workers. That is just not part of the remit of this committee.

CHAIR—The minister was answering and is able to say whether or not he is prepared to give a response.

Senator ABETZ—So Holden has \$149 million worth on the basis of saving jobs—taxpayers' money.

CHAIR—The minister has the call and is trying to answer your question.

Senator Carr—On 22 December the Prime Minister and I issued a statement that the new global Delta small car platform will, in its first phase, include both a petrol and a diesel variant and it will support up to 600 jobs.

Senator ABETZ—Point of order. This is in no way, shape or form relevant to the question that was asked.

Senator CAMERON—It is a stupid question.

CHAIR—Senator Cameron.

Senator Carr—If it is a stupid question then that is fine, but it does not justify a stupid answer.

CHAIR—Order! I am starting to tire of these points of order. It just means we slow down the question and answer. Minister Carr really only just started to give his answer when he was interrupted first by Senator Cameron and then by Senator Abetz.

Senator Carr—The government is very proud of its decision to co-invest with General Motors to support 600 direct jobs at Holden and 600 jobs in the automotive supply chain through this Delta project, which General Motors have just indicated in their statements to General Motors America was a critical decision in the ongoing viability of this company. If the Liberal Party is of the view that they want to see General Motors run out of town then they should declare it. They are hostile to the automotive industry. They are hostile to jobs of automotive workers. We are determined to do all that we can to secure the future of automotive workers in this country.

Senator CAMERON—They are economic vandals.

CHAIR—Senator Abetz.

Senator ABETZ—Do you want to have another shot at answering the question that was asked and not reading from another inane brief which does not relate to the question asked?

Senator Carr—You ask puerile questions. I have given you an answer and I do not think I have anything further to add to it.

Senator ABETZ—When those workers that appeared in the advertisement start coming to us, we will remind you. They deserve to remind you as well. Turning to the stimulus package at this stage, Mr Paterson told the inquiry into the stimulus package by the Finance and Public Administration Committee on 6 February that there was nothing in the package for innovation.

Mr Paterson—I do not have the transcript with me, but as I recall the evidence I gave on that occasion I indicated that there was no explicit response in that package to the Cutler report or to the Bradley report in relation to higher education. You were questioning about responses to both of those areas. I indicated to you that I expected that the government's response would deal with those issues. As yet we do not have that.

Senator ABETZ—Do you recall saying that this is not a package that is focused on that area of activity, when I asked whether the package assisted innovation?

Mr Paterson—Within the context of my response, that is a fair description of what I said. It was in the context of talking about a response to the Cutler review, which is what you had raised at the time.

Senator ABETZ—If it is not Cutler and others, are there any other specific innovation matters in the package?

Mr Paterson—The evidence that I gave to you at the time was that I expected the government's response on those issues, that is the innovation issues—

Senator ABETZ—Innovation issue generally.

Mr Paterson—It would be announced at the time that the government responded. It had a review of the whole of the national innovation system. There was a complementary review looking at higher education undertaken by Denise Bradley and the government has already indicated its intention to respond to those two reports together.

Senator ABETZ—I can understand that. Given the time constraints that we have got, I would invite the minister to have a look at his answer to the Senate on 5 February to a dorothy dixer from Senator Arbib and tell us on notice how Mr Paterson's answer matches up with the minister's answer on that day. Quickly going through the additional estimates document, I will refer to page 17. The Green Car Innovation Fund has \$788,000 being spent this year. What is that being used for?

Mr Paterson—You will find that is \$7.88 million.

Senator ABETZ—It has just got thousands.

Mr Paterson—Isn't that \$7,880,000 or \$7.88 million?

Senator ABETZ—That is the adjustment program. If you go down further under that.

Mr Paterson—Yes, I am sorry; it is \$788,000.

Senator ABETZ—I fully understand. I make those sorts of mistakes all the time. The Green Car Innovation Fund is \$788,000. Do we have a long, detailed list as to how that money has been spent?

Mr Peel—No.

Senator ABETZ—I was going to say that you could give it to us on notice.

Mr Peel—It is funds that we need to use to do some early activity in relation to the program. For example, we have had public consultations around the country.

Senator ABETZ—Like the advertising?

Mr Peel—And any advertising that we might need to do.

Senator ABETZ—Can you take on notice how much was spent on advertising?

Mr Peel—Of course.

Senator ABETZ—I do not need an answer now to delay the committee. Further down there is the North East Tasmania Development Program. There is a little footnote, and if I go over the page it says, ‘Funded from the Scottsdale Industry and Community Development Fund.’

Mr Peel—Yes.

Senator ABETZ—Was the Scottsdale Industry and Community Development Fund a Howard government initiative, fully funded?

Mr Peel—Correct.

Senator ABETZ—So we have changed its name to the North East Tasmania Development Program and it is exactly that bucket of money which now appears on page 17.

Mr Peel—Yes. You will see on page 19 that money has been taken out of the Scottsdale appropriation. The appropriation for Scottsdale was \$6 million for grants and an additional \$4 million for the Musselroe Bay road. The excess funds from that have been applied—together with the remnants of a grant from Auspine, which did not fulfil the conditions of the grant—to a new program for the north-east of Tasmania.

Senator ABETZ—I am aware of the detail. So the size of the fund has not changed. We have changed the name of it. On 13 August 2008 there was a press release talking about new—with an emphasis on ‘new’—economic assistance, but really it is the same amount of money, is it not?

Mr Peel—It is the \$4 million out of the \$10 million, which the government could have chosen to return to consolidated revenue but used for other purposes.

Senator ABETZ—Right—so that is now the definition of ‘new’. I think we understand what the answer is. Can I take you to page 19, and assistance to the textile, clothing and footwear industries. I was hoping that there was some allocation to this vital sector, but that amount of money is in fact just for the Green report; is that right?

Mr Peel—No. That is the carryover of unspent money from the TCF small business program. It is funded at \$2.5 million a year. If all the funds are not spent by the grantees they automatically roll forward, so there was \$2.5 million that was not used by the grantees.

Senator ABETZ—\$2.5 million? \$471,000 was not used?

Mr Peel—That is correct.

Senator ABETZ—So, \$471,000?

Mr Peel—That appropriation, the TCF post 2005, includes \$97.5 million for TCF SIP and \$2.5 million for the small business program.

Senator ABETZ—That is fine. Returning to the issue of Pacific Brands: did you tell anybody outside of government about Pacific Brands' difficulties and impending plant closures that you were told about three weeks before by the chairman of the board? As to the impending plant closures, did you pass on any information on that matter to anyone outside government?

Senator Carr—No.

Senator ABETZ—Are you sure of that?

Senator Carr—I am not aware of any, no.

Senator ABETZ—I am willing to take you at face value on that. I turn to page 20 and the additional section 32 transfer. What is that about?

Mr Medland—As a result of the machinery of government changes there were some functions that transferred from the former Department of Education, Science and Training. That is just the residual transfer of that funding.

Senator ABETZ—Would that have appeared last time in the estimates as well after the budget? This is the additional estimates.

Mr Mackey—Yes.

Senator ABETZ—But in the actual budget estimates, now that you have mentioned it, I think I may have been told that once before.

Mr Paterson—This was the residual amount of the transfer. I think at the earlier time we had not finalised all of the transfer elements between our department and the former Department of Education, Science and Training and we indicated at the time that this would be sorted out and it was sorted out in these numbers.

Senator ABETZ—That has jogged my memory. Further down that page are energy initiatives, liquid petroleum and gas vehicle schemes—Centrelink component. There is a decrease in the estimates. What has necessitated that? Just lower demand for the scheme?

Mr Peel—Up until now the appropriation to pay Centrelink to deliver the program has been appropriated to this portfolio. What this entry indicates is it has been taken out of this portfolio's budget and it will appear in Centrelink's budget, so it is simply a transfer of funds direct to Centrelink for delivering that program.

Senator ABETZ—In the future, if I want to see how this program is going will I be finding it in these documents?

Mr Peel—Yes, the administered funds will be here. The grant funds will be here. That is simply payment to Centrelink to process the payment.

Senator ABETZ—Commercial Ready rephasing, further down: they are just still some outstanding grants that undoubtedly were delayed for payment for whatever reasons?

Mr Peel—They are grant projects that have not used the money one way or another in the year that they were provided.

Senator ABETZ—I was living in hope that ‘rephasing’ might have meant that it was going to start up again, but it looks as though it is not to be. Turning to page 21, we have International education and training Australia-India Strategic Research Fund. Do I read that, in layman’s terms, it has just been axed? Is that right?

Mr Peel—I cannot comment on that one.

Senator ABETZ—Who can?

Mr Peel—It may be under the science and research division.

Mr Paterson—They are here immediately after the break.

Senator ABETZ—Are you able to tell us just from the figures what that means? Does it mean that there is going to be no expenditure? The \$400,000 that was going to be spent in 2009-10 is no longer going to be spent; is that right?

Mr Paterson—I did not hear the question, but I think you might have asked a question as to whether that had been—

Senator ABETZ—Axed.

Mr Paterson—axed. No, it has not been axed.

Senator ABETZ—What about the money here allocated to it?

Mr Paterson—That is bringing—

Senator ABETZ—That is in the next financial year. There was going to be an allocation of \$400,000.

Mr Paterson—I will just check the detail of it. My recollection of that fund is that it is due to be fully expended by the end of this financial year, 2008-09.

Mr Peel—If you look on page 20, right at the bottom of the page, you will see \$400,000 for the Australia-India Research Fund, a plus figure for 2011-12. It looks to me as if the funding has been moved from 2009-10 to 2011-12.

Senator ABETZ—When we get on to science if there is somebody who could just confirm that for me that would be very helpful.

Mr Paterson—I am happy to do that. I am confident that Mr Peel has picked up appropriately the variation. That will be for commitments made in relation to grants already issued or expecting to be issued in the—

Senator ABETZ—I would not be game to question Mr Peel in relation to understanding your financial documents, I can assure you.

Mr Paterson—Mr Peel is gratified by that.

Mr Peel—Can I take it that means no further questions?

Senator ABETZ—I am hoping you might be able to give me a private tutorial as to how to understand some of this maze of figures. In Appropriation Bill (No. 4) 2008-09 on page 18—which, I dare say, Mr Peel is carrying in his back pocket, as we all do—there was Innovation, Industry, Science and Research in the summary table, schedule 2, and \$300,000 allocated for payments to states, ACT, NT and local government, and then a non-operating amount at \$9.8 million. Do you have that?

Mr Peel—It is not my area.

Senator ABETZ—What is that for, especially the allocation to the states and local government?

Mr Medland—Previously you asked about the northeast Tasmania fund. That total fund included the \$300,000 payment to the state government and that \$300,000 represents that payment.

Senator ABETZ—The north-eastern fund was \$300,000?

Mr Medland—It was split across both bills. Payments that are made directly to the state—

Senator ABETZ—I understand now, I think, yes. I might put something else on notice, because time is slipping by. Has the department had to expend some extra money as a result of the New South Wales government's two per cent ethanol mandate?

Mr Paterson—That is not in this portfolio.

Senator ABETZ—Can I read to you from Appropriation Bill (No. 3) 2008-09, a second reading speech by Mr Tanner, page 3, third last paragraph:

The Department of Innovation, Industry, Science and Research will also receive an additional \$37 million for the Ethanol Production Grants program to meet an anticipated increase in expenditure due to the New South Wales government's two per cent ethanol mandate ...

Mr Paterson—That program is a program administered by the Department of Resources, Energy and Tourism.

Senator ABETZ—You get the money, we are told, in the minister's second reading speech. Are you able to assist me anyway?

Mr Peel—I will try.

Senator ABETZ—Don't bother, because time is getting on.

Mr Peel—The funds are appropriated to Resources, Energy and Tourism. AusIndustry manages the program on their behalf, so it is really their portfolio.

Senator ABETZ—AusIndustry just administers and so the shock of it would have been in Resources and Energy?

Mr Peel—That is correct.

Senator ABETZ—I understand there was a bit of a shock in that the federal government were not aware of what the New South Wales government was going to do in that regard, but because of some agreement they had to increase the expenditure by \$37 million. But that is for Resources and Energy. Thank you for assisting me to sort that out. Can I move on to some

automotive questions and ask the minister or the department what discussions have been held with Drivetrain Systems International about their situation. Firstly, Minister, have you had any discussions?

Senator Carr—With the company directly and individually?

Senator ABETZ—Yes. Whilst you are looking at that, can I just put on record the fantastic work that Sussan Ley, the member for Farrer, has done in looking after DSI.

Senator Carr—DSI has contacted my office on a number of occasions, and on 16 February, prior to its going into voluntary administration and receivership. The DSI decision to go into administration was largely due to the difficulties they were experiencing with overseas customers.

Senator ABETZ—The first question is and is only about whether discussions were held by you, Minister, with Drivetrain or DSI.

Senator Carr—There were a number of approaches to my office.

Senator ABETZ—Yes, but have you personally spoken with them?

Senator Carr—No, because there are a number of matters raised that were the subject of conversations between my office and the company and the department. The department—

Senator ABETZ—I am asking whether you—

Senator Carr—continued their conversations with DSI in terms of the decision to go into administration and with the receiver thereafter.

Senator ABETZ—Have you personally had discussions with DSI?

Senator Carr—I have not spoken to the officers of DSI for some time. There were requests, which I cannot go into because of the commercial-in-confidence nature of them—

Senator ABETZ—I have not asked about that.

Senator Carr—which were dealt with through the department.

Senator ABETZ—All I have asked is whether you personally had discussions with Drivetrain or DSI in the past, what, five weeks?

Senator Carr—I have not met with DSI in the last five weeks.

Senator ABETZ—Have you had discussions with them? You can have discussions over telephones.

Senator Carr—There were a number of approaches made to my office.

Senator ABETZ—Have you personally had discussions with DSI? You either have or you have not.

Senator Carr—In the last five weeks, no.

Senator ABETZ—Is it true that DSI is a world leader in hybrid gearboxes?

Senator Carr—Yes.

Senator ABETZ—We would agree that it is an innovative company?

Senator Carr—Yes.

Senator ABETZ—I understand that there can be commercial sensitivities here, but why were we unable to assist Drivetrain or DSI?

Mr Payne—That company had received assistance under the ACI Scheme over a period of years. That is a substantial amount, but that is commercially confidential.

Senator ABETZ—ACL Bearings has as well?

Mr Payne—That is correct.

Senator ABETZ—But ACL Bearings got some extra funding in recent times?

Senator Carr—ACL Bearings was not looking for the same assistance that DSI was looking for.

Senator ABETZ—Of course, every company is different—I accept that.

Senator Carr—They are. We made it very clear that under the various programs that we operate they were outside the guidelines that we could provide assistance for.

Senator ABETZ—Can you tell us what guidelines were in existence when Toyota was given its \$35 million and Holden was given its \$149 million under the green car fund? No guidelines are in existence yet, are they?

Senator Carr—These are difficult issues—

Senator ABETZ—I can imagine.

Senator Carr—You are talking about 400 people's lives here. You do not play games the way you are playing games with these people.

Senator ABETZ—That is why you took time out to personally talk to DSI in the past five weeks; that is your compassion. Don't try to bluff.

Senator Carr—There are matters that we cannot discuss that are commercial in confidence and are now matters that the receiver has to deal with. We are in contact with the receivers. There are issues that go to people's entitlements and there are matters that go to future employment opportunities.

Senator ABETZ—I accept all that. You are not answering the question. Can we move on?

Senator Carr—You can play games.

Senator ABETZ—I am not playing games.

Senator Carr—But this is incredibly serious. You can make all the assertions you like, but you cannot escape your responsibilities. We are not going to reveal the details of private conversations and whether or not I personally met with a company that has requested assistance—personally met with them. Having read all the correspondence, having listened to the reports and having had firm advice from the department it is an entirely separate question again. Don't play games about this government's commitment to try to do all that we can to support people in these times. This is a company that has been in operation for a number of years. It has been subject to a management buyout and has a number of contracts internationally. It has one contract of substance with one Australian manufacturer at the moment. This is a clear example of what happens in a global recession as a consequence of

one major customer falling over. How this company is managed and the circumstances under which they make applications will not be discussed at this hearing.

Senator ABETZ—Chair, this is completely irrelevant to the question. Minister, did you have any personal contact with Melba Industries in the last five weeks?

Senator Carr—I would have to check whether or not I have had personal contact. As I understand it, the department and officers have had considerable contact.

Senator ABETZ—I would hope that they would have. And any request they may have made would be commercial in confidence?

Senator Carr—That is right.

Senator ABETZ—And no assistance was able to be provided for whatever reason; is that right?

Senator Carr—Don't play games with this.

Senator ABETZ—Has assistance been provided to Melba Industries?

Senator Carr—We cannot give you any further advice on that matter.

Senator ABETZ—Have you provided any assistance to Drivetrain or DSI? We were told no before, because they had already got a lot of money from ACIS, and you said you got very strong, firm advice from the department, which I accepted and did not question.

Senator Carr—Melba has received considerable support, as has DSI. My difficulty is that I am required to keep those matters confidential.

Senator ABETZ—But that is in relation to moneys that they received from ACIS and other schemes, not in relation to special assistance such as ACL received in recent times.

Mr Payne—It is not normal practice for us to comment on whether or not any company has approached the government for assistance, or even as to naming the company.

Senator ABETZ—All I am asking is: has the company been given assistance?

Senator Carr—We cannot provide you with any further advice for the reasons—

Senator ABETZ—When you do give assistance you fly to Tokyo for a \$35 million photo opportunity. When you do provide assistance to ACL Bearings, in a marginal seat, you fly to Launceston for the big announcement, but those you do not assist in safe coalition and safe Labor seats you strangely cannot tell us about.

Senator CAMERON—On a point of order, Chair, that is an assertion that the government is playing—

Senator ABETZ—It is fact.

Senator CAMERON—It is not a fact.

CHAIR—I think Senator Abetz has an outstanding question.

Senator CAMERON—I have a question on this point.

CHAIR—We will deal with that in a moment. The answer is pending.

Senator ABETZ—I am not asking what they asked for. All I want to know is whether they actually got something other than what they might have received under ACIS in recent times?

Senator Carr—I have already answered that.

Senator ABETZ—The transcript will disclose that.

Senator CAMERON—I have a question on that point. Have there been any decisions made in relation to DSI based on political considerations with regard to who holds the seat?

Senator Carr—None whatsoever.

Senator ABETZ—In relation to the GM restructuring plan, part of it reads that with this support—referring to the \$149 million—Holden is projected to be a viable operation making positive NPV contribution. Does that sentence mean that Holden will not be viable without the \$149 million grant?

Senator Carr—We are not in a position to answer hypothetical questions. The government has announced its decision. General Motors has made a statement to the United States government.

Senator ABETZ—A good statement. Did the government consider it necessary to retain Holden's viability to make this grant? I understand it is non-refundable; it is a straight-out grant to Holden. Was it because it was safe as houses, unnecessary, and just out of the goodness of the government's heart or because it needed it for its future viability?

Senator Carr—I am sure you are aware of this, but I will tax the patience of the committee. The government has not made the grant. They have made it their intention to give the grant based on the conditions being met in terms of any contractual arrangements entered into.

Senator ABETZ—In a statement on 22 January 2009 we were told about the Open road for nation's green car fund. The minister said:

A key criterion will be the willingness of applicants to match government funding on a 3:1 basis. The federal government has forged an unprecedented relationship with the car industry.

Does this unprecedented relationship with the car industry, including Holden, mean that Holden or GM will be, as a minimum, investing whatever \$149 million divided by three is? In other words, they are going to make a 3:1 contribution?

Senator Carr—We have indicated the guidelines of the program, which have been published. The commitment from the company remains a matter of commercial-in-confidence. In my judgment, the program will satisfy the requirements of the 3:1 figure across the full range of the program.

Senator ABETZ—Can you assure us that GM will be contributing \$3 for every \$1 of taxpayers' money in relation to this particular plan?

Senator Carr—I have answered the question.

Senator ABETZ—I did not quite hear it. Can you repeat the answer please?

Senator Carr—I think you should check the transcript.

Senator ABETZ—That is not available immediately and if I have got a supplementary question on your answer I would not mind hearing your response.

Senator Carr—I have no doubt you will return to this theme.

Senator ABETZ—Would you mind answering it again?

Senator Carr—I have answered the question.

Senator ABETZ—I know, and I unfortunately did not hear it all. Would you be as kind and as polite to accede to my request?

Senator Carr—I have indicated to you what the government's position is.

Senator ABETZ—Which is?

Senator Carr—I have indicated that to you. I am not going over that again. I have indicated to you that the company keeps its investment decisions with regard to the development of the Delta project commercial-in-confidence.

Senator ABETZ—You told the Australian people that the grants were going to be made because of an unprecedented relationship with the car industry. It was going to be on a 3:1 basis. You are now saying, 'Trust me, but we are not going to tell the Australian people whether they are actually going to get 3:1 out of GM because it is commercial-in-confidence.' Is that your response?

Senator Carr—It is my expectation that the requirements will be met. I am strongly of the view that the projects across the breadth of the program will provide, in returns of the total investment, in excess of 3:1.

Senator ABETZ—Returns on investment?

Senator Carr—No, in terms of the investment quantum. What we have indicated to the public is that we have expectations in regard to the investment from the automotive industry, and I have every expectation that that will be met.

Senator ABETZ—So it is not 1:1?

Senator Carr—It is certainly not 1:1. It is a question of the total investment being placed. What I can say to you is that the government's contribution towards this investment is \$149 million. General Motors obviously does not intend to reveal its total investment. The CEO of General Motors Holden, Mark Reuss, indicated and was reported in the *Australian Financial Review* on 13 February as saying that the investment 'would meet the government's aim of attracting \$3 of private investment to every dollar in taxpayer funding'.

Senator ABETZ—We might revisit that later on. What assessment or approval process did this grant go through? Did it go to Innovation Australia? Did it go to cabinet?

Senator Carr—We are not commenting on that side of it.

Mr Payne—The government released a framework paper, which included the criteria for the Green Car Innovation Fund.

Senator ABETZ—On what date?

Mr Payne—The government said that the Holden proposal had been assessed against criteria, similar to those outlined in that framework paper, which was released on 19 December.

Senator ABETZ—When did we have the Holden announcement?

Mr Payne—On 22 December.

Senator ABETZ—The approval process clearly, for such a large lump of money, did not take place between 19 and 22 December, so we would say that it was a process similar to that. Can you tell us in which ways it varied?

Mr Payne—No, I cannot, because the decision was made by ministers.

Senator ABETZ—Thank you. Minister, did you make the decision or did the cabinet or the Prime Minister?

Senator Carr—The processes were made in the proper arrangements of the government.

Senator ABETZ—We have just been told by the official that it was not by the processes of government, which clearly includes the Public Service, and that this was a decision made by—the record will say whether it was minister or ministers. Can you tell us if you were the one that signed off on it on your own?

Senator Carr—Personally, no.

Senator ABETZ—With the Prime Minister's approval? Did the Prime Minister approve this?

Senator Carr—No. It was a cabinet decision.

Senator ABETZ—Funny that. I asked about that quite some time ago as to whether it went to the Innovation Australia committee or whether it went to cabinet. We now know that it went to cabinet. Are we allowed to know what day it went to cabinet?

Mr Paterson—We are not supposed to report what went to cabinet and what did not go to cabinet. I cannot tell you what date it went.

Senator ABETZ—The minister has now told us publicly that it did go to cabinet, so that is no longer a state secret. Therefore, I am asking: what date did it go to cabinet? I would not have thought that would be a state secret.

Senator Carr—I would have to take that on notice.

Senator ABETZ—Have we made any extra money, loan or deal available to General Motors at all, other than the \$149 million? There has been some suggestion in the media about GE and some other arrangements.

Senator Carr—I would have to take that on notice.

Senator ABETZ—Thank you. I understand we are going to get some ASEAN free trade deal possibly signed as soon as tomorrow, but I am not asking about it.

Senator CAMERON—That is dangerous territory for you lot.

Senator ABETZ—What is the status of the deal? Has the department been involved in the negotiations of it?

Senator CAMERON—It will probably be more robust than the US deal and the Thai deal.

Mr Paterson—As you are aware, negotiations in relation to free trade agreements are led by the Department of Foreign Affairs and Trade.

Senator ABETZ—That is right, and I asked whether your department was involved.

Mr Paterson—We have been actively involved in the deliberations associated with that free trade agreement and the development of the negotiating position that has been taken forward.

Senator ABETZ—Excellent. I dare say that, until it is signed and released, you are not going to tell me about its implications for the car industry?

Mr Paterson—Correct.

Senator ABETZ—I thought as much.

Senator CAMERON—On this point could you take on notice what the trade deficit, in terms of manufacturing and cars, is in the US free trade agreement negotiated by the previous government and the Thai free trade agreement? What were the implications of those agreements in terms of the Australian economy?

Senator ABETZ—Minister, can you remind us when you were at the wharf celebrating the sending off of utilities, as I understand it, to the US market under the free trade agreement where you and Mr Crean, the Minister for Trade, welcomed benefits of the free trade agreement for General Motors—

CHAIR—This is not relevant to this department. Can we move on from the free trade questions?

Senator ABETZ—Yes. Senator Cameron is entitled to interject nonstop, but, when anybody else does it, it is a moment of great regret to the senator. I would like to move on the supplementary estimates answer SI40. You can take this on notice, look at it and see if it is correct, because I suggest the voluntary agreement relating to grams of carbon dioxide emitted is not litres per 100 kilometres but in fact measured in grams, and it is 222. Not much rides on it, but I just want to make sure that, if I use that information, it is actually correct. I would also like you to take on notice whether the government has a target of 20 per cent improved fuel efficiency by 2010, as outlined in the *Australian* newspaper on 16 June 2008.

Mr Paterson—We will take that on notice.

Senator ABETZ—Thank you. Minister, can I ask you what discussions you have had with anybody from the Better Place organisation, being the electric car venture and Mr Thornley?

Senator Carr—You will find from the article that you are quoting from—and I take it that it is an article that you are quoting from—that I have already indicated publicly that it is none.

Senator ABETZ—You have had no discussions at all with Mr Thornley?

Senator Carr—No.

Senator ABETZ—I thought he was part of your new love-in faction in the Victorian branch of the Labor Party, but I accept your answer.

Senator CAMERON—Point of order.

CHAIR—There is no need to take a point of order, Senator Cameron.

Senator CAMERON—This is nonsense. Be serious about people's jobs.

CHAIR—Senator Abetz, please ignore that interjection.

Senator ABETZ—That is a wonderful suggestion and I will continue to do so. Have any discussions been held with Better Place by the department about potential access to the Green Car Fund?

Mr Payne—We did attend a presentation by that company. An officer of my division went to a meeting. I do not think you could characterise that as a request by the company regarding an application.

Senator ABETZ—When was that?

Mr Payne—I am not sure.

Senator ABETZ—You can take that on notice. Can you tell us whether Mr Thornley was there?

Mr Payne—We will take that on notice too.

Senator ABETZ—Thank you very much. In relation to the Green Car Vehicle Guide, in reference to answer 1182, part 7, where I asked, 'Does the minister agree that the Queensland and Tasmanian vehicle procurement policies are inherently biased against Australian-made cars?' the minister gave us a one-word answer, which I welcome and appreciate, being, 'No.' Minister, have you sought the attitude of Australian car manufacturers to the Tasmanian and Queensland purchase protocols?

Senator Carr—I am not aware of any formal request on that.

Senator ABETZ—Can you explain to me how preferencing all manner of cars that are not made in Australia is not biased against Australian-made cars?

Senator Carr—This is a bit rich coming from you. Senator Ronaldson just recently drew a view that we should be importing all our cars for the government car fleet.

Senator ABETZ—He did not at all.

Senator Carr—The Liberal Party cannot have it both ways. As you know, the Commonwealth car fleet has a preference for Australian vehicles and there is no move to change that.

Senator ABETZ—I will send the Australian car manufacturers this bit of the transcript and they will be able to determine for themselves what the Australian government's attitude is. I will move on to supplementary estimates answer SI29. Was Professor Green a member of the TCF reference group?

Senator Carr—It was his review. He chaired the reference group.

Senator ABETZ—He was a member of the reference group. Is that right?

Mr Paterson—He chaired the review. There was a reference group to that review and that reference group reported to him.

Senator ABETZ—So he was not part of the reference group?

Senator Carr—We could go around in circles on this one for quite some time.

Mr Paterson—Technically he was not a member of the reference group.

Senator ABETZ—That is what I was thinking. When this was all announced by the minister, we were told that sitting fees for reference group members would be set according to standard Remuneration Tribunal scales. Professor Green was not paid according to Remuneration Tribunal scales. Is that correct?

Mr Paterson—He was engaged on a contract, and as I indicated he was not a member of that group.

Senator ABETZ—That is a nice little technicality that nobody picked up until we saw what Professor Green was actually paid. I accept that technically it was right and that is fair enough. Was Professor Green's contract advertised or undertaken by AusTender or was it a single select by the minister?

Mr Paterson—It was an appointment by the government.

Senator ABETZ—This is the same Roy Green who in 1996 wrote the article 'How Labor can win again' and some very interesting other articles dating back a whole decade. An indication of the rate of how much Professor Green was paid—

Senator CAMERON—He did not have to.

Senator ABETZ—You are just confirming he was an old Labor mate. Sorry, Chair, I forgot to ignore him. Are we able to find out what part of Professor Green's payment went to the university?

Senator Carr—We will take that on notice.

Senator ABETZ—He may have had a side contract with a university, of which you were not part. That is why I am asking this.

Senator CAMERON—That question—

Senator ABETZ—Here we go: the 'Democratic Socialist Perspective, a Marxist tendency in the Socialist Alliance.' But we will not keep on with Professor Green, because time is moving on.

CHAIR—Senator Cameron has a question on this.

Senator CAMERON—Professor Green is highly respected both in academic and industry areas. Does someone have some details of his experience as to why he chaired this board?

Senator ABETZ—Senator Carr does not have a brief on this. Be careful.

Senator Carr—The government appointed Professor Green to undertake this review because of his extensive experience academically as a dean of business at the time at Macquarie and his extensive experience of the industry directly as a person who had undertaken significant research specifically into TCF issues. Professor Green has made his career around the issue of industry policy, so he has a broader set of skills other than the specific levels of expertise he has in this field. His report is of very high quality.

Senator CAMERON—He has both domestic and international experience?

Senator Carr—Yes, both here and, from memory, Ireland, the United Kingdom and Europe. He is renowned and has an international reputation of a very high standard.

Senator ABETZ—Did the department make a contribution to the Treasury modelling for the CPRS?

Mr Paterson—I think the modelling was undertaken by Treasury.

Senator ABETZ—Yes, I know. But did you make a contribution?

Mr Paterson—To the modelling?

Senator ABETZ—Yes.

Mr Paterson—I think the answer to the question is no.

Senator ABETZ—On the acknowledgements page in the Treasury modelling documentation your department is not mentioned and, given its huge potential impact on industry, I note the absence. That is why I asked and you have told us that you have not had any input.

Mr Paterson—No, hang on. I responded to your question. Your summary at the end implied something different from the question that you put.

Senator ABETZ—Did your department support this work with resources, ideas and expertise?

Mr Paterson—I have answered the question in relation to the modelling exercise. It was the summary comment that you put on the end of my answer.

Senator ABETZ—I am now asking: did the department support this work with resources, ideas and expertise?

Mr Paterson—The modelling work? No.

Senator ABETZ—How many of the 1,000 businesses that are assumed to be affected by the CPRS are industries that would fall within the purview of this department?

Mr Paterson—I will take that on notice.

Senator ABETZ—Are you able to tell us how many EITE activities are eligible for EITE assistance in both the 90 per cent and 60 per cent categories? Undoubtedly you will take that on notice as well.

Mr Paterson—I will.

Senator ABETZ—Has the department made any estimates of its own on the cost to the EITE industries of providing data and complying with the CPRS?

Mr Paterson—Not that I am aware of.

Senator ABETZ—Can the department explain how industries that have reached the known edge of technological advancement, such as steel, where CO₂ unavoidably is a major part of the production method, will be impacted by the 1.3 per cent reduction in free permits? Have any assessments been made by your department?

Mr Paterson—We do not undertake modelling work within the department. The nature of your question would suggest a level of modelling capability for us to undertake that task, and the answer to that question is no.

Senator ABETZ—I am asking you: how can industries that have reached the known edge of technological advancement, such as steel, live up to a 1.3 per cent reduction in free permits?

Mr Paterson—I do not think I can respond on behalf of those industries that may be affected. The final detail of the scheme is still subject, as I understand it, to ongoing consultation and the final detail of all elements of it have not been resolved. The issues that you raise may well be canvassed as part of that final resolution of the detail, but I cannot answer your question explicitly.

Senator CAMERON—That is the answer Treasury gave him yesterday.

Senator ABETZ—Which unfortunately is a non-answer and a lot of industries are concerned. I accept your answer.

Senator COLBECK—I would like to ask some questions with respect to the situations at the paper mills at Burnie and Wesley Vale. I am not sure whether you are aware that PaperlinX has recently announced a sale of its Maryvale site to Nippon Paper and that Nippon Paper has indicated that it does not want those other two mills at Burnie and Wesley Vale, so there is obviously a cloud over the future of those two facilities. What discussions has the government had with PaperlinX with respect to those particular sites?

Senator Carr—These are matters that are probably best handled within the department of agriculture. As you know, forest products issues are dealt with in that portfolio. We have had representations from a range of people concerning the future of the paper mills and we are in ongoing discussions.

Senator COLBECK—Have you had any proposals for tariff support on paper?

Senator Carr—I am just trying to recall whether they were specifically on paper, but the question of tariff support is something that does come up regularly in conversation.

Senator COLBECK—With respect to these two particular sites?

Senator Carr—No, not specifically with regard to those particular mills.

Senator COLBECK—Would the Prime Minister be prepared to directly intervene in the situation with these mills to protect the jobs?

Senator Carr—I am not aware of a specific proposal before government at the moment.

Senator COLBECK—Would the Prime Minister be prepared to intervene directly by, say, ringing the chairman of the board and saying, ‘You must protect these jobs’?

Senator Carr—We are prepared to discuss the future of the mills with the mills. I cannot answer a hypothetical.

Senator COLBECK—Does the government have a comprehensive industry development strategy for the paper industry, based on the regional forest agreements?

Senator Carr—That is a matter that you will need to pursue through the department that deals with the regional forest agreements.

Senator COLBECK—It is also a manufacturing industry, which is obviously a vital sector. Does the government—and you should know—have a comprehensive industry plan based on the regional forest agreements?

Senator Carr—We are obviously concerned about manufacturing jobs in pulp and paper and we are having discussions, as I have indicated already, with a range of interests with regard to the future of manufacturing jobs in that sector. We do not have a specific proposal before government at the moment for us to evaluate.

Senator COLBECK—You cannot say that the Prime Minister would be prepared to take direct action to protect these jobs?

Senator Carr—I need to know what it is that you are asking the Prime Minister to intervene on.

Senator COLBECK—There are 500 people directly employed at these two mills who are vitally concerned about their jobs. As you are probably aware, the company has announced that there are four options. There is business as usual, partial closure, full closure or sale. They are the four options and there are four months to go. I am interested to know what specific interest the government is taking in 500 jobs. That is the direct employment at these two mills. Then you have the maintenance workers that are employed under a maintenance contract through SILCAR. Then there are all the indirect jobs and suppliers to the industry on the north-west coast of Tasmania. I am interested to know what direct action is going on or is prepared to be taken.

Senator Carr—We are on a daily basis—

Senator CAMERON—We stimulated the economy by \$42 billion that you guys didn't want.

CHAIR—Thank you, Senator Cameron. The minister is answering a question.

Senator COLBECK—I am quite happy for Senator Cameron to say his piece.

Senator Carr—On a daily basis my office, AusIndustry, Enterprise Connect and a range of divisions of the department are engaged directly with business about the future of employment and operations across a range of sectors. However, we are not in the business of creating investment out of thin air. There has to be a proposal from industry for us to be able to work with. That is the nature of that dialogue. At this point we have no proposal before government from Australian Paper Mills regarding its operations in Northern Tasmania.

Senator COLBECK—I asked those questions for a specific reason. The current situation that exists at those two mills bears stark similarity to a situation that existed about 10 years ago when Australian Paper was about to close the pulping plant at those two mills at the cost of 220 jobs. It was also in the midst of the Asian financial meltdown. We had tough financial times and we had a company making a very difficult decision. The then candidate for Braddon, Mr Sidebottom, on 10 June 1998 called for tariff protection for these two paper mills. He ran a quite merciless campaign against the then member for Braddon, Mr Chris Miles. Simon Crean at that time called on the Prime Minister to pick up the phone to find out

what was needed to safeguard the jobs of the Burnie workers. He also called for the development of a comprehensive industry development strategy based on the Regional Forest Agreement and said that the Labor Party would develop such a plan. He also said that the Prime Minister should go immediately to Burnie to see the problems facing the regions. My real question is: does the Labor Party still stand by the principles that they called on the then government to apply to protect the jobs of workers at Burnie and Wesley Vale?

Senator Cameron interjecting—

CHAIR—I am trying to listen to the answer, Senator Cameron.

Senator Carr—What I can say to you is that Mr Sidebottom has pursued this issue with me on numerous occasions. He has been a vociferous defender of the interests of workers in his electorate.

Senator COLBECK—These are all things that the Labor Party called on the government to do.

Senator Carr—I understand that we will be having a meeting next week on these issues and I understand that we will hopefully receive specific proposals.

Senator COLBECK—Does the government have any practical measures in mind that it might be able to take to support these jobs?

Senator Carr—We have practical measures in mind all the time. The question before us is about keeping people in work.

Senator COLBECK—Let me give you a practical measure. Here is the wrapper for copy paper that is used here in Parliament House that is imported from Germany. The mills at Burnie, for example, make certified carbon neutral paper. Would the government be prepared to look at using those papers through its department? Senator Cameron might like to interject again, but there is a precedent where the previous government actually did this through Senator Macdonald's office. There is a practical suggestion where through environmental credentials of this paper, the ENVI copy paper made at Burnie—

Senator Carr—I am not aware of any change in policy since the change of government on the purchase of paper.

Senator COLBECK—I am asking, as a practical example: are you prepared to use a carbon neutral paper? You are the government that is touting its environmental credentials. You are going to save the planet. You are leading the world. Are you prepared to use a carbon neutral paper manufactured at the Burnie paper mill instead of office paper imported from Germany?

Senator CAMERON—You were nearly going all right until you started that nonsense.

Senator COLBECK—Are you prepared to consider that?

Senator Carr—We will look at the proposals that come forward to us, I trust, at the meeting next week.

Senator COLBECK—You are not prepared to even give a commitment to consider that?

Senator Carr—I have indicated to you that the purchase of paper has not changed, to my knowledge, between the period of your government and ours. You gave the evidence to this committee that the previous government—

Senator COLBECK—That was done in one department—that is correct.

Senator Carr—One department?

Senator COLBECK—That is correct.

Senator Carr—I am not aware of any change in that position.

Senator COLBECK—You are not aware of the provisions of the purchasing policy that allow for discrimination on environmental grounds?

Senator Carr—I have indicated my answer to you.

Senator CAMERON—Is this the Liberals' equivalent of President Obama's 'buy American steel'?

CHAIR—You have a question and we do not have much time left.

Senator CAMERON—Given the discussions and questions around the table this afternoon, it seems to me there is a lack of clarity in terms of the global financial crisis and the issues that are affecting the vehicle industry in Australia. Is the department monitoring developments overseas and their implications for Australian manufacturing?

Senator Carr—We keep a very close eye on international developments in the automotive industry. I am briefed on a regular basis as to developments. On top of that we have very strong personal links with the industry and are advised directly as to the implications of international developments. For instance, with the changes with the United States government's policies we were able to get a very strong indication early in the piece as to what the consequences were.

Senator CAMERON—Do you have a view on the situation in terms of the Australian car industry and the United States car industry where GM is the parent company? What sorts of implications are there for Australian in relation to GM's financial position?

Senator Carr—There is no doubt that General Motors America is under considerable strain. General Motors Holden by comparison is in a much stronger position. Internationally the automotive industry is under pressure in every country in the world. Car sales for General Motors America, from my recollection, based on the last figures I looked at, had dropped some 48 per cent year on year, whereas in Australia the figures were very substantially lower than that. That does not change the fact that all the different sections of our automotive industry are under considerable pressure at the moment.

Senator CAMERON—That is comparative strength. Is that comparative strength due to initiatives that the government has undertaken?

Senator Carr—It would be fair to say that if there had not been changes in policy we would be looking at a very different situation with regard to General Motors specifically and, it may well be argued, in other cases as well.

Senator CAMERON—We have a free trade agreement with Thailand and there has been a deterioration in our terms of trade with Thailand. Are you aware of what is happening in Thailand in vehicle manufacture?

Senator Carr—In general terms I am. The recent report from General Motors highlighted that General Motors was putting on hold a number of significant investments in India and in Thailand, and they indicated that there would be no further action on investments in Thailand unless there had been a change in position from the Thai government.

Senator CAMERON—I would like to ask you about the Automotive Industry Innovation Council. These are practical initiatives in an attempt to sustain jobs in the industry. Can you update me on where that council is up to and what initiatives have been taken?

Senator Carr—The innovation council had its first meeting recently. It has set for itself a number of programs of work. The council brings together a number of key decision makers across the industry and in my judgment will be able to provide advice to government under the chairmanship of Dr David Charles, who is a former departmental secretary. They will be able to identify specifically areas of strategic strength for the industry and areas in which we need to ensure that we maintain capacity to allow for future investment in the industry itself. This council is critical to improving the productivity, competitiveness, skills and sustainability of the industry. The first meeting was very successful. I believe this council to be a very important part of ensuring the sustainability of the industry.

Senator CAMERON—You may like to take this question on notice. Can you give the committee an update on the operations of Enterprise Connect and how successful it has been?

CHAIR—Can I ask that you do take that on notice?

Senator Carr—Yes.

CHAIR—We have one more question from Senator Colbeck, and then we can go to the dinner break.

Senator Carr—I would be happy to do that.

Senator COLBECK—Can you give me the dates that you met with Mr Sidebottom to discuss the Burnie and Wesley Vale paper mills?

Senator Carr—I cannot remember the dates offhand. I have had numerous conversations with Mr Sidebottom, who has rung me directly on these matters, and I have met him face to face on these matters in recent days.

Senator COLBECK—Can you take that on notice?

Senator Carr—No. I have just indicated the answer to you. Mr Sidebottom and I have met directly on these matters and canvassed these issues specifically, and he has spoken to me on the phone on a number of occasions.

CHAIR—The committee will now go to its dinner break and return at 7.30, for the science and research area and biotech. We have finished with the industry and innovation section.

Proceedings suspended from 6.34 pm to 7.30 pm

CHAIR—I call the committee to order. We will resume with the Innovation, Industry, Science and Research portfolio, Industry and Innovation Biotechnology. Senator Abetz.

Senator ABETZ—Is the Australian Stem Cell Centre under Biotechnology or should I do that under Science and Research?

Senator Carr—You can do that under the ARC.

Senator ABETZ—I know we have a range of options, but Biotechnology people have stayed behind, as I understand it, so I do not want to detain them anymore than I need to. I am thankful for their agreement to stay. I can ask about that later on.

Senator Carr—You can ask for it now if you like. Let's do that now.

Senator ABETZ—In relation to the Australian Stem Cell Centre, all I want to do is put on record my appreciation for being given a copy of the executive summary, but I do ask: when did you get the report?

Senator Carr—The day before you asked the last question.

Senator ABETZ—Yesterday?

Senator Carr—No.

Senator ABETZ—The day before the day of the last estimates?

Senator Carr—That is right.

Senator ABETZ—Can somebody assist me: how many weeks or months was that? Were they in October?

Mr Paterson—23 October.

Senator ABETZ—We have a situation where on the one hand I am thankful that I have been given a copy of the executive summary, but I am also a bit disappointed that I was not given it, say, 24 hours ago.

Senator Carr—Why?

Senator ABETZ—So that I could read it, comprehend it and then potentially ask some questions.

Senator Carr—That might be the case, but you would be aware that these matters are subject to due process. We have undertaken to table it after getting advice from the department. I have done that. I am sure the matter will not be concluded here.

Senator ABETZ—When was that advice received?

Senator Carr—I have had numerous pieces of advice on the Australian Stem Cell Centre.

Senator ABETZ—No, when was the advice received about tabling the executive summary?

Senator Carr—I would have to check that.

Senator ABETZ—Could you take it on notice, because it seems either a strange coincidence or in fact a discourtesy that a substantial and serious document of some 20-plus pages is given to committee members on the day of the hearing, which basically means that

they cannot digest it, read through it and possibly even get independent information on it for the purposes of questions. I will simply say that this does unfortunately seem to be a trend. In another committee I got from Minister Garrett written answers to questions on notice that were overdue and I got them the day after the environment committee hearings finished so I could not cross-examine further on the matters and I was told all questions were on notice. I hope that is not a trend that is developing with this government. Having said that, could I invite the secretariat to ensure that my good friend and colleague Senator Boswell gets a copy of that executive summary, because I know of his keen interest in this particular issue.

Turning to biotechnology, can the department give me a rundown on the current state of the biotechnology sector in Australia? That is a general question and I do not expect an answer to that. In particular, are there still about 470 biotech companies? Is that still the figure we are talking about? How many biotech companies are there? I have a feeling I might be dealing with somewhat older figures. What is the latest?

Mr Pennifold—It is still within that ballpark.

Senator ABETZ—I have been told that about 120, or one-quarter, of them are in a financial position that they have less than 12 months worth of cash and therefore they are potentially going to struggle to keep operating over the next 12 months. Are you aware of any information that might lend credibility to that assertion?

Mr Pennifold—Yes. I can refer to a publication called *Bioshares*, which is a quarterly report. In its 13 February edition was an estimate that suggested there were 45 biotechnology companies of 95 cash-burning biotechs that have less than one year's cash available, so there is quite a lot of market commentary around this issue.

Senator ABETZ—What is the department's assessment? Often market commentary and people with vested interests might exaggerate or underestimate figures. What is the department's view? Does it have a view? Does it do an assessment as to how many biotech companies there are in Australia and which ones are facing difficulties?

Mr Pennifold—We produce a quarterly publication called *Biotech Business Indicators* and the latest public version of that is available on our website.

Senator ABETZ—Thank you.

Mr Pennifold—I am happy to pass you to a copy. It does follow in detail those biotech companies that are listed on the Australian Stock Exchange, so it does give you some overall numbers about how they are going. At the end of the third quarter of 2008 we have a figure that the market capitalisation of listed biotech companies, excluding CSL, which is much larger than the rest—so that is 73 companies—overall fell by 11.3 per cent in the third quarter. Then it gives some data to back that up.

Senator ABETZ—What fell by 11.3 per cent?

Mr Pennifold—This is the market capitalisation of those 73.

Senator ABETZ—A concerning figure. That is a substantial fall.

Mr Pennifold—It is a substantial fall. We have been looking at those numbers since then and monitoring the trade press. It is a sector that is facing difficulties.

Senator ABETZ—We know there has been that 11.3 per cent fall in the third quarter of 2008; is that right?

Mr Pennifold—Yes, the third quarter of 2008.

Senator ABETZ—Over how many years have we been monitoring this? On notice, could you provide to me the information of the market capitalisation of these companies in aggregate and how much they have either increased or decreased per quarter?

Mr Pennifold—The publication I refer to goes back to the first quarter of 2004, so it does have that information.

Senator ABETZ—That same publication?

Mr Pennifold—Yes, it does.

Senator ABETZ—If you have a copy handy that would be very helpful, otherwise I could look it up on the website. That has been very helpful. Given the 11.3 per cent decrease in market capitalisation to which you have referred and also some of the market commentary to which you have referred, would you say that the biotechnology sector is operating on the basis of business as usual at the moment or is it facing somewhat more difficult times than it has in the past?

Mr Pennifold—Where the market analysis takes us is that it, like a number of sectors, is facing considerable difficulty at the moment in market conditions that are not dissimilar to those that prevailed even as late as the middle of last year.

Senator ABETZ—Are there any special circumstances that have made biotechnology companies' position worse other than just the general economic climate?

Mr Pennifold—I think it is the general economic climate and the nature of their business. A lot of them have very long lead times to market and therefore rely very heavily on progressive injections of private capital in order for them to take products through to the market.

Senator ABETZ—Would you agree with me that the abolition of the Commercial Ready program has had an impact on biotechnology companies being able to access private capital?

Senator Carr—That is asking us for a comment in relation to government policy, which I do not think we can do.

Senator ABETZ—No, it is not. I am asking you whether part of the problem these companies are facing is because of the abolition of the Commercial Ready program.

Senator Carr—I still think you are asking officers to pass comment in relation to a matter of government policy decision, and I do not think we can do that.

Senator ABETZ—I go to these Senate estimates and officials are more than willing to tell us about the benefits of government activities, how that has stimulated the retail sector and how this has stimulated the building sector.

Mr Paterson—I cannot respond on behalf of other officers.

Senator ABETZ—Have you never done that, Mr Paterson?

Mr Paterson—Not that I am aware of.

Senator ABETZ—We will have a look at the *Hansard* and possibly come back next time.

Mr Paterson—I feel comfortable about doing so.

Senator ABETZ—Would you agree with me that almost one-third of the Commercial Ready grants in fact went to the biotechnology sector while the scheme was still alive?

Mr Pennifold—I think that is in the right order of magnitude.

Senator ABETZ—Was the scheme projected over the three-year period to provide about \$700 million—was that right?—into the forward estimates when it was axed? Is that right? I think it was \$707 million, to be exact.

Mr Paterson—It was a program of approximately \$200 million a year.

Senator ABETZ—So it is one-third of that in rough terms, or \$70 million a year, that the biotechnology sector would have been given and that they are now no longer getting. Would you agree with that maths?

Mr Pennifold—I think it is accurate to say that that was the order of magnitude of the money that they were getting under that program.

Mr Paterson—It is also fair to say that, as you know, the Commercial Ready program was a competitive grants program. Applicants from a variety of sectors applied to that program.

Senator ABETZ—That is right, and the biotechnology sector was successful in about one-third of the grant money.

Mr Paterson—That order of magnitude, yes.

Senator ABETZ—One-third of \$200 million is roughly \$70 million. That means there is \$70 million on average—it may have varied; it might have been more or it might have been less—per year that the biotechnology sector is now not receiving. That is pretty basic maths, isn't it?

Mr Paterson—This is not a question and answer about the maths, surely. You are seeking to have officers make a comment about the impact of a government policy decision. It is another way of asking the same question that you asked earlier, and I do not think it is appropriate for us to make comment on it. It was a competitive grants program. We have indicated to you what the historical experience was. We cannot speculate on what the future experience of a program for new grants that no longer exists might have been.

Senator ABETZ—It is a funny thing, but governments make grants and other things and they speculate on how many jobs may or may not be created or supported. I can understand it is a sensitive area, but have we agreed that it is about \$200 million a year that was coming out of the Commercial Ready program? We are agreed on that?

Mr Paterson—That is the correct order of magnitude.

Senator ABETZ—Taking into account that it was a competitive program but that historically the biotechnology sector received one-third of that—is that correct?

Mr Pennifold—Yes.

Senator ABETZ—I will then draw the conclusion, if the department cannot, that that equals about \$70 million less for the sector, and I note that the department is not willing to

make any comment or reflection on whether \$70 million less to the biotechnology sector might actually have an impact on its market capitalisation and ability to attract venture capital. I will not ask any questions about that, but I think people can draw their own conclusions. I thank Mr Penniford and Mr Chesworth for staying behind. I will move on to science research. When will the government respond to the innovation review?

Senator Carr—That is a matter that is before government at the moment.

Senator ABETZ—So there is no firm date?

Senator Carr—There is no firm date at this point.

Senator ABETZ—But you received it on 9 September last year; is that correct?

Senator Carr—We will check the date.

Senator ABETZ—You have had it for five or six months. Please assure me it is not gathering dust similarly to Professor Green's report.

Senator Carr—Your assumption about Professor Green's report is wrong, and the snide remarks that you make about this one are wrong as well.

Senator ABETZ—But you cannot tell us when you are going to respond to it, which I can tell you is having serious consequences for the innovation sector right around the country. You might be concerned about what you term a 'snide remark', but I can tell you that, given the huge promises that were made to this sector by you when you were shadow minister, you are leaving a lot of people disappointed. Do you remain committed to full funding of university research?

Senator Carr—I have indicated in public comments on numerous occasions the directions that the report has supported. That is a matter that is before government at the moment.

Senator ABETZ—I am not asking you about the report. Do you personally remain committed to your personal commitments to full funding of university research?

Senator Carr—I have indicated my position in regard to the report on numerous occasions. I have no reason to change that.

Senator ABETZ—The report might suggest no funding at all for university research. We are not interested in the report. We are interested in your commitment whilst in opposition to full funding of university research. I want to know whether you are still committed to that.

Senator Carr—I have made my position clear in terms of the objective of the funding of research programs and I see no reason to change it.

Senator ABETZ—Just remind me, because I would hate to verbal you.

Senator Carr—You do pretty well on a regular basis.

Senator ABETZ—Did you commit yourself to full funding of university research whilst in opposition?

Senator Carr—I do not recall using that term.

Senator ABETZ—You cannot?

Senator Carr—No.

Senator ABETZ—Thank you very much.

Senator Carr—Perhaps you can produce a quote.

Senator ABETZ—Thank you very much for that.

Senator Carr—You have asked me a question: did I commit to the full funding of university research? What does that mean? You are an expert in this field. What does that mean?

Senator ABETZ—A lot of people are asking.

Senator Carr—You have made the assertion that I said that. Where did I say that?

Senator ABETZ—You have got Senator Wong's disease. It must be part of the Left of the Labor Party that ministers think estimates are about them asking the opposition questions.

Senator Carr—No. You have made an assertion. Now back it up.

Senator ABETZ—If you deny saying it, I will take you at face value—

Senator Carr—You back it up. You have made a claim. Back it up.

Senator ABETZ—as I have taken you at face value with your other—

Senator Carr—You want to make assertions about verballing of people. Now back it up.

Senator ABETZ—I am the one asking the questions, not you.

Senator Carr—You are doing the verballing. That is what you are doing.

Senator ABETZ—No. I asked: did you ever commit to full funding of university research? I am not verballing you. I am asking whether you said it. You are now saying you do not think you ever used that language.

Senator Carr—That is not the term that is used. Whoever writes these questions for you has got the terminology wrong.

Senator ABETZ—I am not the one who has to read from inane briefs and a laptop waiting for answers to be brought up.

CHAIR—Trading insults with each other is not getting us very far.

Senator ABETZ—Whereabouts are we with the consideration of the R&D tax concession? That was part of the Cutler review, or a suggestion. That has been modelled now by Treasury, has it?

Senator Carr—That is a matter before government.

Senator ABETZ—Has it been modelled by Treasury?

Senator Carr—It is a matter before government. I do not have anything further to add on it.

Senator ABETZ—I have even got FOI information that it has out of Treasury without any resistance. What is the problem here, other than obfuscation of the highest order by a minister clearly not on top of his brief? That is fine. I will be telling the innovation sector exactly what your response is in relation to this despite the fact that the costings have been made by Treasury.

Mr Paterson—I will clarify an issue in relation to that. I think that the information you were provided on the FOI request was the modelling that was undertaken by Treasury for the review chaired by Dr Cutler. The information that has been provided in an FOI request was the modelling produced by Treasury. I think the FOI request was of the Treasury portfolio, and they provided to you the modelling that they did at the request of the innovation review panel. You also asked a question as to when the government received the report. It was formally received by the government on 29 August and publicly released on 9 September. I think you mentioned a 5 August date in your question, did you not?

Senator ABETZ—No, in fact I mentioned 9 September. That will all go to—

Mr Paterson—That was the date it was publicly released.

Senator ABETZ—It was received on 29 August.

Mr Paterson—As to the other two reports at the time, one was *Collaborating to a purpose*, which was a companion piece report on the CRC program, which was chaired by Professor Mary O’Kane as part of that report. That was publicly released on 5 August.

Senator ABETZ—Does the government accept there are some different approaches taken to research funding in the Bradley and Cutler reviews?

Senator Carr—No.

Senator ABETZ—No? Does Bradley recommend spreading research across universities?

Senator Carr—In the report?

Senator ABETZ—Yes.

Senator Carr—I am not aware of that.

Senator ABETZ—You are not aware of that? Thank you very much. Does Cutler recommend concentrating research—

Senator Carr—Can you be more specific as to your question? Just about all universities receive research funding.

Senator ABETZ—In the context of the Bradley review, was it recommended that research funding be spread across universities generally, whereas Cutler was more of the view that recommended concentration of research in a select group?

Senator Carr—I do not think there is any recommendation on that matter in Bradley’s report, is there?

Senator ABETZ—That is your understanding of the reports. That is fine by me. We will continue. Can I ask about medical research institutes here?

Mr Paterson—That is not within our portfolio.

Senator ABETZ—NHMRC; I accept that. I should have been asking Health about research resistance over a new grant rule.

Mr Paterson—That is correct.

Senator ABETZ—I accept that and thank you for your guidance in relation to that. Can I ask you about your 10-year plan to strengthen innovation and university research? How are we going with that?

Senator Carr—It is a matter before government.

Senator ABETZ—It has not been launched as yet?

Senator Carr—I have just indicated it is a matter before government.

Senator ABETZ—On 2 January with some fanfare we were told, ‘A 10-year plan to strengthen innovation and university research will be launched by the federal government this year.’ Then we were told there would be no retreat on the government’s big-ticket reform projects—and that is still the government’s approach?

Senator Carr—I do not recall using terms like ‘big-ticket reform projects’. That does not sound like the sort of language I would use. I am sure the finance department would be delighted to hear that I had.

Senator ABETZ—Friday, 2 January 2009 in the *Age*—

Senator Carr—Those remarks are in quotes, are they?

Senator ABETZ—No, they were not in quotes. That is fair enough. But you did say that it ‘remains the government’s intention to deliver the 10-year plan’. Is it still your intention to deliver that some time this calendar year?

Senator Carr—There is no reason to change that.

Senator ABETZ—If I might just go back so I fully understand: if I use the term ‘the full cost of research’, does that mean anything to you?

Senator Carr—That is a different concept altogether.

Senator ABETZ—What does that mean?

Senator Carr—Could you just give us a second?

Senator ABETZ—Can you please answer for the minister?

Ms Borthwick—Certainly. The full cost of research is generally taken to mean a couple of things. One is the full funding of the direct cost of research through the competitive granting processes through the ARC and the NHMRC as well as the supporting funding through our block grant program.

Senator ABETZ—What is the difference between full funding and full cost? Supporting the full funding or the full cost of research, I would have thought, means the same thing, doesn’t it?

Ms Borthwick—I am not sure what distinction you are pointing to.

Senator ABETZ—Nor can I, because the minister is directly quoted in the *Age* in inverted commas on 2 January 2009: ‘I personally support the principle of the full cost of research.’

Senator Carr—Which is different from the full funding of research.

Senator ABETZ—I then asked, ‘What is the difference?’ and nobody has yet been able to explain that to me. Take it on notice.

Ms Borthwick—I was going to go on to say—

Senator ABETZ—Take it on notice. We are playing semantics, but I think we know what—

Senator Carr—You are pretty good at the Perry Mason style—

Senator ABETZ—the minister meant. Is nanotechnology research something I should be asking about here?

Senator Carr—It depends on what the question is.

Senator ABETZ—On 21 October we were provided with an article in the *Daily Telegraph* talking about a \$100 million plan for nanotechnology research.

Senator Carr—Do you have a copy of the article?

Senator ABETZ—I have indeed, right in front of me, even with a picture of Minister Carr. Chances are it might relate to your portfolio. It says that the federal government has launched a \$100 million science program ‘aimed at providing laboratories and support for work on micro and nanofabrication research’. Does this now start to sound familiar?

Senator Carr—What is the question?

Senator ABETZ—Am I asking about this in the right area?

Senator Carr—Ask me. We will try to answer your question.

Senator ABETZ—I am just wondering where we are at with that. Have you launched it? Has it been set up? Where is it housed? What is it doing?

Ms Lansdown—I am not certain what you are talking about, but it is possible that it refers to some of the funding from the national collaborative research infrastructure program to fund infrastructure to support research in those areas.

Senator ABETZ—The program, the Australian Nanofabrication Facility, ‘brings together state-of-the-art technologies spread between seven universities’.

Ms Lansdown—That is what it is, yes.

Senator ABETZ—So the government is now spending, what, about \$100 million on supporting nanotechnologies and research; is that right?

Senator Carr—No, it is probably more than that.

Senator ABETZ—Can you tell us the thought processes that went into axing the CSIRO nanotechnology flagship when you came into government?

Senator Carr—We did not do that.

Senator ABETZ—What happened to the CSIRO nanotechnology flagship?

Senator Carr—Why don’t you ask the CSIRO when they come before you?

Senator ABETZ—I will. I still recall it was a closure. Where are we at with this plan? Have people been employed? Who is in charge of this facility?

Ms Lansdown—The Australian Nanofabrication Facility is in fact a distributed facility across the country.

Senator ABETZ—That is right, yes: seven centres.

Ms Lansdown—The entity you refer to provides some strategic guidance to those nodes around the country. Our funding actually is infrastructure funding, not research funding, but what that group have actually done is to endeavour to be very clear about what sorts of infrastructure we need across the country and provide integrated facilities so that researchers can access the best-quality research facilities in locations closest to them. They actually program the infrastructure across the country. It has provided fairly good economies of scale.

Senator ABETZ—When we are talking about infrastructure, we are not talking about building new laboratories for them being bricks and mortar, or that as well?

Ms Lansdown—That can be part of it.

Senator ABETZ—Has there been a split up of this \$100 million for bricks and mortar, development or purchase of equipment?

Ms Lansdown—We would have to take that on notice to make sure that we are accurate.

Senator ABETZ—All right. Is there a head of this organisation?

Ms Lansdown—Yes, there is. There is a CEO and a board.

Senator ABETZ—Can I be provided on notice with the name of the board and the CEO?

Ms Lansdown—Yes.

Senator ABETZ—I assume they will be providing annual reports?

Ms Lansdown—Yes.

Senator ABETZ—Will they find their way into the parliament?

Ms Lansdown—I am not sure that is required under the contracts. They provide reporting to the department against their funding milestones, but I do not think they need to provide annual reports to parliament.

Senator ABETZ—Would they be reporting to the Science and Research Division?

Ms Lansdown—Yes, or to the minister through the Science and Research Division.

Senator ABETZ—It would be to the minister through the department. Thank you for that clarification. That exhausts my questions on science and research.

CHAIR—As there are no further questions on science and research, I thank the officers and I call the Office of the Chief Scientist.

[8.02 pm]

Office of the Chief Scientist

CHAIR—I welcome the Office of the Chief Scientist. Do you have an opening statement that you wish to make?

Prof. Sackett—No.

CHAIR—We will go straight to questions. Senator Abetz.

Senator ABETZ—I congratulate Professor Sackett officially, at her first Senate estimates, on behalf of the opposition on her appointment. I have already done that in writing, but it is

good to be able to do that and place it on record at Senate estimates. You follow a long line of very distinguished chief scientists, but I understand you are the first female to hold that role. Having said that, I fully acknowledge that your appointment was not on the basis of gender but on the scientific experience and rigour that you bring to the position. I congratulate you on both those achievements and look forward to working with you. How have you settled into the department with the staff that are specifically allocated to you?

Prof. Sackett—The matter of the staffing should be referred to the secretary of the department.

Senator ABETZ—Secretary, how many staff does Professor Sackett have?

Mr Paterson—At the present time there are 10½ ASL, but we are seeking to recruit some additional staff.

Senator ABETZ—I do not have the figure in front of me, but going on memory, I think the former chief scientist said it was 13. It is still about the same sort of support staff.

Mr Paterson—If we reflect on the earlier evidence that was given, there were about 10 ASL allocated to the Office of the Chief Scientist from the resources of either the former department of education, science and training, or when it was first within my portfolio and there were some additional time limited secondments to the former office of the chief scientist. The current Chief Scientist is seeking to engage an additional three positions at the present time.

Senator ABETZ—My apologies: I would like to place on notice the funding to the Australian Mathematical Sciences Institute. I think that should have been in the last segment of the estimates.

Mr Paterson—No, that is not ours.

Senator ABETZ—Not yours at all?

Mr Paterson—I do not think so. If it is then I am not aware of it. I do not believe it is part of my portfolio. You will find that it is a continuing part of the DEEWR portfolio.

Senator ABETZ—Thank you for that. I will follow that one up there. Back to the Chief Scientist: if you have already come to such a determination, what do you see as being the prioritisation of issues that you might be dealing with over the coming 12 or 24 months?

Prof. Sackett—I mentioned during my acceptance speech some of those areas that would be important. That acceptance speech is on my website. I have not formulated national priorities. That is something that the government would do. I think it is not a surprise that matters of climate change, energy and health are some of the challenges and opportunities that Australia faces.

Senator ABETZ—I understood from the previous chief scientist that he had regular discussions with the government and the minister. Have you experienced the same?

Prof. Sackett—Yes. The minister to whom I report, Minister Carr, and I have regular meetings.

Senator ABETZ—I do not need to know the matters, but do you take it upon yourself to proactively encourage the minister and the government to consider certain matters, or do you see your role as just responding to requests from the minister?

Senator Carr—Proactively.

Senator ABETZ—I know the previous chief scientist saw that as part of his role. As I understand it, the position is as an independent Chief Scientist. Is that right?

Prof. Sackett—That is absolutely correct.

Senator ABETZ—That is why I think it was not helpful for the minister to intervene in trying to answer for you and I would like to hear from the independent Chief Scientist.

Senator Carr—You are an absolute prat.

Prof. Sackett—I am pleased to answer the question.

Senator ABETZ—Chair, if you want standards in this committee then the minister has to abide by them.

CHAIR—I do not know whether that it is unparliamentary as such.

Senator Carr—You are getting on your high horse. You asked the question whether the Chief Scientist acts proactively and I can assure the committee that she does. She has a standing invitation, which she exercises, to actually contact me and other ministers, which she does regularly.

Senator ABETZ—The independent Chief Scientist should be given the courtesy of being able to answer for herself without a bully boy minister trying to intervene.

CHAIR—Senator Abetz!

Senator ABETZ—Chair, if you allow that sort of description of me then you have got to allow it back the other way. I should withdraw that comment about the minister, and I do, and I would invite the minister to do the same. Professor Sackett, do you proactively raise issues with the minister?

Prof. Sackett—Yes, I do.

Senator ABETZ—In your role as an independent Chief Scientist, would you see it as appropriate to have private discussions with the opposition about your ideas and concerns regarding the scientific realm in Australia? Might I add, not only the opposition, but say the Greens, Family First and Senator Xenophon. If they wanted to consult you on a matter, would you see that as part of your role as being able to provide some advice to them?

Prof. Sackett—My understanding is that if any member of the opposition, the Greens and so on would like to speak to me that they would need to direct that request to the minister. To my understanding, that has not occurred.

Senator ABETZ—Secretary or Minister, can you explain to me the degree of independence that the Chief Scientist has in relation to her role if everything does go through the conduit of the minister's office?

Senator Carr—The position of Chief Scientist is a full-time advisory position to the government. It is an independent appointment. I indicated on the last occasion that it is not a

Public Service appointment. It is an engagement by way of deed ensuring the independence of the Chief Scientist, but it is an advisory position to the government. Therefore, the appropriate protocols on engaging with an advisor to government, with respect to the opposition and/or the minor parties, are consistent with the approaches for briefing or engagement that are made via the minister. That is a standard procedure and there is nothing that has changed under this government that was different from the former government in terms of that approach.

Senator ABETZ—I accept that. I am wondering about the actual terminology of ‘independent’. I can fully accept that we have, by way of deed to the government, a specialist adviser in the Chief Scientist, for want of a better term, but I am just wondering whether the independence of the Chief Scientist is limited by the normal constraints of let us say the Public Service operation, such as if I wanted to see you, Mr Paterson, about a matter?

Mr Paterson—Those standard protocols apply with respect to the appointment of the Chief Scientist. The appointment is of an independent person providing advice to the government. It is an appointment by the government of an independent chief scientific adviser to the government.

Senator ABETZ—Do the rules of the Public Service apply in relation to making public statements?

Mr Paterson—The Public Service Act does not apply to the Chief Scientist. The terms of the engagement of the Chief Scientist are the terms set out in the deed between the Chief Scientist and the Commonwealth.

Senator ABETZ—Are those sections of the deed able to be made available? I do not need to know the full name, address, remuneration and other things that may be contained in the deed, but I would like to know those operational parts of the deed as to the conditions under which the professor is engaged as the Chief Scientist?

Mr Paterson—I will take it on notice. Given the nature of the deed, being a deed between the Chief Scientist and the Commonwealth, I would just like to reflect on the status of that as to whether or not it should be placed on the public record.

Senator ABETZ—I did not ask for the whole need because I am aware of some of the matters that clearly would be confidential and should not be disclosed.

Mr Paterson—I will take the question on notice.

Senator ABETZ—Yes—to the conditions of employment as it relates to public interaction and so on would be helpful. This question was raised because I wrote what I thought was a very friendly letter to the Chief Scientist, who responded in very similar terms—and thank you for that. It was a very friendly letter where you set out some of the things that you hoped to achieve, and from what I can gather you are achieving them. The very last sentence of the letter said: ‘I will send a copy of this letter to the office of Senator Carr, Minister for Innovation, Industry, Science and Research, for his information.’ Given the independent Chief Scientist feels that even when she writes a thankyou letter she has to cc it to the minister—and I can understand they are the rules of operation, so there is no criticism of you for having done so—I just wanted to clarify in my own mind how ‘independent’ the Chief Scientist actually is. All government departments allegedly, and I am sure they do, provide independent

and fearless advice to government. That is what the bureaucracy is there for, and I am sure you would agree with that. Do you provide independent advice to government?

Mr Paterson—There is a question on the interpretation in relation to ‘independent’ in the way you frame that question. Our obligation under the Public Service Act as servants is to be responsive to the government of the day. The Office of Chief Scientist is an independent office that is not subject to supervision under the Public Service Act. Professor Sackett is not subject to supervision by me. All officers of my department have responsibilities to me in the undertaking of their responsibilities. Professor Sackett is not responsible to me. She reports to the minister directly. There is scientific independence by the nature of the appointment and she is independent from the department of state and is not constrained by the Public Service.

Senator ABETZ—We are using the word ‘independent’ in a lot of contexts here and that is why I am trying to seek some clarification. I am sure that once I read the transcript and refer to all the usages of the term ‘independent’ I will be none the wiser.

Mr Paterson—You will reflect on my response, which is that she is appointed Chief Scientist to the government of the day.

Senator ABETZ—Yes. The Chief Scientist is therefore an appointment by the government for the government.

Mr Paterson—An appointment by the government.

Senator ABETZ—Yes, for the government.

Mr Paterson—Chief Scientist to the government.

Senator ABETZ—All right, to the government for the government. Thank you very much.

CHAIR—Thank you to the Office of the Chief Scientist.

[8.20 pm]

Commonwealth Scientific and Industrial Research Organisation

CHAIR—I welcome the CSIRO officers. Is there an opening statement?

Dr Clark—First of all, I would like to say it is a great honour to be asked to lead the CSIRO and I really look forward to sharing with each of you the responsibility of Australia’s science for Australia’s future. As you know, CSIRO was built on a foundation of the integrity of its excellent science, and we absolutely need to build on this foundation but I also look forward to building more respect and looking at the challenges that face the nation. These challenges are very complex, and they are challenges that face not just the nation but, as we are finding out, they are the same challenges that face us as humankind.

In the few weeks that I have been in the CSIRO, I am really starting to realise that CSIRO brings together four absolutely magical things. The first is the opportunity to work on big breakthroughs—things that stretch as far as the new wheat varieties that can improve yields and resist disease. We are seeing national understanding of our water resources and cheaper renewable energy. Secondly, we have teams of smart people with different knowledge that we are now bringing together to work on long-term problems. As I meet the people of CSIRO—and I have yet to get around and meet them all—and learn of the work, what I am really impressed with, and I know the community has also been impressed, is the deep knowledge of

the people, the intelligence and the dedication that we are seeing in CSIRO. Finally, the ability to work with stakeholders in industry, the environment and the community to really make a difference, to turn science into reality, is a real hallmark of CSIRO.

Senator ABETZ—Thank you. Congratulations on your appointment and, if I might say, you seem to share the same passion as your predecessor. Your predecessor gave a departing speech at the last Senate estimates. Can I say that I usually object to a long opening statement, but his was one I did not take exception to because it was a great history of what had been achieved and about the future. Your brief statement this evening has, I think, followed in that tradition of passionate leadership by the CEO of the CSIRO. Congratulations on your appointment and I look forward to working with you. In your opening statement you told us about big breakthroughs. I want to ask you about one, and I do not mean to trivialise the big breakthroughs the CSIRO does work on. During the cricket season I was listening in and one of the commentators was telling me that the CSIRO—we are already getting a smile—was being tasked to work on developing a cricket ball for day/night test matches. I was wondering whether is that true and how are we getting on with it?

Dr Clark—I have to say that I am going to seek the aid of my colleagues on this one.

Senator ABETZ—It just goes to show that, even when I am on holidays listening to the cricket, I am alert to portfolio issues.

Mr Whelan—Yes, it is true that we are working with the Australian Cricket Board to see if we can develop a cricket ball or a covering for a cricket ball that enables it to be better seen at night. I do not have the details as to how it is progressing but I am more than happy to provide those to you on notice.

Senator ABETZ—As a bit of a fan of day/night matches I hope it succeeds and we might be able to get the benefit of test matches on the TV in the evening as well when they are not being played on the other side of the world.

Senator EGGLESTON—I understand that we have a cooperative research centre for bushfires; is that correct? Where is that CRC for bushfires located?

Mr Paterson—The CRC program is managed by the department so it is not part of the CSIRO. We have dealt with the departmental issues previously.

Senator EGGLESTON—We will not deal with that. There may be other issues here which are also departmental ones. What about the CSIRO's ability to engage and retain scientists and the two per cent efficiency dividend?

Senator Carr—Is it a question to the CSIRO?

Senator EGGLESTON—Rather than the department?

CHAIR—This is a question about CSIRO's efficiency dividend, so I think—

Senator Carr—That is a question to the CSIRO. I am sure the officers will be only too happy to take it.

Senator EGGLESTON—Last year there was a report from the joint committee inquiry into the impact of the two per cent efficiency dividend on government agencies. It commented that the CSIRO found it difficult to engage and retain scientists. Since last year's application

of the efficiency dividend, what are the figures from the CSIRO on how many staff were laid off and also how many have been employed?

Dr Clark—We have those figures.

Senator EGGLESTON—Could that be broken down to full-time and part-time positions?

Mr Whelan—The net movement of staff since the end of the last financial year has been a reduction of five staff.

Senator EGGLESTON—A net loss of five.

Mr Whelan—Yes, in full-time equivalent terms.

Senator EGGLESTON—When you say that is a net loss, how many actually left and how many did you put on?

Mr Whelan—I do not have that level of detail with me. I would be happy to take that on notice.

Senator EGGLESTON—Thank you. How many positions are currently vacant that the CSIRO is looking to fill? What level of vacancies do you have?

Mr Whelan—We do not have exact details with us, but at any point in time we would have the order of somewhere between 100 and 200 positions in the marketplace.

Senator EGGLESTON—That is quite a lot.

Mr Whelan—Just to clarify, that it is off a base of 6,372 staff; so, in overall numbers, it is probably a relatively small proportion.

Senator EGGLESTON—You do have a big staff, yes. Do you have any idea what is the longest time it has taken CSIRO to fill a position since the efficiency dividend was applied?

Mr Whelan—I would not have that data, no.

Senator EGGLESTON—Can you tell us whether there are any positions within your organisation that are particularly difficult to fill?

Mr Whelan—From time to time there are many positions that are hard to fill. It depends on market conditions. Certainly at the peak of the resources boom it was very hard to get mining engineers to come and work in a public sector research organisation when they could be making \$300,000 or \$400,000 in the private sector. It would be fair to say, though, that that situation has changed and we certainly find it easier to attract and retain people in those disciplines than previously. It really does depend on the market conditions.

Senator EGGLESTON—I can believe that you probably will not have too many problems in the near future, anyway, with mining engineers. Is the CSIRO maintaining its attractiveness as a place of employment?

Mr Whelan—I think we have seen over the last three or four years through initiatives such as the chief executive's science leaders program, some of the flagship collaboration funding for students and fellows, that CSIRO has not only been able to attract and retain some of the best talent in Australia but has also been very successful in attracting back talent from overseas. I think perhaps the best indicator of our standing in the marketplace might be the study that is produced annually on the preferences of graduates in science and engineering

from Australian universities. CSIRO has been consistently ranked No. 1 as the preferred employer, and our margin as No. 1 preferred employer for science, engineering and ICT graduates have increased over the last three years.

Senator EGGLESTON—Are you saying that the efficiency dividend which has resulted in the culling of some programs and the laying off of staff has not caused any problems with morale within the CSIRO?

Mr Whelan—If I could just clarify something in your question, in terms of the impact of the efficiency dividend on CSIRO, we have worked very hard to make sure that there is no or limited impact on our research programs. As we have discussed previously with this committee, we have tried to limit the impact of those reductions to fixed costs and support costs. There have been some reductions in support costs. We estimate that we will probably lose about 85 full-time staff over the course of the next year or so in support. In terms of our research programs, there has been no major change in research direction.

Senator EGGLESTON—Thank you. Following on from that, I would like to discuss the rising cost of scientific equipment. During last year's report from the joint committee inquiry into the impact of the efficiency dividend on government agencies, CSIRO commented that they were finding it difficult to meet the rising cost of scientific equipment. How have the budget cuts and efficiency dividend placed on CSIRO affected its ability to purchase new scientific equipment?

Mr Whelan—There has been no direct impact from the efficiency dividends on our capital budget but, going to the point that we were making to that particular committee, we do find ourselves capital constrained. The fact of the matter is that to remain globally competitive we need access to more capital. Some of the programs that the government has announced, which senators were asking questions about earlier this evening in terms of nanofabrication technologies and the like, are some of the facilities that we are now getting access to. I have observed that over recent times there has been a move from governments of both persuasions to fund more collaborative research infrastructure. We are certainly trying to access that. But with respect to our own organisation, due to the change in the value of the dollar and increasing demands to keep pace with research, we would like to spend more money on capital, but we will prioritise that, and at this point in time I do not believe it is having a significant impact on our research.

Senator EGGLESTON—Do you have a wish list of equipment you would like to buy?

Mr Whelan—Indeed. We prioritise our research all the time. There is a lot of equipment that we would like to be able to purchase and we prioritise it and buy it in priority order.

Senator EGGLESTON—What kind of extra funding would you require to satisfy that?

Mr Whelan—How long is a piece of string? If we are talking about scientists who would like to pursue their passion for science, there probably is no limit to the amount of funding our scientists would like.

Senator ABETZ—Would it be fair to say it could swallow the whole budget?

Mr Whelan—That is probably an exaggeration, but some of our scientists would not mind having a go.

Senator ABETZ—In New Zealand it would be the petty cash.

Mr Whelan—There is lots of equipment that they would like to buy. That has always been the case, and we prioritise our investments.

Senator EGGLESTON—Senator Carr, the minister here tonight, in the past has accused the opposition of misrepresenting CSIRO's funding, referring to the \$25 million in additional funds for CSIRO's research on clean coal technology. When CSIRO made the comments to the committee regarding the rising cost of scientific equipment, were you referring to the equipment needed for the clean coal research?

Mr Whelan—No. There was no specific reference to any equipment for any specific program.

Senator EGGLESTON—How is the clean coal funding addressing the needs for increased funds in other areas of CSIRO research? Is it only for clean coal research?

Senator Carr—Are you asking if the government funds for clean coal can be used for other purposes?

Senator EGGLESTON—Essentially, yes.

Mr Whelan—As a general rule, where the government announces tied or targeted funding, the resources are deployed for that purpose, but the impact can sometimes be beyond the immediately obvious research areas. For example, work in clean coal might involve mathematicians and ICT personnel. It may not just involve personnel who work in our energy research centre. It is possible for those funds to have an impact across a wide range of capabilities in CSIRO.

Senator EGGLESTON—Thank you. I believe there is a new charter for the CSIRO. Is that true?

Mr Whelan—That is correct. There is a charter that has been agreed between the minister and the board of CSIRO. I understand that it is not dissimilar to a range of charters being put in place for public sector research agencies.

Senator EGGLESTON—What has been the agency's experience with the new charter so far?

Mr Whelan—In many respects the charter codified a series of arrangements that were already in place. It is very consistent with CSIRO's existing policy on public comment. It reminds officers and in fact it encourages officers of CSIRO to talk about their science and to promote its impact in the community, but it also reminds them to be mindful about commenting on government policy or, indeed, opposition policy for that matter.

Senator EGGLESTON—Is that a constraint in terms of scholarly freedoms?

Mr Whelan—Not at all. In fact, the charter goes to those very issues and encourages freedom of scientific thought. Bear in mind that we are talking about CSIRO, which is a mission-directed research organisation, where the organisation, in conjunction with stakeholders, determines the research programs to be pursued, as opposed to individual scientists picking up a bright idea.

Senator EGGLESTON—Can you say what a researcher now has to do if they wish to release a statement about either their research or a policy matter in which they hold a high level of expertise?

Mr Whelan—They essentially follow the same process that they followed previously. If it is a scientific paper that they are going to publish, then it would be peer reviewed within CSIRO. It would be reviewed by an appropriate journal. The editorial committee of that journal may seek further input from CSIRO. If the particular paper that they were publishing contained potentially sensitive matters that might relate to government policy or matters that were currently being debated in the public domain, we would generally provide the minister with a briefing ahead of time and the paper would be published—similarly with reports we provide to the government. If it was a press release, it is a not dissimilar protocol. There are some rules with respect to the need for officers to be appropriately trained if they are going to be talking to the media and for them to provide advance notification. Again, if the matter relates to government policy or perhaps to an event that the minister or another member of government might be involved with, we would provide prior notice to the government. It is essentially the same framework that we have had in place, certainly for the last seven years that I have been with the organisation.

Senator EGGLESTON—If you had some scientific results which cast some doubt on the government position, you would still be able to publish them?

Mr Whelan—Neither the charter, nor any other arrangement that I am aware of, limits the ability of CSIRO scientists to publish the results of their research.

Senator EGGLESTON—One of the recommendations of the Cutler review was to make government information more freely available to business. What is CSIRO's response to this recommendation? Do your new charter facilities facilitate or hinder you in doing this?

Mr Whelan—The charter addresses CSIRO's policy position on that. To the extent that the scientific research has been publicly funded and is for public benefit, then the organisation is encouraged to publish and widely disseminate those results. However, CSIRO also conducts research on a fully funded basis for a range of organisations, sometimes government departments and sometimes private sector organisations, and those organisations that fund that research control the process of releasing those results. The charter does not limit that. The charter simply acknowledges that those obligations will exist through those commercial contracts.

Senator EGGLESTON—Peter Lilly, who is the Director of CSIRO's Minerals Down Under National Research Flagship, wrote an article in the *Australian Financial Review* last month outlining some of the research being carried out on exploration, extraction and processing of resources. He puts forward an argument that Australia must invest in resources-focused research if we are to remain competitive. What is CSIRO doing to make sure that, when investment in resources does pick up, we are not left behind?

Mr Whelan—The organisation, through the flagship that Dr Lilly leads, is investing in a range of precompetitive research that is focused on techniques for looking below the country's regolith, the thick layer of overburden that separates mineral deposits from the surface. It is looking at new exploration technologies. It is looking at low impact extraction

processes and the like. That research is about making sure that the resources sector, which does invest heavily in Australia, does not have any barriers to further investment. It is a substantial program, one that widely engages the resources sector, and it is exactly the type of research that we need to be doing to make sure that the Australian resources sector remains competitive.

Senator EGGLESTON—Are you constrained in achieving that objective by the efficiency dividend?

Mr Whelan—As I indicated earlier, we have worked hard to try to make sure that there has been no impact on our research programs from the efficiency dividend.

Senator ABETZ—The marvel of modern technology has been at work this evening. APAC is a new program on AUSTAR where people can observe these committee proceedings. And my questioning about the cricket ball has meant I have received a text message which says, ‘Thanks. We need that cricket ball.’ That is the marvel of modern technology. You have community support out there on that one.

CHAIR—Mr Cameron has a couple of questions that we will do before the break.

Senator CAMERON—As to the UltraBattery project—there has been some publicity in recent times about your research into advanced battery technology, which is very important work. Can you provide the committee with an update on the research in this area, and does it have any potential for Australian manufacturing?

Mr Clarke—The UltraBattery research is looking at the most advanced battery technology to be used in hybrids. In terms of an update on that, we are certainly at trial stage with the UltraBattery. The 100,000-hour tests have been completed successfully. We are also in discussions with manufacturers in this country not just for the hybrid vehicles but also for hybrid locomotives as well. It is a very advanced program and there are some benefits that we are pursuing.

Senator CAMERON—In light of the continuing bushfire emergency in Victoria, can you tell the committee something of CSIRO’s research in this area, and does CSIRO have continued research programs addressing bushfire issues?

Mr Clarke—The bushfires were very tragic events and our thoughts are still with the families and communities that have lost lives and property. CSIRO has had extensive research in this area. You may be interested to know that during the bushfires some of that research was operationally deployed. The firefighter training had been deployed. The fire tanker crew protection systems were deployed, and you are probably aware that on Monday, 23 February, one of the tanker crews was overcome by fire. It was that research done with the CFA, the Country Fire Authority, that provided the pods for the firemen to survive and emerge from that vehicle unharmed.

Other research includes the weather forecasting and related fire danger updates that were deployed. Ongoing areas include the current survey on the impact on built assets, and we are leading two of the areas being investigated by the bushfire CRC taskforce—namely, the fire behaviour activity. These, of course, were extraordinary and unprecedented events and they need investigation and learning. It also includes the infrastructure urban planning aspects. We

are also contributing to other areas such as community attitudes and, unfortunately, the area of arson. We will, of course, move forward and stand ready to support the royal commission and the coronial inquest on that.

Senator CAMERON—I will put this question on notice. Has there been any advancement on the CSIRO analysis of the effectiveness of biochar as a carbon storage program for the future?

Mr Clarke—We have covered that. With us today is Dr Joanne Daly, and this is the area of research covered in her group.

Dr Daly—Could you repeat the question, please?

Senator CAMERON—I went to the CSIRO website to have a look at some of your work on biochar. It does not seem to be very advanced in terms of that being an effective storage solution for carbon for the future. Can you update me on where you see that technology?

Dr Daly—We believe that there is some potential for this technology and we have recently released a study, which is on our website, that assesses the research gaps and the work for the future.

Senator CAMERON—What is the time frame for this technology to come to fruition?

Dr Daly—I cannot comment on that at this stage.

CHAIR—We will have a tea break until 9.00 pm and return with CSIRO.

Proceedings suspended from 8.46 pm to 8.58 pm

CHAIR—We are still on the CSIRO and Senator Bushby will commence.

Senator BUSHBY—I would like to also refer to the report No. 413 of the Joint Committee of Public Accounts and Audit, *The efficiency dividend and small agencies: size does matter*. I think Senator Eggleston may have read out part of this quote but I would like to read a quote which makes some statements about which I would like to ask probably the minister some questions:

Previously, 70% of its—

the CSIRO's—

appropriation was exempt because this proportion of its funding was for research and considered to be similar in nature to a grants program. However, the efficiency dividend was applied to all of its funding in 2008-09.

This represented a significant additional burden on the organisation, one that resulted in the closure of regional facilities. The Committee—

the JCPAA—

would hope that such seemingly arbitrary and unfair decisions will not be imposed in the future. Furthermore, should any further 'one-off' efficiency dividend or an increase to the existing 1.25% efficiency dividend be imposed in the next financial year, the Committee believes that the CSIRO warrants special consideration.

My question to the minister is: does he agree with the unanimous view of the government dominated JCPAA that your government's efficiency dividend was 'arbitrary and unfair' as it

applied to the CSIRO and, more importantly, that the CSIRO warrants special consideration in the context of future efficiency dividends?

Senator Carr—The joint committee tabled its report on the efficiency dividend and made the point that a number of smaller agencies should be treated in different categories. That is obviously the case within this portfolio in which we have a number of smaller agencies, not just the CSIRO, which of course is not a small agency. As part of the government, I had to implement a decision that the government had taken in regard to the last budget. We stand by that decision.

Senator BUSHBY—You are effectively saying then that you disagree with the JCPAA assessment?

Senator Carr—What I will say to you is that, as a member of the government, I will support the decisions of the government. A parliamentary committee is entitled to make its representations to government and on behalf of the parliament, which it has done.

Senator BUSHBY—Do you agree that the CSIRO warrants special consideration when looking at future efficiency dividends?

Senator Carr—The CSIRO has on previous occasions been treated differently to the way that has occurred in this particular budget. However, I might add that, despite the efficiency dividend, the CSIRO had an increase in its appropriation across the quadrennium.

Senator BUSHBY—In aggregate when you add on special purpose, additional payments.

Senator Carr—I think you will find that that is right. No agency I am aware of within any portfolio is happy with efficiency dividends. I would be very surprised to find any agency that would agree with the principle of efficiency dividends; however, that is the decision that the government has taken, which I support.

Senator BUSHBY—I do not argue that any agency would be happy having had an efficiency dividend imposed, but the Joint Committee of Public Accounts and Audit, which as I mentioned is government dominated—it is chaired by a member of the government and has majority government members—examined all the efficiency dividends and their impact right across government and singled out the CSIRO as one that is worthy of special consideration when looking at future efficiency dividends.

Senator Carr—I am sure that the government as a whole will consider the committee's report and will make its responses to it in due course.

Senator BUSHBY—I will leave it at that.

CHAIR—Thank you. Senator Brandis?

Senator BRANDIS—In August 2008 or thereabouts the CSIRO provided a report to the Australian Federal Police which comprised a risk assessment model for air service officers—so-called air marshals. Is there an officer available who is familiar with that report?

Mr Whelan—I am familiar with it only by virtue of reading *Hansard* and public comments in *Hansard* this week.

Senator BRANDIS—Then you have obviously read my questions to Commissioner Keelty on Monday night, when this issue was touched on. Commissioner Keelty indicated

that a decision to cut back the numbers of air marshals—I think air service officers their official title—followed the receipt of a CSIRO risk assessment model. Are you familiar with that evidence?

Mr Whelan—Yes, I am, Senator.

Senator BRANDIS—Can you please tell me when that report was commissioned.

Mr Whelan—Senator, I am not able to provide you any detail on that tonight; I am only familiar with that line of inquiry. It is not unusual for CSIRO to provide risk assessments to government agencies or indeed private sector organisations; we do it regularly. I do not have the details of that report.

Senator BRANDIS—Mr Whelan, when did you read the *Hansard*?

Mr Whelan—This morning, Senator.

Senator BRANDIS—Having read the *Hansard* you must have been aware that this issue might arise in questions to CSIRO?

Mr Whelan—To be frank, Senator, I thought it was unlikely to arise this evening given some of the other matters that we have been associated with.

Senator BRANDIS—Mr Whelan, is the officer who is familiar with this area not here tonight?

Mr Whelan—That is correct, Senator. We have members of the executive here tonight who are responsible for broad parts of CSIRO. That report would have been prepared by a research team in one of our CSIRO divisions. Nobody at that level is here tonight to talk to you about that matter.

Senator BRANDIS—Mr Whelan, since you were aware since you read the *Hansard* this morning that this was a matter of interest and that it had been raised in this very estimates session, I am afraid I am not satisfied with your inability to explain the absence of any attempt to secure the presence here tonight of officers who might be able to respond to my questions.

Senator CAMERON—So what! Go to important issues.

Senator BRANDIS—I am sorry you do not regard the air security officer program as an important issue, Senator Cameron.

Senator Carr—You are entitled to be satisfied or dissatisfied with an answer, but an officer has responded properly. He has indicated to you that it is the nature of this organisation; they can not possibly have every single one of the 6,000 employees of CSIRO available on call for you on the presumption that you might ask a question—without any notice, without any conversation with anyone—because you have raised it at another committee. That is not a fair presumption to put to this officer.

Senator CAMERON—Absolutely.

Senator BRANDIS—Mr Whelan, it is not any part of the CSIRO's business to make threat assessments—terrorism threat assessments—is it?

Mr Whelan—CSIRO conducts a wide range of modelling and mathematical and statistical analysis. How that analysis is applied by the end users is a matter for those end users. It is not inconceivable that the modelling that CSIRO undertakes could be used for that purpose.

Senator BRANDIS—That is not an answer to the question I asked you though. It is not the business or the expertise of the CSIRO to make terrorism threat assessments, is it?

Mr Whelan—No, it is not.

Senator BRANDIS—Thank you. I fully understand your earlier response that modelling, including statistical and other forms of modelling, is something that is within the CSIRO's field of expertise; I do not cavil with that. Given that the CSIRO does have expertise in statistical modelling but that it has no expertise in making terrorist threat assessments, may we take it that, when developing this model for the Australian Federal Police, the CSIRO worked upon certain assumptions or premises in relation to the level of terrorist threat to Australian airline passengers provided to it by other agencies—in particular, national security and law enforcement agencies?

Mr Whelan—As I indicated, I could not speculate on the nature of the research, what was involved—

Senator BRANDIS—Are you familiar with the research?

Mr Whelan—No, I am not.

Senator BRANDIS—And there is nobody else here who is?

Mr Whelan—No, I am sorry, Senator.

Senator BRANDIS—You will have to take these questions on notice, Mr Whelan. Did the CSIRO report recommend a reduction in the number of air security officers?

Mr Whelan—I will take that question on notice, Senator.

Senator BRANDIS—Did the CSIRO report recommend that the number of air security officers should be maintained at its then existing level or did it recommend that the number of air security officers be increased?

Mr Whelan—I will take that question on notice and any other questions of detail about the research, Senator.

Senator BRANDIS—All right. Who was the officer of CSIRO who was the team leader for this research, please?

Mr Whelan—I will have to take that on notice.

Senator BRANDIS—You do not even know that?

Mr Whelan—Senator, we conduct more than 4,500 research projects. I could tell you the names of the people who lead the 100 research themes, and I have those details with me, but I am not sure in which of these themes this research was conducted.

Senator BRANDIS—Could you also take on notice, please, that I would like the names of each of the CSIRO officers involved in this particular research project. I would like to know the date upon which the research was commissioned.

Mr Whelan—Senator, I am happy to take those matters under consideration.

Senator BRANDIS—I understand.

Mr Whelan—Just to clarify, some of the matters you go to may be covered by the nature of the assignment that was conducted. I do not know on what basis it was conducted. If it was fully paid research by the AFP, there may be some constraints in that regard. I would need to have a look at that.

Senator BRANDIS—I can tell you Mr Whelan, as I suspect you are already aware since you have read the *Hansard* of the other estimates proceedings, that this report was a confidential report. None of my questions will be directed to asking you to reveal the confidential aspects or the content of the report; I am more interested in the circumstances in which the report came to be commissioned and was transmitted to relevant agencies. I would like to know the date on which the report was commissioned. I would like to know who prepared the brief to the CSIRO for the preparation of the report. I would like, subject to the redaction of the—

Mr Whelan—Senator, just to clarify, if it was a brief that we received from the AFP, it is probably appropriate the AFP provide you with that information.

Senator BRANDIS—No, I am asking you. I have asked Commissioner Keelty and he has taken that question on notice. I am asking you and you can take the question on notice. In one way or another I hope to get a straight answer. I would like you to provide me, subject to the fact that of course you may feel the need for there to be the redaction of confidential material within it, with a copy of the brief. I would like to know the names of the agencies which commissioned the report. We know from Commissioner Keelty's evidence that the Australian Federal Police was one of them. It is apparent from Commissioner Keelty's evidence that the AFP was not the only agency which contributed to this process, so I would like to know the names of the other agencies with which you collaborated in the preparation of this report. I would like to know the date on which the report was delivered by the CSIRO to those who requested it, in particular the Australian Federal Police. I would like to know the names of any other agencies that were furnished with a copy of the report. I would like to know whether a copy of the report was given to the minister and, if a copy of the report was given to the minister, the date in which the report was given to the minister.

Mr Whelan—Just to clarify, Senator, to which minister are you referring?

Senator BRANDIS—I am assuming that the relevant minister would have been the minister responsible for the Australian Federal Police and for this program, namely, Mr Debus, the minister for homeland security. I do not think I can take it any further with you Mr Whelan. Thank you.

CHAIR—Senator Heffernan?

Senator HEFFERNAN—I have got some questions for Dr Martyn Jeggo.

Dr Jeggo—I am Dr Martyn Jeggo, Director of the Australian Animal Health Laboratory. Good evening, Senator.

Senator HEFFERNAN—How long have you held that position? I realise you are a Pom. How long have you been there?

Dr Jeggo—Seven years.

Senator HEFFERNAN—Thanks very much. Could you give the committee a brief summary of your previous appointment?

Dr Jeggo—Prior to coming to Australia I worked for the United Nations for 17 years running a program of support to animal health laboratories throughout the world. It involved support to some 150 countries. We developed and advanced the capabilities of these national laboratories. Prior to that, I was in research at a laboratory in the UK and prior to that I ran the central veterinary laboratory, which was in north Yemen, following my graduation.

Senator HEFFERNAN—How much time did you spend at Pirbright?

Dr Jeggo—I was at Pirbright for eight years.

Senator HEFFERNAN—Do you know Dr Alick Lascelles, the former chief of the division of animal industries for the CSIRO?

Dr Jeggo—I do not know him personally.

Senator HEFFERNAN—Have you read his correspondence to *The Land* newspaper in recent days?

Dr Jeggo—I am aware of that, yes.

Senator HEFFERNAN—In that correspondence AAHL falls within his ambit. Do you agree with Lascelles that it is not necessary to have live foot and mouth virus at AAHL in order to diagnose the disease?

Dr Jeggo—Yes, I would agree with that.

Senator HEFFERNAN—The Beale report lists experimentation as another reason for having live foot and mouth at AAHL. That is one of the reasons. Can't this be carried out if necessary by AAHL scientists overseas in a country where foot and mouth is already present?

Dr Jeggo—That is certainly an option.

Senator HEFFERNAN—The report also lists vaccine production as a reason for live foot and mouth virus at AAHL. Why would this be necessary before an outbreak, given the agreement that Australia has with Merial to supply vaccines for all nine strains if we need it?

Dr Jeggo—Could you repeat the actual question?

Senator HEFFERNAN—The report also says that we should bring in live foot and mouth disease to Australia. Australia has had no identifiable outbreak of foot and mouth in its time of the world's probably most exotic disease for cloven hoofed animals. The Beale report says that one of the reasons that we should bring it in is for vaccine production. Why would this be necessary before an outbreak given the agreement Australia has with Merial to supply the vaccine for all nine strains if we need it?

Dr Jeggo—I was not aware that the Beale report had recommended that live virus be brought in for vaccine production.

Senator HEFFERNAN—No, they did not recommend that but they said one of the reasons we could bring it in was that.

Dr Jeggo—Currently, vaccine manufacture for foot and mouth disease occurs in a number of facilities around the world, some of them very advanced and they do a very good job of it.

Senator HEFFERNAN—They do.

Senator EGGLESTON—Because of that, Australia in fact holds a vaccine bank, as you rightly state, with Merial in the UK.

Senator HEFFERNAN—I am a fond admirer of the CSIRO—there is no question about that—as I am of the ABC and their rural programs. In your opinion, and you do not have to answer this, is it worth—

Senator Carr—You cannot ask an officer for an opinion.

Senator HEFFERNAN—I will not ask for an opinion. I will ask a question. Do you think it is worth bringing live foot and mouth disease virus into Australia?

Dr Jeggo—I am not sure I can really give an opinion on that. It is a very complex question.

Senator HEFFERNAN—Can you confirm whether or not the scientists based at AAHL put in a written submission to the Beale inquiry?

Dr Daly—Senator Heffernan, I can confirm that our submission did not make that recommendation.

Senator HEFFERNAN—No, that was not the question. I asked: did scientists based at AAHL put in a written submission?

Dr Jeggo—The only submission I am aware of is the one that was given by the CSIRO to the Beale inquiry.

Dr Daly—Scientists actually helped to develop that submission. We are not aware of any other submission by any CSIRO officer to the Beale review.

Senator HEFFERNAN—So, they may have part-authored or cooperated in the authoring of the report?

Dr Daly—The submission to the Beale review from the CSIRO was prepared by experts, including many that—

Senator HEFFERNAN—Right, thank you very much for that. Did the scientists at AAHL convey to the bill panel the information that led to recommendation 59?

Dr Jeggo—I do not believe so, no. I do not believe there was any recommendation or any suggestion from AAHL scientists to import live foot-and-mouth virus.

Senator HEFFERNAN—Or present a case in which it might be imported?

Dr Jeggo—No; in fact, almost the reverse. At that stage scientists at AAHL did discuss with the Beale inquiry a proposal to conduct work involving live foot-and-mouth virus overseas.

Senator HEFFERNAN—Very good. If not—and the answer is no—are you aware of where this information and request came from?

Dr Jeggo—No, I am not.

Senator HEFFERNAN—Do you think it is peculiar that you do not know? Wouldn't you have been a little bit interested? You are the peak facility. We are talking about live foot-and-mouth. Most farmers are terrified of this, a lot of scientists are terrified of it, vets are terrified of it—it is there on the report. The Beale report does not say bring it in, but it sets out an opportunity to bring it in.

Dr Daly—Senator Heffernan, Dr Jeggo has answered your question. He was not aware of anyone who made that recommendation.

Senator HEFFERNAN—He's going all right—don't panic! There was no written submission from AAHL, was there?

Dr Jeggo—Not that I am aware, no.

Mr Whelan—Senator, just to clarify: there was a written submission, one submission, from CSIRO to the Beale review that drew upon the expertise in AAHL. It would be unusual for an individual division to lodge a separate submission.

Senator HEFFERNAN—That is fair enough. What we all want to know is who is the unfortunate soul who sowed the seed that came up with recommendation 59? Obviously the other night at estimates no-one wanted to answer that and we will eventually get the answer. If there is no written submission from AAHL, were there any verbal discussions with the Beale panel?

Dr Jeggo—The Beale panel visited AAHL and held discussions with us.

Senator HEFFERNAN—Thanks very much for that. Did you speak to the panel?

Dr Jeggo—I did indeed.

Senator HEFFERNAN—How many conversations did you have with the panel?

Dr Jeggo—I met with the panel at AAHL during their briefing with AAHL staff. I also met with panel at the DAFF headquarters when they took the opportunity to meet with the Australian Animal Health Committee.

Senator HEFFERNAN—Was that with just the four panel members? Was it a private meeting? Were there notes taken? Was there a secretary involved? Were there department officials sitting in on the conversation or did you have a private conversation with Roger Beale?

Dr Jeggo—In no way could it be construed as a private conversation. There were other people present at all times.

Senator HEFFERNAN—In those conversations did you or anyone from AAHL ask for support to have a live virus come to AAHL?

Dr Jeggo—No.

Senator HEFFERNAN—Can you recall the content of the actual conversation you had with the Beale panel and give the committee an outline of those discussions?

Dr Jeggo—I would find that difficult. Essentially, we discussed a range of issues that the Beale panel was concerned with, but I do not have a precise record of that.

Senator HEFFERNAN—Thanks very much. Are you familiar with the report of the AAHL security assessment group on the newcastle disease virus incident at AAHL?

Dr Jeggo—I was not the director at that time, but I have seen the report, yes.

Senator HEFFERNAN—Would you agree that newcastle disease virus escaped from AAHL on that day as a result of a combination of human error and equipment failure?

Dr Daly—The virus did not escape from AAHL.

Senator HEFFERNAN—Didn't it?

Dr Daly—No, it did not.

Senator HEFFERNAN—How did it get out?

Dr Daly—Senator, the newcastle incident was that a young officer had a splash of a substance into their eye. They reported the matter immediately to the microbial security agent. There was a risk assessment done of what action should be taken and what should the officer do, and the assessment deemed that the person was safe to go home.

Senator HEFFERNAN—But they took the disease home.

Dr Daly—In their eye. The virus was present in their eye.

Senator HEFFERNAN—The disease got out through the door and went home.

Dr Daly—The person went home.

Senator HEFFERNAN—Human failure; no-one's fault.

Dr Daly—Senator, it was not human failure. There was a decision taken after a risk assessment that there was no risk by this person going home to recover from the splash in their eye.

Senator HEFFERNAN—So how did it get out?

Dr Daly—I have answered your question.

Senator HEFFERNAN—Answer it again.

Dr Daly—The person had a splash in their eye. They had virus particles in their eye. After a risk assessment was taken, it was deemed possible for the person to go home.

Senator HEFFERNAN—I will not call it human failure then; I will say an accident.

Dr Daly—No, it was not an accident, Senator; it was a conscious decision to allow the person to go home to recover.

Senator HEFFERNAN—The reason it got in the person's eye and walked out the door was an accident—right?

Dr Daly—It got into their eye through an accident. The person—

Senator HEFFERNAN—That is it; that is all I want you to say.

Dr Daly—No. The person was allowed to go home after risk assessment.

Senator Carr—Senator Heffernan, to perhaps help consideration of this issue, the matter you raise obviously concerns a great many people and it is reasonable that you should raise

the matter with the officers in the manner which you have. The government's in principle agreement to recommendation 59 of the report should not, however, be interpreted as agreement to import any particular virus, including foot-and-mouth virus. Any decision on the particular importation would need to be very carefully assessed to achieve the best outcome of particular circumstances. I can confirm that, should an import permit application for foot-and-mouth disease be proposed, there would be extensive consultation processes with industry and other relevant stakeholders prior to the lodgement of any formal request.

I am also advised, Senator, that there is currently no application before the government for an import permit application relating to any of these matters and that there is no intention by the government to support any further application at this stage. I further add—and I wish to table this, as it might help you—that tonight Mr Roger Beale has issued a statement concerning this matter through the minister for agriculture, Tony Burke. I seek to table that now.

CHAIR—Thank you, Minister.

Senator HEFFERNAN—I am very conscious of all that; that was all raised the other night. There is no question that the government is not agreeing to bring in foot-and-mouth. What I am trying to find out is: who was the person who recommended that they do?

Senator Carr—Senator, I am not certain we can take this much further.

Senator HEFFERNAN—We can.

Senator Carr—The statements that you see tonight may well assist you.

Senator HEFFERNAN—Thanks very much for your help. Does AAHL have its own budget?

Mr Whelan—Yes. The Animal Health Laboratory is part of our division of livestock industries.

Senator HEFFERNAN—What is their annual budget?

Mr Whelan—I will just look it up for you. The total budget in the 2008-09 operational plan for the Animal Health Laboratory including the research that we conduct there is \$28.2 million.

Senator HEFFERNAN—Thanks very much for that. I realise what happened in the UK when the foot-and-mouth did get out of the laboratory, through a broken sewerage pipe, a drive down to the pub and all the rest of the human failures, cannot happen at AAHL because you have got internal sewerage. Is that right?

Dr Jeggo—Correct.

Senator HEFFERNAN—What is the structural and physical condition of the AAHL complex like?

Dr Jeggo—I think it is in excellent condition. CSIRO recently, in 2002, conducted an external engineering review of the facility. The facility at that time was deemed to be in good condition but that there could be advances made using some new technology, and so there was a \$24 million refit undertaken.

Senator HEFFERNAN—I understand there has been some leaking in the ceiling at AAHL. Can you clarify or explain what sort of leaks and building maintenance have been going on at AAHL?

Dr Jeggo—I am not aware of any leaks in the ceiling as such. The building is maintained by a full fleet of 60 engineers and trade staff and I would contend is in excellent condition.

Senator HEFFERNAN—So how much of your budget is spent on building maintenance?

Mr Whelan—We will have to take that on notice.

Senator HEFFERNAN—Thanks very much. I will have a follow up-question when I get the answer to that. Given the history of foot-and-mouth, do you think it is appropriate for Australia to import live? With great respect, Minister, this is a very, very serious issue for Australia. Cape York Peninsula is 17½ million hectares. There are an estimated 800,000 feral pigs there. There are 20,000 untagged feral cattle there. I could take you through the history of the Top. We would be up for between \$9 billion and \$14 billion in no time if we had, by human error or an accident or an act of God, an outbreak of foot-and-mouth. Australia's farmers and most of Australia's scientists do not want it to come in. We would like the government to be able to say something about it or make an arrangement like Bob Hawke did. He put a moratorium on it for some years and then extended the moratorium, and in the meantime the science came forth with gene technology where there is absolutely no need to have a live agent. Is that correct, Mr Jeggo?

Dr Clark—Senator, you have asked our specialist questions and he has endeavoured to answer them with accuracy.

Senator HEFFERNAN—Very nicely and I am very grateful.

Dr Clark—He has made it very clear that it is not our role to pass opinion.

Senator HEFFERNAN—No, that is fair enough. I do not want you to get the cane when you leave. Doug will give me the cane when I leave. Minister, I appreciate your patience. And I appreciate the wisdom of the government in Bob Hawke's time when we put that moratorium on and science caught up to the fact that we do not have to have it here. For instance, we recently imported—I will not get onto Cocos Island—some elephants into Australia. If we had not reopened Cocos and we had brought them to Taronga Park, which could be a quarantine station, and one of them was found to have foot-and-mouth, it would have very serious consequences. We would like the government to find a way, without offending the international community or putting themselves in a hole that they cannot get out of, simply to say, 'We are not bringing in foot-and-mouth live.' I thank you for your patience.

Senator Carr—I am happy to raise this matter and I am sure that the minister would be aware of it. I just want to reiterate that there is no application before the government for an import permit and there is no intention by the government to support any further application at this stage.

Senator HEFFERNAN—No, I understand that.

Senator Carr—I have tabled a document from Mr Beale, which is supported by statements from panel members, and that document is also being tabled.

Senator HEFFERNAN—Could I just say that we take comfort from the evidence of Dr Jeggo. We accepted Minister Sherry, who said at the other hearing that we may. That is a different committee. The committee that I am on may well meet with the panel, perhaps in camera. We would just love to know how recommendation 59 got there. Thanks very much.

Senator ABETZ—Can you just remind me, Mr Paterson or Minister, when the Cutler review came down? Was it August last year?

Mr Paterson—I gave in evidence earlier, I think, that it was received by the government on 29 August and released—

Senator HEFFERNAN—Okay. And it was made public on September 9.

Mr Paterson—Yes.

Senator HEFFERNAN—Thank you for that. Dr Clark or possibly Mr Whelan, in that report on page 71, Mr Cutler says:

Within this next year approximately 100 further positions will be lost. ... the closure of regional laboratories and the concomitant losses of the staff in the agribusiness sector will impose substantial costs on industries of the sector.

Is that paragraph known to you and is that prediction correct?

Mr Whelan—That paragraph is known to me, Senator. Some of the contents were actually drawn from evidence we gave to an estimates committee where I think I provided, in the answers to questions from you, an estimate that CSIRO would reduce its staffing by approximately 85 FTEs or 100 staff or thereabouts as a result of the budget changes. The extrapolation to the impact on the agricultural sector is Dr Cutler's alone; it is not CSIRO's view.

Senator ABETZ—Eighty-five or 100, it is the same sort of situation. I love the term 'budget changes'. I think I had that discussions last time and we finally agreed that budget changes that are positive usually do not lead to job losses but budget changes that are negative or less money usually do mean job losses. But we will not go there again. In broad terms, Dr Cutler's commentary on page 71 of his report is something that you would not take exception to?

Mr Whelan—Senator, I will reiterate and perhaps I will just unpack it a bit.

Senator ABETZ—Not too much. Only briefly, due to time.

Mr Whelan—I will try to do it quickly. The reference to 85 to 100 was drawn from evidence in this committee. The extrapolation that that was going to have an impact on the rural sector and research programs is not something that we have committed to any evidence before this committee; it is a view that Dr Cutler or the review panel has formed. It may have been drawn from the fact that we have done some consolidation of regional laboratories, but, as I have indicated to this committee, we have not made any major changes to our research programs as a result.

Senator ABETZ—I think people in forestry and a few other areas would not necessarily have that view of the world.

Mr Whelan—That would be unfortunate, Senator, because in fact we have maintained our research effort in forestry as a result of the consolidation programs.

Senator ABETZ—And in South Australia have you closed any stations?

Mr Whelan—We announced more than two years ago that we were going to close the Mount Gambier field station.

Senator ABETZ—And other stations have been closed in the rural and regional sectors?

Mr Whelan—We indicated—

Senator ABETZ—Areas, I mean.

Mr Whelan—We indicated in evidence the last time we were here that we had consolidated a number of laboratories, not all of them in rural areas. Some of them were in urban areas as well.

Senator ABETZ—I understand the terminology but can I say that, in general terms, usually closure of facilities and the loss of 85 to 100 personnel must dilute the research capacity of CSIRO. Otherwise, those 85 to 100 people were sitting around twiddling their thumbs not doing anything—and, knowing CSIRO as I do, I am sure that was not the case.

Mr Whelan—A significant proportion of them would have been involved in management and support roles. We have sought to minimise the impact on research personnel and research programs as a result of the reduction.

Senator ABETZ—And the number of research personnel has decreased?

Mr Whelan—It has increased in CSIRO over the last five years.

Senator ABETZ—Over the last five years?

Mr Whelan—And, to the best of my knowledge there has been no reduction in research personnel this year. I am happy to clarify that but to the best of my knowledge there has been no reduction.

Senator ABETZ—If you would take that on notice, that would be most helpful. I asked, I think it was last time, whether CSIRO had undertaken an assessment of reduction in income from outside sources as it relates to the Commercial Ready program being cut, axed, whatever term we want to use. I think we have agreed and established in the past that CSIRO was the beneficiary of collaborative type arrangements with projects that had been in receipt of Commercial Ready program funding and, when it drew up its budget for the May budget last year, it was not aware of the government's decision to axe the Commercial Ready program. And, if I recall Dr Garrett's evidence at the time, that was not factored into the budget considerations in relation to income from external sources. Are you able now to give us some idea as to the impact of that on the CSIRO's budget?

Mr Whelan—Senator, yes, you did ask me questions on that and you asked me some questions on notice. At the time we were not able to identify the impact. We are still unable to do that. There are a range of factors that impact our research and services revenue. On the face of it, we look likely to achieve our research and services budget this year. At the end of January we had secured more than 93 per cent of that research target through contracts. At this point in time it does not look like it has had any impact, but I cannot precisely quantify that

other than to say that, at this point in time, we appear on track to achieve our external revenue budget for this year.

Senator ABETZ—Right, but would you agree with this proposition: if the Commercial Ready program had not been axed, CSIRO's income from external sources would be greater than it otherwise is?

Mr Whelan—I can not speculate on that, Senator. I do not know.

Senator ABETZ—Mr Whelan, can you please take on notice how many projects the CSIRO has collaborated with and obtained income from projects that have been at least partially funded by the Commercial Ready program over the last three years?

Mr Whelan—We would certainly apply our best efforts.

Senator ABETZ—Right, thank you.

Mr Whelan—If I could just clarify, we may not be able to provide all of the data you are seeking because we are not necessarily going to be aware that our partners have received money from Commercial Ready, but where we are aware, I am happy to take that on notice.

Senator ABETZ—If need be, I will ask the partners and we will find out. I would have thought, Mr Whelan, it was not a surprising proposition to put to you that having had a long history of collaborating with enterprises that have been the beneficiaries of Commercial Ready program funding that its axing must necessitate less income than you otherwise would have received. I would have thought that would stand to reason, with great respect.

Dr Clark—Senator, as Mr Whelan has outlined, we are not seeing a commensurate drop in our external revenue. With our budgeted external revenue of around \$373 million we are, even in these volatile times, expecting to come in very close to that.

Senator ABETZ—You are saying that even in those circumstances, you would not have been over budget in your income?

Dr Clark—No, we have been obviously—

Senator ABETZ—That is the point, is it not? That is the point I am trying to make. That you have been able to make up the money from other sources, can I say, is a great credit to you, Dr Clark, and all the staff at the CSIRO. I commend you for it, but I would have thought any organisation involved in scientific research and trying to commercialise innovation would acknowledge the importance of the Commercial Ready program and the extra funding that in the past it had provided to CSIRO by way of collaboration.

Senator CAMERON—Is there a question coming or is this another dissertation?

Senator ABETZ—It is a discussion with a witness. I know Senator Cameron finds it difficult whenever the government might be slightly criticised, but what I am asking Dr Clark is are special efforts being made to raise more money from outside sources this year?

Dr Clark—Senator, as Mr Whelan said, we will take your specific question on notice and provide as much detail as we possibly can.

Senator ABETZ—Yes, but I have not asked that question before.

Mr Whelan—I am happy to provide an answer to your question. CSIRO works very hard to try and attract revenue for its research programs. We have been reasonably successful in that regard; about 37 per cent of the funding of the organisation comes from outside, from indirect sources and we would envisage that would continue into the future.

Senator ABETZ—But you have had to work a bit harder to try to get the money.

Mr Whelan—Officers in CSIRO always work very hard, Senator.

Senator ABETZ—I thought you might say that, Mr Whelan, and touche, well done. Can I ask possibly you, Mr Whelan, in relation to the travel bill incurred by CSIRO. You may need to take these on notice; if so, just let me know. What is the CSIRO's travel bill for 2008 and can we split it up between domestic and international?

Mr Whelan—We certainly could do that, Senator, but I would have to take that on notice.

Senator ABETZ—Alright, what measures are in place to control this expenditure?

Mr Whelan—Substantial measures, Senator. The organisation has rolled out an increase in its video conferencing footprint over the last two years in an attempt to curb its travel expenditure. We are currently rolling out around 1,000 desktop video cameras to enable more of our staff to video conference to try and limit travel. This year we have reduced the number of times that the executive management council of the organisation comes together from six to three. Senior officers in the organisation, although entitled under their contracts to travel business class, have been travelling economy for the last two years. So, a range of arrangements are already in place across CSIRO to try and limit travel.

Senator ABETZ—All right, and that will undoubtedly show up if you could please provide me with a comparison. You work on a financial year I suppose? So 2006-07, 2007-08 and 2008-09 for this year, if you could provide me with that comparison of domestic and international travel?

Mr Whelan—Happy to do that, Senator.

Senator ABETZ—That would be very helpful. How many of the CSIRO staff were platinum frequent flyers, do you know that?

Mr Whelan—I imagine there would be quite a few, Senator.

Senator ABETZ—How many of the CSIRO executive team are based outside of Canberra?

Mr Whelan—I will just do the maths on that, Senator.

Senator ABETZ—Take it on notice; I do not need a specific answer now. What support by way of airfares, accommodation and living away from home allowance does CSIRO provide to these senior executives?

Mr Whelan—Senator, as a general rule CSIRO does not provide any allowances to officers when they are travelling overnight. We cover actual expenses, but I am happy to look at the costs associated with that travel.

Senator ABETZ—Let us say if I am home based in Hobart and I travel to Canberra for work during the week, am I paid a living away from home allowance or not?

Mr Whelan—As a general rule, no, Senator.

Senator ABETZ—If I stay in a hotel, my hotel bill is then reimbursed?

Mr Whelan—That is correct, Senator.

Senator ABETZ—All right, so instead of using the term living away from home allowance, what term should I be using?

Mr Whelan—Expenses, Senator.

Senator ABETZ—Expenses, if you can provide that to me on notice.

Mr Whelan—I will do that.

Senator ABETZ—Thank you for clarifying that for me. Has CSIRO sold or is it planning to sell assets such as real estate?

Mr Whelan—Yes, Senator.

Senator ABETZ—Can we list them, name them, any spring to mind?

Mr Whelan—Senator, it is a question that we have been asked previously and we have provided on notice a program of sales.

Senator ABETZ—Sorry, that is a fair comment. I did not want the whole history of asset sales of CSIRO. Since the last budget, which ones have been sold, are being planned or being made ready for selling?

Mr Whelan—Since the May budget, Senator, CSIRO I think has sold its Cannon Hill facility.

Senator ABETZ—Is that the Western Australian one?

Mr Whelan—No, Senator, that is in Brisbane.

Senator ABETZ—Right, so the Western Australian one is on the market or was?

Mr Whelan—Bakers Hill has been identified for sale, Senator, but to my knowledge we have not sold that as yet.

Senator ABETZ—Yes, but it is on the market?

Mr Whelan—I do not know if it is on the market yet. We have certainly stated our intention to sell.

Senator ABETZ—For those that you have stated an intention to sell, if you could provide me on notice the properties, identifying whereabouts and whether they have been sold, are being readied for sale or whether they are actually on the market to be sold.

Mr Whelan—Happy to do so, Senator.

Senator ABETZ—That would be very helpful. It is amazing how many emails and other messages you get as shadow minister on all these various things, and of course we always have to be very cautious to ensure that the information we are being given is correct. I do not make any assertions; I simply ask the questions and look at the answers. Can you be a scientist in the CSIRO that challenges the accepted norms of scientific views, Dr Clark?

Dr Clark—Can you repeat your question, Senator?

Senator ABETZ—Can you be a scientist at the CSIRO that challenges accepted norms?

Dr Clark—Absolutely, as we—

Senator ABETZ—Absolutely, good.

Dr Clark—As we covered in the charter, we encourage our staff to speak about their science, to speak about the facts and the data and to make sure that our scientific data is available.

Senator ABETZ—So, you can be a scientist employed by CSIRO that might have questions about the accepted norms in relation to anthropogenic climate change?

Dr Clark—Certainly the factual basis and the communication of the research and the data on that research is encouraged.

Senator ABETZ—But if a scientist—

Senator Carr—We do not try to suppress research like you did.

Senator ABETZ—Senator—

Senator Carr—There was a long, long debate about this or have you forgotten?

Senator ABETZ—Senator Carr!

Senator Carr—Have you forgotten so quickly? What a tragedy!

Senator ABETZ—I know you used to make those assertions but it sort of came to nought. I am not making these assertions about CSIRO today because, with great respect, I do not follow in your footsteps. As the shadow minister, I take a completely different approach.

Senator Carr—I can tell.

Senator ABETZ—Can I tell you that many people have complimented me on it and said what a refreshing approach it is to have somebody who has in fact some degree of pleasantness about them, Senator Carr.

Senator CAMERON—Refreshing!

Senator ABETZ—Thank you for that. Can I ask you about SAP, that is an acronym for some computer program or something, is it?

Mr Whelan—Yes, it is.

Senator ABETZ—What is the current status of it?

Mr Whelan—CSIRO implemented the SAP enterprise systems on 1 July or thereabouts last year. We are currently producing our financial reports from it, paying people's salaries and processing invoices.

Senator ABETZ—And does it work as originally promised?

Mr Whelan—Yes, Senator.

Senator ABETZ—What was the budget for this new system? If you do not have it readily available—

Mr Whelan—I have it available.

Senator ABETZ—Readily available?

Mr Whelan—The total operating budget for the project was estimated as \$97.9 million.

Senator ABETZ—And then what was the actual cost? I am sure that is right underneath.

Mr Whelan—Indeed. That budget was for its full life including depreciation, and to date we have spent \$69.3 million. That compares to the budget to this point of \$70 million, so we are just under budget for the project.

Senator ABETZ—I congratulate those involved. That is good to see. And the actual total cost includes implementation costs?

Mr Whelan—Indeed.

Senator ABETZ—How many consultancies did CSIRO let in 2007-08? Is that a huge list?

Mr Whelan—No, it is very small. It is in our annual report.

Senator ABETZ—Out of those, how many were let to former employees of CSIRO?

Mr Whelan—I would be able to do that by examining the table. Would you like me take that on notice?

Senator ABETZ—Thank you very much.

Mr Whelan—The table is provided at page 216 of our annual report. Based on the information in the annual report—and there is some risk that I may not know the name of every former CSIRO employee—on the face of it, it does not look like there are any.

Senator ABETZ—Reading the report and the appendix, I was not readily able to identify if they were or were not former CSIRO employees.

Mr Whelan—An officer has just pointed out to me there were two consultancies let to former CSIRO employees.

Senator ABETZ—Would it breach any confidentiality if you were to disclose to us which ones they were?

Mr Whelan—No, I do not believe so. They appear at the last entry on page 218 and the first entry on 219. They are registration Nos 2008/05/01 and 2008/05/02.

Senator ABETZ—Thank you for doing that so discreetly with the registration numbers, because I do not believe in dragging people's names through *Hansard* gratuitously, so that is very good of you. Coming back to the question on scientists who do not necessarily accept the norm, is CSIRO able to identify, without names, how many scientists are employed by CSIRO that are challenging some of the climate change science norms?

Mr Whelan—It depends on what you describe as climate change norms. There is a wide range of research scientists in CSIRO working on issues associated with climate change and there is a wide range of science that underpins that. It would be very difficult to characterise whether there is a diversion from a norm. There are a range of research projects and a range of research opinions that we pull together into our reports.

Senator ABETZ—That is a very, very good answer, but I daresay it would range from those that are complete sceptics through to some that might be of the view that climate change is upon us while questioning the anthropogenic impact on climate change.

Senator PRATT—Climate change deniers—

Senator ABETZ—I hope CSIRO does not use terminology such as ‘climate change deniers’ to those scientists who have a scientific basis for their particular views, whether we happen to agree with them or not. It is that sort of mentality that has been put to me that some people are concerned about. I just want an assurance that that is not the case in the CSIRO.

Dr Clark—The integrity of the excellence of our science is the foundation of CSIRO and why it is such a trusted advisor. It is very important that that integrity is really based on fact. It is based on the data, the experimental results, the observations that we are making in the Deep Southern Ocean and the observations that we are making in our air. Our scientists stand on that data. Whether it fits norms or not, that is not for scientists. The role that we have is to make sure that that data is accurately collected and that there is integrity in how it is collected, treated and communicated to the public.

Senator ABETZ—And thank you to the CSIRO staff in Hobart that gave Dr Brendan Nelson and me a very good briefing in relation to the work that CSIRO had done. I availed myself, with Dr Nelson, of a briefing on that very issue. It is just unfortunate that, if you ask questions, you get some people who start talking about ‘denying’ et cetera. I just wanted to make sure that there is culture of scientific integrity, and I think you have assured me of that tonight, so thank you for that. Is CSIRO currently working on the issue of mulesing at all?

Mr Whelan—I think we are doing some research in that area. There may be an officer here who can give you some more details on that, or would you like me to take a question on notice? How do you want to handle it?

Senator ABETZ—Could you please take on notice where we are at with it, because it is becoming an international issue for the marketing of Australian wool. When I say research on mulesing, I should say alternatives to mulesing. I want to know how progress is going. A page maximum—I do not need all the research papers on it—just so I can get a handle on how that is going. What about bee health?

Mr Whelan—We are doing research on that issue.

Senator ABETZ—Any research on the possibility of importing queen bees into Australia?

Dr Daly—We certainly do work on bee health. I am not aware of research about importation of queen bees. I would have to take that on notice.

Senator ABETZ—If you could, and if you could give me a summary as to the sort of work that is being done in that area. Who looks after the now consolidated forestry area?

Mr Whelan—There are three parts of the organisation who provide—

Senator ABETZ—Sorry, the research aspect of it.

Mr Whelan—In fact there are many parts of the organisation that provide research to the forest sector.

Senator ABETZ—You are saying to me that the forest research capacity has not been diminished in any way with the ‘consolidation’, which I think was the nice term used in recent times—

Mr Whelan—Into three main divisions: our materials division, our plant industry division and our sustainable ecosystems division.

Senator ABETZ—I printed off a CSIRO release on 11 December 2008 which tells me: Scientists from the former ENSIS and CSIRO Forest Biosciences have joined CSIRO Plant Industry to create a hub of expertise in plant and forest research. When did that happen?

Dr Daly—Could you repeat that statement please?

Senator ABETZ—I have got a press release from CSIRO that was printed off your website on 11 December 2008 but does not have an identifying date on it. It says: Scientists from the former ENSIS and CSIRO Forest Biosciences have joined CSIRO Plant Industry to create a hub of expertise in plant and forest research.

Dr Daly—That is actually referring to plant genetics works. The group out at ENSIS, who are the plant geneticists, joined the plant industry division in that area.

Senator ABETZ—And that brought about 45 people together?

Dr Daly—That is right.

Senator ABETZ—So you are telling me that forest genomics and biotechnology are all continuing as before and have not been diminished in any way?

Dr Daly—That is right. In fact we believe it will be enhanced because it brings the forest genomics people together with the other plant genomics people.

Senator ABETZ—I always love it when separate departments are consolidated and it is sold on the basis of enhancement. CSIRO is not the only one that says that. I remain to be convinced and, of course, the proof of the pudding will be in the eating. I might ask questions about that in the future. Can I ask about the Gunns pulp mill. Has the CSIRO been involved in that to assist the independent expert group?

Dr Clark—Senator, we have Dr Andrew Johnson with us, who can answer that question.

Senator ABETZ—In fact, he was one of the kind gentlemen who assisted Dr Nelson and me in Hobart. Dr Johnson, unfortunately, might I say, incurred one of those flights I was talking about to meet with Dr Nelson and me. I had better do a mea culpa on that one.

Dr Johnson—That is all right. You are welcome.

Senator ABETZ—Dr Johnson, what can you tell us?

Dr Johnson—As you correctly point out, Senator, CSIRO has been engaged and three of our staff are members of the independent expert group that has been working with officers in the Department of the Environment, Water, Heritage and the Arts.

Senator ABETZ—Are those officers publicly named or known?

Dr Johnson—Yes, they are.

Senator ABETZ—If they are—and only on that basis—are you able to name them for me?

Dr Johnson—Yes. Those scientists are Dr Graeme Batley, Dr John Parslow and Dr Mike Herzfeld, who were part of the original group. Now Dr Mike Herzfeld, Dr Graeme Batley and Dr David Westcott are part of the independent expert group.

Senator ABETZ—How far are you able to take me with this? If it gets too technical, please let me know. I understand Dr Herzfeld wrote a paper which has excited some interest in relation to trigger levels et cetera.

Dr Johnson—Correct.

Senator ABETZ—Have either of the other two scientists undertaken similar work?

Dr Johnson—Not to my knowledge.

Senator ABETZ—Are you aware of the trigger levels, and I am testing memory now, in table 26 on page 57 of module L—and undoubtedly they would be well known to you, Dr Johnson—and of whether the CSIRO panel of three were of a like mind or agreed that that was the appropriate standard against which the mill ought to be assessed?

Dr Johnson—I am not in a position to answer that question. I do not know the answer to that.

Senator ABETZ—All right. Could you please take that on notice for me?

Dr Johnson—Sure.

Senator ABETZ—There has been a lot of public discussion in my home state about that. The Herzfeld report is out, but I understand other papers have been produced. Can you confirm to me whether CSIRO has produced other papers?

Dr Johnson—CSIRO has provided advice through the independent experts group. I am not aware of the totality of the other papers provided, but, again, if that was of interest to you we would be happy to provide it on notice.

Senator ABETZ—Yes, that would be very helpful. And any work that Dr Batley and—

Dr Johnson—Dr Westcott.

Senator ABETZ—yes—Dr Westcott have done? I understand there was an FOI request in relation to the Herzfeld report?

Dr Johnson—Correct.

Senator ABETZ—Could I be advised whether I can get a copy of any of the reports that the other—is it gentlemen?

Dr Johnson—Yes.

Senator ABETZ—gentlemen have done?

Dr Johnson—Just to be clear, the input that CSIRO has had in this process has been through the Department of the Environment, Water, Heritage and the Arts. In answering your request for information, I think it is best that you do it through that portfolio and not through CSIRO. We have delivered those reports to them and they are the client for the work.

Senator ABETZ—Dr Johnson, I am very disappointed because you have foiled me. I was hoping I could get that which I sought at Environment through you.

Dr Johnson—No.

Senator ABETZ—I am going to be foiled now here as well.

Dr Johnson—As I say, the—

Senator ABETZ—But as much information as you are at liberty to disclose to me I would appreciate. If officers of the department of environment read this section of the *Hansard*, I would like to know from it or from CSIRO whether we can get any other reports or documentation such as the Herzfeld report. I have a funny feeling that there might be other documents around. If need be, we will use FOI. But thank you for that. I nearly forgot. At one stage CSIRO was going to have a nanotechnology flagship, Mr Whelan. Is that right?

Dr Clark—I can answer that.

Senator ABETZ—Or Dr Clark.

Dr Clark—Our flagship is actually in future manufacturing, just to clarify.

Senator ABETZ—Sorry. It is in?

Dr Clark—Our flagship is in future manufacturing.

Senator ABETZ—Yes, now. But was there a proposal at least for CSIRO to have a nanotechnology—

Dr Clark—No, that is not right.

Mr Whelan—Just to clarify that answer: the Niche Manufacturing Flagship—which has now been renamed the Future Manufacturing Flagship—did have a large proportion of nano material based research. Some people might have described it as a nanotechnology flagship, but it was called the Niche Manufacturing Flagship and has been renamed Future Manufacturing.

Senator ABETZ—Thank you very much. A bit has been revealed here. Did that actually ever get started?

Mr Whelan—It is up and running. It has a director and it has people working in it.

Senator ABETZ—When did it get started?

Mr Whelan—Funding was provided I think about two years ago. We have had research programs in our operational plan.

Senator ABETZ—Why was it that I was under the apprehension, or misapprehension, that the funding for it had been cut by the incoming government?

Mr Whelan—I am not sure, but there have been no reductions in funding as a result of any budget cuts.

Senator ABETZ—There is a very good question that Senator Bushby has given me. Is nanotechnology still a major part of this new—

Dr Clark—Yes, it is.

Senator ABETZ—And what do we call ‘major part’? Is it 50 per cent of the budget?

Dr Clark—I met with over 200 of our scientists involved in that area, and we cover all aspects of nanotechnology in that. New materials, our advanced materials work, our advanced coatings work and our polymer work are all involved in that flagship.

Senator ABETZ—But you do work in it on matters other than those related to nanotechnology?

Dr Clark—We do, but a large proportion of what we do involves new materials and advanced materials.

Mr Whelan—Three out of the five research programs have ‘nano’ in their name.

Senator ABETZ—I reckon that qualifies, doesn’t it, as a large part—

Dr Clark—It does, indeed.

Senator ABETZ—Is it 60 per cent? Can you provide me with the detail of that? So I do not get conned just by the names of the projects, what about the monetary allocation to those three out of the five? Does that represent 60 per cent of the budget or—

Mr Whelan—No, it does not, but I am happy to provide those details on notice.

Senator ABETZ—What percentage of the budget does it represent? I might be on to something here, that it is only 20 per cent of the budget.

Mr Whelan—It is a substantial, proportion. I have not done the maths.

Senator ABETZ—I just thought I would take you up, Senator Cameron.

Senator CAMERON—He is very excited.

Senator ABETZ—Small things amuse small minds, so forgive me, Senator Cameron.

Dr Clark—Senator, I am not sure that—

Senator CAMERON—That’s what I’m watching happening with you!

Senator ABETZ—If you could provide that to me on notice, that would be helpful. That ends my questioning on CSIRO, and I thank officers. It is much appreciated.

Senator EGGLESTON—I would just like to ask a few questions about sustainable development in the north. I believe the CSIRO, in fact, does have some programs in the north, and I would like to ask you about them.

Dr Clark—Yes, we are happy to answer that. CSIRO is investigating agricultural development in Northern Australia, particularly given the drying of the Murray-Darling Basin. We have around 260, or four per cent of our staff, based in research locations in Northern Australia. As you can imagine, our investment in R&D areas is quite expansive: sustainable development, the agricultural area, the marine area and the minerals, energy and tourism industries.

Senator EGGLESTON—Thank you very much. Do you have an agency as such in the north or have you just got programs?

Dr Clark—It is not so much an agency, as we run those under our flagship and research programs in the way that we are structured.

Senator EGGLESTON—Did you say you have 260 staff?

Dr Clark—Yes, I did.

Senator EGGLESTON—That is quite a lot of staff. Do you have a particular budget for the north?

Dr Clark—I do. Mr Whelan, do you have the budget numbers there?

Mr Whelan—Dr Johnson might be better to comment on this.

Dr Clark—Dr Johnson?

Dr Johnson—Thank you. Senator Eggleston, just building on Dr Clark's comments: I cannot give you a full budget figure because, in addition to the 260 staff that Dr Clark referred to, there would be a significantly large number of other CSIRO staff who are not physically based in Northern Australia but who deliver science and knowledge services to the benefit of our tropical industries and the environment. These would be staff based in Perth, Canberra, Brisbane and so on. So it is a number significantly larger than 260 but, again, I would be happy to provide that if you are interested.

Senator EGGLESTON—So this is the whole sort of background coterie who are working on northern issues. Are these people largely university based—for example, in the school of agriculture at UWA—or something like that?

Dr Johnson—The CSIRO has a number of laboratories physically based in northern Australia—in Rockhampton, Townsville, Atherton, Cairns, Darwin and Alice Springs. On a number of those sites we are co-located with universities, for example, in Townsville with James Cook University, in the Australian Tropical Science and Innovation Precinct. We are co-located with James Cook University in Cairns, and we have strong relationships with the universities, Charles Darwin University in Darwin and in Alice Springs, and with universities based in Brisbane and Canberra, such as Queensland University and the Australian National University, which also deliver, in partnership with us, knowledge to benefit industries and the community in the north.

Senator EGGLESTON—What about in Western Australia? Do you have any relationships with any of the five universities there?

Dr Johnson—We have a very strong relationship with the University of Western Australia, Curtin University and Murdoch University, across all the sectoral domains that Dr Clark mentioned.

Senator EGGLESTON—With UWA it is agriculture, I presume?

Dr Johnson—We have a broad engagement with the University of WA. Of course, agriculture is perhaps our deepest and longest engagement, but we have a very strong relationship with it in the areas of marine science and climate science. In the energy sector we have a close relationship with that university—in engineering and so forth—and it is a relationship that we value.

Senator EGGLESTON—With mining, with UWA and Curtin and at the School of Mines?

Dr Johnson—I cannot comment specifically on that. My colleague Dr Ronalds would be able to confirm that, but I believe we do have a relationship there with them. She says we do.

Senator EGGLESTON—That is excellent. What sort of budget do you have for this northern program? Is there a single budget or is it just across a whole lot of programs?

Dr Johnson—It is across a whole lot of programs. There is no single line budget, but, again, if you extrapolate from 260 full-time equivalents and probably as many as that again who are not physically based in the north, it is a substantial proportion of CSIRO's budget in recognition of the importance of northern Australian issues to the country.

Senator EGGLESTON—Yes, that is very good to hear because, of course, the north does have great potential but it is not an easy area in which to expect quick results. Some people do expect quick results, but I always say to them that if it was easy to establish agriculture in the north in settlements there the Indonesians would have done it a thousand years ago. It is hard work and there are a lot of issues.

Senator EGGLESTON—Do you have a relationship with the Kimberley Research Station of the Western Australian Department of Agriculture?

Dr Johnson—We have had a long-standing relationship with the Kimberley Research Station. In fact, it was CSIRO that actually established the Kimberley Research Station in the Ord many years ago, and although we no longer have permanent staff based in the Ord, we have a long standing relationship with the Ord community and are continuing to undertake work in the Ord.

Senator EGGLESTON—That research station is now under the Western Australian Department of Agriculture, is it not?

Dr Johnson—Correct.

Senator EGGLESTON—Do you have any specific agencies of your own in the north of Western Australia?

Dr Johnson—No.

Senator EGGLESTON—But I presume in due course we will see some sort of complement of people there. You are involved with the pastoralists, obviously, the horticulturalists and the farmers. What about aquaculture in the north?

Dr Johnson—We do not have a strong involvement with aquaculture in the north. CSIRO does have quite a significant aquaculture program as part of its Food Futures national research flagship. To the best of my knowledge we do not have any direct relationship with aquacultures in the north, but the research that we are doing, when it is successful, will deliver significant benefits to the aquaculture industry in Australia. And I am sure, of course, that includes aquaculture industries in the north as well.

Senator EGGLESTON—It has become quite an important area of economic activity in the north of WA—not only pearling but growing prawns and perhaps barramundi farming and so on. More topically, I suppose, are you involved with Indigenous communities in assisting them to have sustainable communities?

Dr Johnson—The answer is yes. CSIRO has had, I think you could say, a growing engagement with Indigenous communities across northern Australia in recognition of the significant challenges that they face moving forward. This spans areas as broad as

biodiversity conservation through to fire management, the utilisation of carbon resources in northern savannahs as sources of income and Indigenous values with respect to water resource management. So, yes, Senator, it has a significant engagement. The CSIRO also has an Indigenous engagement strategy, which again will have, hopefully, significant benefit to Indigenous communities in the north.

Senator EGGLESTON—I understand that work has just begun in the last week or so on stage two of the Ord. Is CSIRO advising the Western Australian government on the development of stage 2 of the Ord?

Dr Johnson—Not at this point in time, although officers of CSIRO are in active discussion with officers of the Australian government and also officers of the Western Australian government to explore opportunities for CSIRO to assist in that process, and we have indicated to both the Australian government and the Western Australian government that we stand ready to support that process as best we can.

Senator EGGLESTON—Very good. Obviously rainfall is a very important issue in Australia, and in the north they do have a lot of rain. I heard a very interesting comment on Radio National a few weeks ago in which it was said that rather than the Pacific weather it was more the weather in the Indian Ocean which influenced the weather in south-eastern Australia and it was, in fact, more directly related to the drought that we have been experiencing in south-eastern Australia. Would you like to comment on that?

Dr Johnson—I can provide a brief comment. In essence, your comment is accurate. Both the Indian Ocean and Pacific Ocean do influence the weather patterns that we experience in southern Australia. Historically we have invested a lot of effort in understanding the El Nino southern oscillation index in the Pacific, but increasingly we are investing resources in understanding the Indian Ocean dipole, which is an equivalent phenomenon in the Indian Ocean. In partnership with our colleagues in the Bureau of Meteorology and colleagues in Western Australia, the Western Australian government and universities, we are looking very closely at better understanding the dynamics in the Indian Ocean as they affect rainfall, not only in your home state, Senator, but also over here in the east.

Senator EGGLESTON—Thank you very much. Given all the activity that CSIRO is engaging in in the north, Minister, is there any prospect of the federal government coordinating this into an institute for northern development, or sustainable development in the north, with a budget to match its diverse programs and needs?

Senator Carr—There are no proposals coming forward from the CSIRO to change its structure in regard to its research profile. I am not aware of any proposal within any other part of government.

Senator EGGLESTON—I think that would be a visionary step to think about, Senator Carr. We might hope that one or other of the political parties that might form government might, in fact, come up with something like that. But thank you very much.

Senator CAMERON—Dr Clark, I have just been having a quick look at your website and some of the work that has been done on climate change. I cannot find any scientific documents that challenge global warming. I have in front of me *Climate change impacts, risk and the benefits of mitigation* by RN Jones and BL Preston. It would seem to me to quite

clearly define that the globe is warming, that carbon is a cause for it as an anthropogenic approach. Would that be a sort of balance of the views of CSIRO scientists looking at this issue?

Dr Clark—I think, Senator, that is an opinion. We have a wealth of data in Dr Andrew Johnson's area which really is informing this debate—our ocean data, our air monitoring data and all the work that we are doing across this. So we are informing this debate, and our role here is to inform it and to provide the data. Dr Johnson can provide a lot of the detail and some more detail on the observations that we are collecting and some factual basis for what we are seeing.

Dr Johnson—I am happy to extend on that, Senator, if you wish, or—

Senator CAMERON—Yes, because I am just interested in the Jones work here. The information all points to global warming and to anthropocentric involvement in that global warming, and that seems to be a very well researched paper.

Dr Johnson—I do not have that paper in front of me, but certainly our scientists have been involved in the global effort in measuring actual temperatures and actual sea rises. These are not modelled outcomes but actual measurements of those two phenomena. As I think I understand your question, those measurements are showing that average global temperatures and global sea levels are rising and that our science does support the opinion of the Intergovernmental Panel on Climate Change, which articulated the view that there is a greater than 90 per cent likelihood that the global warming that we have seen in the second half of the 20th century and the first tenth of this century is due to increases in greenhouse gas emissions from human activities.

Senator CAMERON—This paper also outlines the need to act early to deal with it.

Dr Johnson—I am not familiar with that. Really, the issue around courses of action is a matter of policy. As Dr Clark outlined earlier in her comments, our responsibility as the national science agency is to provide this country and the people in this place with the very best possible scientific evidence to enable you to form judgments on policy responses.

Madam Chair, if I could be so bold as to put in a gratuitous plug for CSIRO, on 16 March at Parliament House our minister, Senator Carr, and Senator Wong will be holding a briefing for all members of parliament at which CSIRO will provide an update on the very latest science around climate change. I would welcome all senators present here tonight and your colleagues in the Senate to attend that. Hopefully, Senator Cameron, we can give you a full briefing from three of our leading experts in the climate space as to what the latest science is and is not telling us and what the policy implications of that may be for people such as you who have to deal with these things.

Senator CAMERON—Yes, thanks very much.

Senator PRATT—Is it fair to say that in the research that has been undertaken by the CSIRO that looks at current weather patterns and previous weather patterns you cannot model those weather patterns accurately without including carbon—so you cannot actually create through modelling something that looks like what we are getting in our current weather patterns unless you account for human contribution to carbon emissions?

Dr Johnson—I think I understand your question. The modelling that we have done which projects possible future climate scenarios is based on historical data of climate variables, including concentrations of carbon dioxide and other greenhouse gases, and we utilise that data to project into the future. The answer to your question, as I understand it, is that we do specifically incorporate not only carbon dioxide but other gases like methane and nitrous oxide and so on that also have greenhouse gas like behaviour into our forward modelling.

Senator PRATT—My question really is: if you did not incorporate that into your modelling you would not really be coming up with weather patterns that look anything like the weather patterns that we are getting even currently, from what I understand.

Dr Johnson—I am still not quite sure what you are asking. My apologies.

Senator PRATT—Someone showed me a graph that pretty much said, ‘If you do all these weather models, this is what the temperature is doing, and if you take out carbon—

Dr Johnson—Yes, I understand what you are saying.

Senator PRATT—then you get a weather pattern that looks like this, and it does not even look like what you are actually getting.’

Dr Johnson—When we see you on the 16th we will be showing a graph which shows that. If you take it out, for example, just global average temperature, the rise that is occurring in temperature cannot be explained by natural factors alone, which is, I think, the question that you are asking.

Senator PRATT—Yes, that is basically the question.

Dr Johnson—The modelling that we do incorporates things like changes in the earth orbit, volcanic eruptions and all of those sorts of things. Yes, if you just assume the CO₂ level stayed the same—

Senator PRATT—Thank you for putting it so succinctly.

Senator CAMERON—Sheep in New Zealand?

Senator Carr—Could I ask is it the intention to call the officers from the Australian Research Council and ANSTO, given that we are due to conclude at 11 o’clock tonight?

CHAIR—Yes.

Senator EGGLESTON—I would like to congratulate the CSIRO on what it is doing in the north. I think that is really outstanding.

[**Senator ABETZ**—From cricket balls to climate change.

CHAIR—Thank you, Dr Clark and the other officers of the CSIRO. I now call the Australian Research Council.

[10.26 pm]

Australian Research Council

CHAIR—Welcome. Do you have an opening statement you wish to make?

Mr Marsden—No.

CHAIR—We will go straight to questions.

Senator ABETZ—Mr Marsden, you are not new to the position, I think. Is that right?

Mr Marsden—I am the Chief Operating Officer of the Australian Research Council. Margaret is in South Africa at the first South African-Australian Joint Science and Technology Committee meeting. Actually, she should be physically be back in Australia right at this very moment.

Senator ABETZ—Who can tell me about the assessment of journals?

Mr Marsden—Ms Harvey is best placed to assist there.

Senator ABETZ—Is the *Monthly* magazine anywhere on the list of academic journals?

Ms Harvey—What would it be the *Monthly* magazine in?

Senator ABETZ—It is called the *Monthly*. That is its name.

Ms Harvey—We are ranking approximately 25,000 journals at the moment.

Senator ABETZ—And you do not know them all off by heart?

Ms Harvey—No, I do not.

Senator ABETZ—That is fair enough. Possibly you could take on notice, then, whether the *Monthly* is deemed to be an academic journal for the purposes of the ratings that I understand occur and, if so, in what category it finds itself. Methinks chances are it will not find itself in any of the categories, but, anyway, let us wait and see what that reveals.

Ms Harvey—I would just put a caveat over that. In fact, we have only released the ratings for the physical, chemical and earth sciences; we are yet to release all the rest of those. We only released the PCE ones on Monday. If it lies in the other ones, I would not be able to answer that until they are publicly released.

Senator ABETZ—When do you think that might be?

Ms Harvey—I am just not sure what discipline it is in, as I mentioned, so I do not know.

Senator Carr—Are you talking about the commercially available *Monthly* magazine?

Senator ABETZ—Yes.

Senator Carr—It would not fit into mathematics. I can certainly assure you of that.

Ms Harvey—Thank you, Senator. I am happy to take it on notice, but—

Senator ABETZ—You are quite right. It should not fit into economics either or political history or anything else.

Senator Carr—No, it might do.

Senator ABETZ—For a paper to be considered academic work and for it to count towards an individual's or institution's rating, does the article need to have things like footnotes and be peer reviewed? I dare say plagiarism would not be something that would be allowed.

Senator CAMERON—Plagiarism?

Senator Carr—I am certain not too many comics get on the list. This is an academic journals list. It is used to rank the scale of research that is undertaken in published forms.

Senator ABETZ—That is right. And?

Senator Carr—There is your answer.

Senator ABETZ—What are the academic standards that are required for the articles that are submitted and then deemed to be appropriate to be attached to either the individual or the institution's academic record? What sorts of benchmarks or criteria have to be considered?

Ms Harvey—We do actually have categories for the journals themselves. We have published what those different ratings would be. So, for example, an A* rated journal is what we would expect to be the top five per cent. We do actually define what a journal is, and that is that there is an editorial board, and it has been peer reviewed; there is a whole range of circumstances. For example, typically an A* journal is one that is the best in its field. Virtually all the papers they publish would be of a very high quality. It is a journal where most of the work is important, and it really does shape the work of the field. For example, you would expect *Nature* and *Science* to be journals that would fall into that category.

Senator ABETZ—I think you have gone far enough to count out the monthly magazine for me.

Ms Harvey—Thank you very much. We will not take that on notice, then.

Senator ABETZ—Yes, thank you very much for that. On that basis, it obviates my next question which was whether you were willing to take on the Prime Minister's article in the *Monthly* magazine for a peer review and assessment, but the chances are that that is not necessary.

Senator Carr—How clever!

Senator ABETZ—In relation to the way that we look at research, how do we measure applied research?

Ms Harvey—That is one of the areas that we are actually still working on.

Senator ABETZ—Academics are telling me that you cannot really qualify and determine the quality of applied research on the basis of the number of articles published, for example. How are we going to get around that with some degree of objectivity?

Ms Harvey—The actual journal rankings and the published articles, and the citation counts that sit over the top of those, are just one measure that will be taken into account for the Excellence in Research for Australia initiative. We are looking at what measures would be appropriate for applied research. We are doing a range of consultations at the moment for the different disciplines where we actually get eminent academics together to talk to us about what would be appropriate. We look at the principles involved in actually having an indicator. Just before Christmas we published the ERA indicator principles, and they talked about their having to be robust, repeatable and well defined. They are the sorts of conversations we are going through. As to whether a range of measures are actually appropriate or not, I do not have a full list because we are still doing our consultations.

Senator ABETZ—You are still working on that. It is going to be a difficult task to get it as right as one is able to, so when do you think we might have this finalised?

Ms Harvey—The minister announced recently that we would be doing a trial of clusters 1 and 2 this year, and we will be undertaking consultation for the other clusters. For example,

physical chemistry and earth sciences is one cluster; humanities and creative arts are cluster 2, and we will be looking to assess those on a trial basis this year and look at the learnings from those, but in the meantime consult on the various indicators that apply for all of the other disciplines we are looking to assess. So it will be over the course of the year that we will be finalising those.

Senator ABETZ—All right; a work in progress, and I look forward to a report at the next estimates. You look after discovery grants?

Ms Harvey—Mr Marsden would be able to answer that.

Senator ABETZ—What date were the funding rules, application forms for discovery project programs released?

Mr Marsden—It would have been the first week in December.

Senator ABETZ—That is good enough. If you can supply on notice the exact date. So that is both the rules and the application forms?

Mr Marsden—I think the application form was probably a week later, but I will take that on notice. It was not at the same time as the rules.

Senator ABETZ—Nothing revolves around it, other than just general interest for me, so thanks for that. When was the closing date for submissions?

Mr Marsden—For the current round?

Senator ABETZ—Yes.

Mr Marsden—It has not closed quite yet.

Senator ABETZ—All right, when is the closing date?

Ms Harvey—I believe it is 4 March.

Mr Marsden—That is correct.

Senator ABETZ—Is this a new concept, these discovery grants?

Mr Marsden—No, they have been around for quite some years.

Senator ABETZ—They have been around for some years. Is the time period between that first week in December and 4 March a shorter period of time than usual?

Mr Marsden—Yes. We normally aim to go out and open up about the end of November, so it is marginally shorter.

Senator ABETZ—By how much?

Mr Marsden—I would have to check the date from the last round of discovery, but I would say probably—

Senator ABETZ—There have been previous rounds before that as well?

Mr Marsden—Yes, that is correct.

Senator ABETZ—It has been put to me that, this time, the period in which you can make submissions is substantially shorter, and that has caused some inconvenience, but take it on

notice and let us know. If it is a matter of two weeks, I will get back to the people that have told me that. Minister, when did you sign off on the DP funding rules?

Senator Carr—I will have to take check on the date.

Mr Marsden—I will have to take that on notice.

Senator ABETZ—Thank you. Have any changes been made to the rules applying ARC's various grant programs?

Mr Marsden—Substantial changes?

Senator ABETZ—Any material changes?

Mr Marsden—I cannot recall. I will take that on notice. I do not think so.

Senator ABETZ—What consultation took place about any of those changes?

Mr Marsden—Each year we go out to the sector as a whole and take comments on all of our funding rules. We then review those comments and, where appropriate, and where we think it is useful to further the research investment, we actually build those into the funding rules. Those changes we are proposing to put into place are usually discussed with the research officers administrator's conference which is round about early November, I think.

Senator ABETZ—Sorry, I thought Mr Cameron was giving you further information.

Mr Marsden—He was, actually. He has given a list of some of the changes.

Senator ABETZ—You are taking that on notice, so—

Mr Marsden—There is nothing significant.

Senator ABETZ—If you could provide that on notice to the committee, that would be very helpful. Can you tell me against what criteria is the internationalisation objective to be assessed?

Mr Marsden—That is to be assessed obviously by the College of Experts, but it is being assessed by the level of collaboration that is in the proposal between the Australian based researchers and the international based researches, and that can take many forms.

Senator ABETZ—Referring to clause 8.4, which prevents, I understand, replacement personnel, is that a change?

Mr Marsden—I will take that on notice. Unfortunately I do not have the rules with me, but normally, when there is replacement personnel, the administering organisation, and that is usually the university, writes to the Australian Research Council to notify us of the proposed change, to seek agreement.

Senator ABETZ—It has been put to me—and I confess I do not have the rules in front of me either—that clause 8.4 now prevents replacement personnel who were not included on the original application, and that that is a change. If you cannot answer it straight away, take it on notice.

Mr Marsden—I will have to take it on notice.

Senator ABETZ—If it is simply a requirement that notification be provided or permission needs to be provided, if you can provide that in a more extensive answer, that would be very helpful, and as to the reason it was introduced, if it was introduced.

Mr Marsden—Yes.

Senator ABETZ—Thanks for that. And also: why was it introduced, and what was the reason for the ARC deciding it was no longer an option to allow replacement persons to step in and finalise research? I do not know why this has been put to me, but does the ARC keep the important dates section of its website up to date? How often is the important dates section updated?

Mr Marsden—It should be updated each time there is a change. Certainly we publish that calendar at the start of the year. If the person who has provided the information finds that it is not up to date, I will certainly look at that.

Senator ABETZ—Is it required to do so by government auditors?

Mr Marsden—I know where the question has come from. In the 2005 Auditor-General's report, it was suggested that we publish a calendar, and the ARC has done so. It is a calendar we update each year. It is not a directive from the Auditor-General, but certainly it is a suggestion we thought was very useful to take up.

Senator ABETZ—I have a few more controversial questions now, and it is a pity that Dr Sheil is not here to respond to them. I understand that Dr Sheil was reported in the *Australian* on 22 October 2008 as saying: 'Researchers ask for more in the expectation they will be cut. What I think of as fully funded is about 80 per cent of the ask.' Can you take that on notice as to whether Dr Sheil agrees that she made that comment, whether it is correct, because I am going on a media report. Then I would like to ask whether she was a funding recipient herself from the ARC previously and whether it is her personal experience that, in putting in an application, she stacked it by an extra 20 per cent in the expectation that it would be knocked down? Does she think that that statement has had any impact on the morale and confidence of researchers who are putting in for grants, that basically the message is: bump it up because you will get bumped down; those who put in a good, honest, sincere assessment get knocked down 20 per cent anyway? If Dr Sheil could provide me with some commentary on notice on that, I would be much obliged. In relation to staff at the ARC, have you lost senior staff in recent times?

Mr Marsden—Yes, we have.

Senator ABETZ—In which categories?

Mr Marsden—We have lost one of our executive director positions, so we are going through a recruitment process at the moment to combine an executive director to cover a number of fields, and that is the physics, chemistry, geoscience and mathematics area. We have lost two non-research SES positions: one is the position of deputy chief executive officer, who has retired, and the position has not been refilled. The other is the position of legal counsel. The officer has left the ARC, and that position has not been refilled.

Senator ABETZ—It has been put to me that one of the government's best evaluators on staff has left, that the deputy CEO has left, that the chief operating officer, head legal

person—pejorative language is used in relation to this—has left; it has been suggested to me ‘kicked out’ but I will not use that; and that three or more executive directors have been encouraged to leave early or have been asked to leave, one of whom was the ex-head of the British Geoscience Agency with lots of high-level experience in government. The head communication person left and the evaluation expert person gave up and took a job elsewhere, and the program staff have had the deckchairs shuffled multiple times, all in the last 12 months. The suggestion was made to me that I should look at the termination funding figures in your annual report. What does that tell us in relation to other years as to terminations in the ARC? I think I said in relation to another area of this portfolio that when you are a shadow minister a lot of these accusations come to you by way of email, unsigned letters, et cetera, and therefore I am only asking the questions; I am not making the allegations. Conclusions might be able to be drawn from the answers that are provided.

Senator Carr—You make a number of comments about the manner in which you allege these persons left, which you said you would not make, and then you put them on the *Hansard* record, which is a pretty grubby way to do business, frankly.

Senator CAMERON—That is after saying earlier that you would not name people.

Senator ABETZ—I have not named anybody in this. I have referred to positions.

Senator Carr—No, you just refer to their positions in a research community where everyone knows who you are talking about. It is a pretty grubby exercise, Senator.

Senator CAMERON—It is very grubby.

Senator ABETZ—Senator Carr, all I would invite you to do is go back through the *Hansards* and see how you actually named people, referred to people, and denigrated people. I always preface these sorts of comments—or I try to preface these sorts of comments on the basis—

Senator Carr—Come on, who do you think you are kidding? Don’t be such a sanctimonious flea.

CHAIR—It is getting quite late.

Senator ABETZ—Mr Marsden, can you tell us what the termination figures are?

Mr Marsden—I will have to take those figures on notice.

Senator ABETZ—Can you do a comparison for me for, let us say, the three previous years?

Mr Marsden—Yes, Senator.

Senator ABETZ—Termination payments—and, if you can assist me with all the classifications that I have read into the *Hansard*, whether the person who held that particular classification has left in the past 12 or 18 months and the circumstances in which they left. That would be very helpful. Thank you for that. I thank the ARC.

CHAIR—As there are no other questions for the ARC I thank the ARC for staying late tonight.

[10.46 pm]

Australian Nuclear Science and Technology Organisation

CHAIR—Do you have an opening statement, Dr Cameron?

Dr Cameron—No.

CHAIR—We will go straight into questions.

Senator ABETZ—Dr Cameron, how long have you been in the position?

Dr Cameron—Since 15 May.

Senator ABETZ—How has it been going?

Dr Cameron—It has been an interesting but challenging time for us.

Senator ABETZ—Good. All the best. Have you seen the minister at ANSTO since you have been appointed?

Dr Cameron—No, but I have seen the minister in Canberra since I have been appointed.

Senator ABETZ—Thank you for that. I asked the minister on notice whether he had visited ANSTO and all sorts of answers were provided that were non-responsive. When we asked again and we got it again, so it is very nice to get a straight answer from you, Dr Cameron. I think that you can have very good liaisons with a minister either at your place or, indeed, the place of business where the minister is. But why the minister was unable to answer that question for me, I really do not know.

Senator Carr—Because it was an idiot question—pretty simple, Senator.

Senator ABETZ—The question, Chair, and for those listening and viewing—they can see the demeanour of the minister—was: ‘Has the minister visited ANSTO since becoming minister?’ Most people would say that that is a pretty easy question to answer—it must be either yes or no—and we got line after line of obfuscation. It is just unfortunately indicative of the way you, Minister, and this government do business. Let us move to the funding cuts. On page 72 of Dr Cutler’s innovation report, he said:

In the case of the ANSTO the impact of reduced funding in the recent budget has been particularly severe because a large part of its expenditure is fixed operating costs for its facilities.

Dr Cameron, do you agree that a large part of your expenditure is in fact fixed operating costs for your facilities?

Dr Cameron—Yes, I do.

Senator ABETZ—Dr Cutler goes on to say:

The reductions have meant that only 24 per cent—

that is, less than a quarter—

of ANSTO’s appropriation is being spent on research ...

Is that correct?

Dr Cameron—That is approximately correct.

Senator ABETZ—Dr Cutler goes on to say ‘and research staffing is being reduced from 200 to 250’. Is that also correct?

Dr Cameron—Sorry, could you repeat that. I do not think you can get a reduction from 200 to 250.

Senator CAMERON—It is getting late.

Senator ABETZ—Sorry, from 250 to 200—well picked up, Dr Cameron. You would be delighted with a reduction like that, wouldn’t you?

Dr Cameron—Yes, I would take that one! In our last round last year, due to the need to cut our budget, we lost about 40 research people and about 40 operational people.

Senator ABETZ—Thank you. So that bit is right. Dr Cutler also says:

ANSTO is also closing some facilities that have been used extensively by other organisations which are also losing access to the nuclear science and technology expertise resident in ANSTO.

Is that also correct?

Dr Cameron—We have had to make decisions about which facilities to maintain and which were the most important for the whole research community, and as a result we did close some programs and facilities.

Senator ABETZ—What were those programs that were closed?

Dr Cameron—The programs which were closed were some work we did in the materials area, where we had identified the need to refocus that particular program, and some of our facilities which we thought were getting less use than some of our other major facilities. Of course, we have just recently opened a new research reactor, which we need to make sure takes the majority of our effort and time. That means we decided to close other, less-used facilities.

Senator ABETZ—So you have closed some of your research capacity. Have you reduced other areas?

Dr Cameron—Yes, we have reduced other research projects.

Senator ABETZ—In what areas has there been a reduction?

Dr Cameron—The major reduction was in our materials research program, and some of that related to services we supplied to industry.

Senator ABETZ—Such as? Are you able to disclose that to us?

Dr Cameron—Yes. Some of that related to work that we did in materials property assessment—advice to industry on structural integrity of pipelines and turbines and things of that nature. We still do commercial work on a commercial basis. It was joint research. The other areas that we closed were some trimming of work which we were doing in the climate change area, related to use of ice to understand climate, and a little bit of reduction of work in radiopharmaceutical research.

Senator ABETZ—That would be in the health area?

Dr Cameron—That is in the health area.

Senator ABETZ—What is happening with the new reactor? It is not so new anymore, really, is it?

Dr Cameron—No, it is not so new.

Senator ABETZ—How old is it?

Dr Cameron—It was officially opened in April 2007.

Senator ABETZ—Who did that?

Dr Cameron—That was the previous government—obviously the previous Prime Minister.

Senator ABETZ—Oh, April 2007—sorry, yes.

Senator Carr—Did you get an invitation?

Senator ABETZ—I was not in this portfolio at the time, minister.

Senator Carr—I enjoyed the opening.

Senator ABETZ—So you did visit once? That is nice to hear.

Senator Carr—I have been there many, many times, Senator—probably considerably more than you have.

Senator ABETZ—It is amazing how quick you are to tell us when you did visit but not when you have not visited as a minister. As to the reactor, there were issues with it. In fact, I had a visit through it which was very informative. Are things working?

Dr Cameron—Yes, it is currently working and operating much as we expected. We had two major issues—one related to the fuel problem, which caused it to be shut down. That has been remedied, and we have had no further issues to do with fuel. The other issue is the seepage of the ordinary water into the heavy water, and although that is an inconvenience to us it does not prevent us operating and carrying out the work that we want to do.

Senator ABETZ—How much has your research capacity been hindered by these difficulties, and are you able to enhance or improve the amount of research that is able to be done now that the reactor is in full production, if I can use that term?

Dr Cameron—Yes, the reactor is in full operation.

Senator ABETZ—Full operation—thank you.

Dr Cameron—We were also, at the same time, commissioning a number of really world-class neutron beam instruments. Six of those instruments have now received operating licences and we have the first users of those on board. Two more will soon be in that position. They offer state of the art facilities. In fact, probably two or three of those particular instruments are the best in the world, and we think that we are just beginning to see a great deal of interest from Australia and around the world in coming to use those facilities.

Senator ABETZ—Hopefully, if I can use a terribly commercial term, would that potentially be a bit of money-spinner for you?

Dr Cameron—No, not really.

Senator ABETZ—That is a pity.

Dr Cameron—The reactor was funded by whole-of-government funding to aid research and to do irradiations, and access to it is free. The only criterion is that the quality of the research should be good enough, so we have a number of committees look at the proposals for research, and those that are judged to be of best quality have access to our reactor.

Senator ABETZ—Even those that come from overseas get free access?

Dr Cameron—Yes. We allocate a certain amount of time overseas, because for many years we have used their reactors overseas when we did not have our own.

Senator ABETZ—That is only fair and reasonable.

CHAIR—Senator Abetz, Senator Pratt has one question.

Senator ABETZ—All right. Then I simply say thank you very much to ANSTO for their patience. Sorry it has been so short.

Senator PRATT—You might need to take this on notice. I want to know what moneys have been paid to individuals or groups within the Muckaty Land Trust under any agreements reached under the powers of the Commonwealth Radioactive Waste Management Act 2005?

Senator Carr—You might have the wrong portfolio.

Dr Cameron—Yes, that is the wrong portfolio. ANSTO is not involved in the process of running the site assessment or the issues; that is run out of the Department of Resources and Energy. We only provide technical advice to the department.

Senator PRATT—On the waste, okay. Thank you.

Senator EGGLESTON—I will put some questions on notice for you, which means that you can go home early.

CHAIR—I thank ANSTO and the minister. I also thank the secretariat, Hansard and broadcasting, who have been here over a long day. The committee is adjourned.

Senator ABETZ—Before you do, on behalf of the committee, I thank the chair.

CHAIR—Thank you.

Committee adjourned at 10.57 pm