



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

ECONOMICS LEGISLATION COMMITTEE

ESTIMATES

(Budget Estimates)

MONDAY, 1 JUNE 2009

CANBERRA

BY AUTHORITY OF THE SENATE

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**SENATE ECONOMICS
LEGISLATION COMMITTEE**

Monday, 1 June 2009

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

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

Senators in attendance: Senators Abetz, Birmingham, Bushby, Cameron, Coonan, Cormann, Eggleston, Feeney, Heffernan, Hurley, Joyce, Ludlam, O'Brien, Pratt, Ronaldson, Sterle, Williams and Xenophon

Committee met at 9.02 am

INNOVATION, INDUSTRY, SCIENCE AND RESEARCH

In Attendance

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

Department of Innovation, Industry, Science and Research

Executive

Mr Mark Paterson, Secretary
Ms Jessie Borthwick, Acting Deputy Secretary
Mr Tim Mackey, Deputy Secretary
Dr Richard Green

AusIndustry

Mr Bill Peel, Executive General Manager
Mr Chris Birch, General Manager, Research, Development and Venture Capital
Ms Wendy Launder, General Manager, Development & 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
Ms Chris Butler, General Manager
Mr Richard Byron, General Manager, Human Resources and Facilities
Mr Trent Rawlings, Manager, Business Collaboration
Ms Susan Charles, Manager, Marketing and Communication

ECONOMICS

Ms Michele Clement, Manger, Budget Policy and Strategic Planning
Ms Alison Young, Assistant Manager Operation Sunlight, Corporate Strategy
Ms Jocelyn McGill, Senior Project Officer Operation Sunlight, Corporate Strategy
Mr Jeff Reithmuller, Manager, Corporate Strategy
Ms Cherie Ellison, General Manager, Business Collaboration Branch
Mr Brad Medland, General Manager, Corporate Finance

e-Business Division

Mr Ken Pettifer, Head of Division
Mr Mike Sibly, 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
Ms Paula Thomas, General Manager, Governance and Systems, 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
Mr Michael Schwager, General Manager, Small Business and Deregulation
Mr Richard Snabel, General Manager, Industry Policy and Economic Analysis
Ms Ann Bray, Acting General Manager, Business Registration and Licensing

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

IP Australia

Mr Philip Noonan, Director General
Ms Fatima Beattie, Deputy Director General
Mr Doug Pereira, General Manager, Corporate Services Group

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
Mr Alan Coleman, Manager, Competitive Industries Branch

National Measurement Institute

Mr James Roberts, General Manager, Analytical Services

Questacon

Professor Graham Durant, Director

Science and Research Division

Ms Anne-Marie Lansdown, General Manager, Research Infrastructure

Mr David Luchetti, General Manager, Science Policy and Programs
Ms Mary Finlay, General Manager, International Science and Collaboration
Mr Mark Thomas, Acting General Manager, Research Policy Compacts and Funding

Australian Nuclear Science and Technology Organisation

Dr Adrian Paterson, CEO
Dr Ron Cameron, General Manager, Strategy, Government and International Relations
Mr Douglas Cubbin, General Manager, Business and Enterprise
Mr Steve McIntosh, Senior Advisor, Government Liaison

Australian Research Council

Professor Margaret Sheil, Chief Executive Officer
Ms Leanne Harvey, General Manager, Research Excellence
Mr Andrew Cameron, Chief Financial Officer

Commonwealth Scientific and Industrial Research Organisation (CSIRO)

Dr Megan Clark, Chief Executive
Dr Alastair Robertson, Deputy Chief Executive, Science Strategy and Investment
Mr Mike Whelan, Deputy Chief Executive, Operations

Office of the Chief Scientist

Professor Penny D. Sackett, Chief Scientist of Australia

CHAIR (Senator Hurley)—Welcome. I declare open this public meeting of the Senate Economics Legislation Committee. The Senate has referred to the committee the particulars of proposed expenditure for 2009-10 and related documents for the Innovation, Industry, Science and Research, Resources, Energy and Tourism and Treasury portfolios. The committee must report to the Senate on 25 June 2009 and it has set 31 July 2009 as the date by which answers to questions on notice are to be returned.

Under standing order 26 the committee must take all evidence in public session. This includes answers to questions on notice. Officers and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance, the secretariat has copies of the rules. I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009, specifying the process by which a claim of public interest immunity should be raised and which I now incorporate in *Hansard*.

The document read as follows—

Order of the Senate—Public interest immunity claims

That the Senate—

- (a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;
- (b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;
- (c) orders that the following operate as an order of continuing effect:
 - (1) If:
 - (a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

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- (b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.
- (2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.
- (3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.
- (4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.
- (5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.
- (6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.
- (7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).
- (8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).
- (d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

(Agreed to 13 May 2009.)

(Extract, Journals of the Senate, 13 May 2009, p.1941-42)

CHAIR—Officers called upon for the first time to answer a question should state their name and position for the *Hansard* record and witnesses should speak clearly into the microphone. Please make sure all mobile phones are turned off. The committee will begin today's proceedings with the Australian Nuclear Science and Technology Organisation and will then follow the order as set out in the circulated program. I welcome Senator Carr, the Minister for Innovation, Industry, Science and Research and officers of ANSTO. I would particularly like to welcome Dr Paterson to his first estimates hearing as CEO of ANSTO. Minister or officers, would you like to make an opening statement?

Senator Carr—No.

CHAIR—We will get straight into questions then. Senator Abetz.

Senator ABETZ—It begs the question, Mr Paterson, any relative or not?

Mr Paterson—None that I am aware of.

Senator ABETZ—Minister, can I ask you have you visited ANSTO since becoming minister?

Senator Carr—No.

Senator ABETZ—Dr Paterson or Dr Cameron, I understand we have got some nuclear waste material returning under contractual arrangements, can you shed any light on that?

Dr Cameron—Yes. Under the agreements we have both with the United Kingdom government and the French government, the spent fuel that was sent overseas for reprocessing has been reprocessed and the waste material gets returned to Australia. There are contractual arrangements in both cases that determine the timing of that. The earliest timing would be around about 2011, but there are provisions under the contract for us to have extensions of that period of time, so we are presently looking at negotiating those. The French fuel will return about 2015. With the United Kingdom fuel, as I said, we have opportunities to negotiate with them about an extension of time. The original contract really said two years after the period of cementation of our waste, which is occurring right now.

Senator ABETZ—So the United Kingdom was 2011 and France was 2015?

Dr Cameron—That is correct.

Senator ABETZ—Was the provision in the contract to extend that period of time for both the UK and French contracts or just the UK contract?

Dr Cameron—Just for the UK contract.

Senator ABETZ—So no matter what, in 2015 Australia will need to be prepared to receive—what do I call this again, the material?

Dr Cameron—It is intermediate-level waste.

Senator ABETZ—Does the extension in the UK contract have a time limit on it, that Australia can seek an extension of X years?

Dr Cameron—Yes, it has a time limit because the waste is currently at the Dounreay nuclear power site in Scotland, and the intention of Dounreay is to clean up that site and to close it down. They are working very hard to do that.

Senator ABETZ—Do we know what date they want to close their facility?

Dr Cameron—The date of closure would be the date of final closure, so our waste would have to be removed much before that.

Senator ABETZ—Exactly, and that is why I am asking have they set a certain date for the closure of that Scottish facility?

Dr Cameron—Yes, their intention was 2020, but, of course, we would have to have removed our waste much before that.

Senator ABETZ—And the extension in the contract, for how many years is that?

Dr Cameron—Our intention would be to try as much as we can to get the two dates of return to be the same.

Senator ABETZ—The two dates as in the French and the UK?

Dr Cameron—That is correct.

Senator ABETZ—So 2015. Minister, can I ask how we are proceeding with getting a facility to house this intermediate level waste?

Senator Carr—It is a matter you will have to raise through the DRET—

Senator ABETZ—Sorry, through?

Senator Carr—Through the Department of Resources, Energy and Tourism, which is the responsibility of Minister Ferguson.

Senator ABETZ—In relation to this contract to accept the intermediate level waste, was that a contract arranged between ANSTO and the UK government or the Australian government and the UK government? How did that work? What is ANSTO's responsibility to in fact take that intermediate-level waste?

Dr Cameron—It is a contract between ANSTO and what was at the time the United Kingdom Atomic Energy Agency, which has morphed a few times in its history, and now it is with the Nuclear Decommissioning Authority of the United Kingdom.

Senator ABETZ—Thank you for that. That would suggest, Minister, that within your specific portfolio responsibility, within the next few years you have an agency that has the responsibility to pick up this intermediate-level waste and store it somewhere. I would have thought you would have taken more than just a passing interest in this by flicking it through to Minister Ferguson. I am just wondering what you, as minister, or indeed, Mr Paterson, what the department is doing in relation to its responsibilities via its agency ANSTO?

Senator Carr—I think I have already indicated to you, Senator, that these are the responsibilities of another department and another minister. By saying that, you should not conclude that I do not have an interest, the department does not have an interest or ANSTO does not have an interest. It is a simple statement of fact in regard to the administrative orders. I would, again, draw your attention to the relevant agency, and I would be, I am sure, only too happy for those officers to address questions on this matter.

Senator ABETZ—Basically, as I understand your answer then, if Minister Ferguson is unable to come up with a solution by the year 2015, an agency of your department might find itself in a diabolical position, being contractually bound to take intermediate-level waste without a facility to deposit it. Therefore, I would have thought there would be more than just a passing interest. Can I ask you, Mr Paterson, as to whether any departmental agency work has been undertaken in cooperation with the resources, energy and tourism department to house this intermediate-level waste?

Mr Paterson—Senator, as the minister has already indicated, it is the responsibility of the Resources, Energy and Tourism portfolio, and they will be on at estimates tomorrow morning. They have portfolio responsibility for dealing with nuclear waste materials. Yes, an agency of

the portfolio in ANSTO has a responsibility in relation to its own nuclear material. I am sure that there is active cooperation between the agency of the portfolio and the resources, energy and tourism department, but they are the ones responsible for administering nuclear waste arrangements in this country.

Senator ABETZ—So the department is not in discussions with the resources, energy and tourism department about the issue that ANSTO will be facing.

Mr Paterson—It is a matter of particular concern to ANSTO and the resources, energy and tourism department, which has portfolio responsibility in relation to nuclear waste.

Senator ABETZ—We know that. I am just wanting to know whether the department—

Mr Paterson—I have answered your question.

Senator ABETZ—I want to know whether the department has had any liaison or discussions with resources, energy and tourism—

Mr Paterson—None that I am aware of.

Senator ABETZ—Thank you. Very easy, isn't it, when you actually answer the questions? Dr Paterson, what discussions has ANSTO had with resources, energy and tourism in relation to this intermediate-level waste?

Dr Paterson—Thank you for the question. I have had meetings with officials of the department in which the issues that you have raised were discussed and the timescales that have been alluded to by Dr Cameron were confirmed. In addition, I had a meeting with Minister Ferguson in which there was a brief discussion about the timescales.

Senator ABETZ—Is ANSTO satisfied that the timescales that have been put forward by resources, energy and tourism will meet ANSTO's requirements?

Dr Paterson—The role that ANSTO has played is to bring the relevant dates to the attention of the department. The department has indicated that they will revert to us when they are in a position to confirm a joint strategy.

Senator ABETZ—You would no doubt be monitoring and keeping a watching brief on that. I imagine you would be taking a keener interest and watching developments, rather than just saying, 'We'll leave it to you until 2011 or 2015.' Is there regular liaison between ANSTO and resources, energy and tourism?

Dr Paterson—I believe that there has been and there will continue to be regular interaction. ANSTO also reviews its own position regularly and understands its obligations.

Senator ABETZ—Is there, for example, a joint working party between ANSTO and resources, energy and tourism to progress this?

Dr Cameron—During the period of the previous government and this government, we have met regularly with the relevant officers. Certainly during all the periods when they are looking at the design for a repository and store, we provided technical advice on that. The department is very aware of the position that we have with regard to the return of the waste. We keep them regularly updated and they keep us regularly updated. At the moment there are some legislation issues to be resolved. We are very aware of their process and they are very aware of ours.

Senator ABETZ—Minister, I assume that the legislative responsibility lies with Minister Ferguson, not you?

Senator Carr—That is right.

Senator ABETZ—Dr Cameron or Dr Paterson, have you been having regular input in relation to the legislative framework that is being developed?

Dr Cameron—No. The legislative process is really with the department. ANSTO is a technical organisation. We will provide technical advice. We do not provide legal advice. Really the legislative process and the acquisition of the site is very much the department's responsibility. They come to us often for information about the nature and types of sites they should be looking for, but it clearly is the department's process that is being followed.

Senator ABETZ—Have the discussions concerning the proposed legislation suggested a site certain and, in relation to that site certain, have you been providing technical information as to its suitability?

Dr Cameron—You will remember that, when these sites were originally identified, there were assessments done and we provided input into that. However, with regard to the current legislative process, that is entirely within the department.

Senator ABETZ—To your knowledge, will the legislation deal with the issue of the site, as in nominate the site and the area?

Dr Cameron—I think that is a question you should put to the department. My understanding is it is facilitation legislation.

Senator ABETZ—Who can take me through the PBS? Who should I be asking?

Dr Paterson—Pose questions through me, and I will defer to my colleagues if it should be required.

Senator ABETZ—Thank you. On page 136 of the PBS, the left-hand column of table 1.1 has \$135 million in it. Where has that money come from? Was that a capital reserve? Where did that figure come from?

Dr Paterson—That figure covers future capital obligations to maintain the agency's asset base, the automation of radiopharmaceuticals production, and to meet employee entitlement liabilities.

Senator ABETZ—But where did it originate from? Did it come out of general revenue of this year's budget by way of a government grant, or were these funds held by the agency?

Dr Paterson—This represents prior year amounts, largely of a capital nature, and appropriations that have largely been of a capital nature.

Senator ABETZ—If these are, as I suspected, capital funds, what are they being employed for in the coming financial year?

Mr Cubbin—In the coming financial year, these funds are earmarked for a range of capital projects. ANSTO has a 10-year strategic asset development plan to do appropriate capital works on our sites to replace buildings, because quite a lot of the buildings are old. There is also a large chunk of money in there associated with the automation of our

radiopharmaceutical production facility. We also have money in there associated with depreciation of the OPAL reactor.

Senator ABETZ—So that \$135 million will all be allocated to capital works and capital matters.

Mr Cubbin—In the majority, yes. ANSTO has a five-year rolling capital plan and we have projects from prior years. Most projects run over multiple years. Also, in that funding, because it is reserves, we have money to cover things such as our employee liabilities associated with things such as long-service leave, annual leave et cetera.

Senator ABETZ—How much of this \$135 million will not be actually used for what a layman like myself might understand as capital works?

Mr Cubbin—The estimate would be somewhere in the order of \$20 to \$25 million.

Senator ABETZ—\$20 to \$25 million is being used for which aspects of a non-capital nature? Can you set them out for us?

Mr Cubbin—It is predominantly for things like employee entitlements. We have got quite a large long-service leave and annual leave liability.

Senator ABETZ—So we are now drawing on capital reserves to pay employee entitlements in ANSTO?

Mr Cubbin—That is not correct.

Dr Cameron—This sum of money is reserves, so it includes both capital funding and our employee entitlements—it is all lumped together as one. As Mr Cubbin said, it is primarily capital but we also use it for reserves. In addition, we have reserves for purchasing fuel ahead, and that would be included in that as well.

Senator ABETZ—We have got a mixture of capital and other reserves. How or where can I find a disaggregation of that so I can be assured? I am assured by what you tell me but, if there is a document that confirms that, I would be even more assured that the amounts set aside for capital are only spent on that and other reserves are only being spent on employee entitlements.

Dr Ron Cameron—Senator, that is in our annual report and we would be very happy to send you a copy.

Senator ABETZ—Can you assist me with a page number in the annual report? If not, that is fine. If somebody could find that for me later, that would be very helpful. How was the \$20 million diverted from the education infrastructure fund? Was that a decision by government, Minister?

Senator Carr—Yes.

Senator ABETZ—The education infrastructure fund, which had previously been set up, had \$20 million taken out of it for the benefit of ANSTO. What is that \$20 million going to be used for?

Dr Adrian Paterson—That \$20 million is going to be used for an accelerator centre of excellence, which will include two major new accelerated investments and new instruments for the Bragg Institute, which is the neutron facility at the OPAL reactor.

Senator ABETZ—All for capital expenditure?

Dr Adrian Paterson—It is all capital.

Senator ABETZ—Unfortunately, in some other aspects of the government's total budgetary framework we have seen infrastructure funding being used for skills training as well, and that then blurs the distinction from what most people would see as capital expenditure. You are assuring me that in this case the education infrastructure fund is being used for capital investments?

Dr Adrian Paterson—I am assuring you of that, Senator.

Senator ABETZ—Can I have confirmation that the very effective school program that you run with school visits is ongoing?

Dr Adrian Paterson—The school program is continuing and we are monitoring the attendance of that program monthly. It remains a very key part of our public extension activities and outreach.

Senator ABETZ—It is excellent to hear that. The numbers are continuing?

Dr Adrian Paterson—The numbers have been somewhat down over the last couple of months. We think that that is related to the particular timing of the school holidays and the other holidays, but we will keep tracking that and seek to ensure that the numbers are retained and grow.

Senator ABETZ—Excellent, because if I might make a request to ANSTO that in the pursuit and need for more science graduates in this country, excursions by school children to facilities such as ANSTO I think can play a very important role for the future of our country in developing the appetite for young students to pursue a career in science. Whilst to highly qualified scientific individuals from time to time it might be seen as non-core business, it is vitally important for the general science community and uptake of science in our nation that programs such as this continue.

Dr Adrian Paterson—Senator, we will continue to do that. I made the decision to become a scientist standing next to a research reactor in another country. I know how important these programs are and we will continue to strengthen it.

Senator ABETZ—There is no stronger an advocate than a convert, so that is great to hear, Dr Paterson. Whereabouts was that? It might be completely unrelated might I add to these estimates, but just out of interest?

Dr Adrian Paterson—Thank you, Senator. It was at the SAFARI reactor in South Africa. I was on a schools program and had been transported up to Pretoria to go and stand next to this reactor as part of that program. It was a unique experience and had a big impact on me.

Senator ABETZ—For somebody without any scientific background at all, can I assure you that it was somewhat of a unique experience for me to see the OPAL reactor and facilities at ANSTO and hold one of those rods. I trust that rod is still working and has not

malfunctioned or anything like that! Can you tell us, more seriously though, about the reactor and how that is working for us?

Dr Adrian Paterson—Senator, as we said, the reactor is in operation. At the last cycle of operation we achieved 99 per cent availability, which is a very high number, the highest we have achieved since the OPAL was brought into service. During the cycle it has been pretty good as well and we will close that cycle off in a few days time. We still have the challenge of the reflector vessel defect and we are working very hard to understand that and to take the appropriate mitigation actions within that. The beam lines are working excellently and the Bragg instruments that are in service already are well deployed. We just had a second call for the Bragg instruments, and we are in the final stages of securing a licence for the production of radiopharmaceuticals, particularly the molybdenum-99. The team has worked extremely hard and OPAL is in good shape but still facing future challenges mitigating the risks of the defects that have been identified.

Senator ABETZ—When was the reflector defect first identified?

Dr Adrian Paterson—It was identified in early 2007.

Senator ABETZ—And progress is being made?

Dr Adrian Paterson—Progress is being made. We have regular technical meetings with INVAP to review the different solutions which are being proposed to mitigate the risk. We also had intensive interactions with them to understand that they shared the same view that we have with all of those initiatives and actions. We have put in place a process by which we continuously review these as new information comes to hand, and I am reasonably assured that we will, during the November outage, be able to trial some new mitigation initiatives in order to see if we can deal with aspects of this leak.

Senator ABETZ—Do we have a contractual arrangement with somebody that will help cover the costs, if not defray all the costs associated with this reflector defect?

Dr Adrian Paterson—As we have indicated in previous submissions, there is a linkage between a number of different areas of the contract. In the most recent contract negotiations we have been able to come up with a proposed package. That proposed package, which deals with all of the technical matters, the financial obligations and the other obligations, is now in a legalisation process where we now have them all appropriately linked to maintain a very strong position for ANSTO and to ensure that we have a positive and committed INVAP working with us.

Senator ABETZ—I understand that part of the ANSTO facility and the reactor provides us with medical isotopes for medical treatment within Australia and whilst the reactor was off-line we were importing from around the world. Are we now making our own? Are we replacing these imports? Where are we at with that issue?

Dr Adrian Paterson—We continue to import the feedstock molybdenum-99 materials to put in our own generators. That import is from South Africa, but the samarium, yttrium and the iodine is now manufactured in our own reactor and is provided to the nuclear medicine community.

Senator ABETZ—Excuse my ignorance of all those terms and what all those elements or compounds might do, but what does that represent of that which we now produce here? Is that 20 per cent, 30 per cent of what we used to produce here?

Dr Adrian Paterson—In terms of the actual availability of the individual isotopes, it is sufficient for the local needs. Regarding molybdenum, which is the largest used medical isotope in the world as it converts to technetium-99m, we continue to import that and we will continue to import it even as we ramp up production to provide assurance of supply and limited impact on patient outcomes.

Senator ABETZ—When do we anticipate that we will be able to wean ourselves off the imports?

Dr Paterson—It is difficult to be absolutely deterministic about that, but the process requires the securing of a licence from ARPANSA which will licence the facility for nuclear safety purposes. We have already received the medical licensing from the Therapeutic Goods Administration and once that licence has been secured we will be able to enter into full domestic production. However, in the interim, we continue to develop the capabilities of the plant and have been permitted by ARPANSA to undertake additional commissioning runs and all of those are adding to our confidence in our ability to operate the plant in a reliable and predictable way. The plant at this point is not, in my view, fully reliable and predictable and therefore it is prudent to continue the import of moly-99 from South Africa.

Senator EGGLESTON—Could I just jump in there and ask a question, Dr Paterson? Last time we were told that isotopes were being rationed and not all centres were getting isotopes. Could you tell us what the situation is now? Are there any centres around Australia which are receiving a limited supply? Could you go into some detail on that matter?

Dr Paterson—Thank you, Senator. The rationing takes place when the supply from South Africa is itself constrained in some way. The two constraints are the amount of molybdenum-99 that is in the product that they ship to us; this is sometimes not as much as is estimated on their side. When we receive it and validate the import, sometimes it is too little for total supply. In other cases, captains of aircraft have the ability to unload the moly-99 and not ship it and this has a big impact on the assurance of supply. We are obviously very concerned about this and take action through increasing the work periods of our staff who very often work long hours and over weekends to mitigate these risks to Australian patients.

Senator EGGLESTON—Could I just ask you what you mean by captains have the ability to unload? Are you telling us that on flights from South Africa, I presume, the captains of the aircraft are saying, ‘We won’t take the molybdenum’?

Dr Paterson—I am going to ask Dr Cameron to speak on this. He is an international expert on these supply matters and is in fact—

Senator EGGLESTON—To what extent is this happening?

Dr Cameron—Senator, approximately once every two weeks or some two or three weeks, we do suffer an interruption to supply. This just emphasises to us the importance of our own indigenous source of radiopharmaceuticals. What happens with regard to aircraft is you get what is termed ‘denial of shipment’ where, because of the weight of the plane or because of

the other materials on the plane, the captains have the ability to say that they will not carry certain things at the same time. For example, if they have another hazardous chemical on the flight, they often will not want to put radioactives with it. There are occasions, either because of a weight restriction or because of the type of cargo that they are carrying, that they do not carry the radioactives as well. I have to say elsewhere in the world, this is a much more serious problem than here. Qantas in general is a very good and reliable airline.

Senator EGGLESTON—Thank you, but what does that translate to in terms of provision of services to Australian patients? Does it mean that supplies are low in Australia and, if so, what do you do? How do you ration out the supply of radioisotopes? Are there areas of Australia which are disadvantaged in the sense of patients not being able to have scans or radioisotope treatments and would they be in the more peripheral capital cities?

Dr Paterson—We have an emergency protocol in place with the chair of the Australian and New Zealand Society of Nuclear Medicine and the physicians in nuclear medicine. When there is any indication that there will be a shortage of supply, we contact them and we work with them to come up with a rational and effective way of communicating with the community the shortage of supply and the best way to mitigate those risks. In general, for most of the shortages, it would mean a delay in the scans rather than a denial of the scans because these can be rescheduled at a later time. However, this is not helpful to patients and it is not helpful to the nuclear medicine community to have this type of uncertainty. As Dr Cameron has said, domestic supply and assurance of domestic supply is one of the ways to reduce that risk.

Senator EGGLESTON—There are two questions though: how long are the delays and what cities are not getting the radioisotopes? For example, are Hobart, Perth and Adelaide missing out while Sydney, Melbourne, Brisbane and Canberra get radioisotopes?

Senator ABETZ—Only worry about Hobart and Perth!

Senator EGGLESTON—I added the other cities to give balance or the semblance of.

Senator ABETZ—And St George.

Dr Paterson—The protocol with the Society of Nuclear Medicine is intended to avoid geographical maldistribution, so there is very careful thought given to ensuring geographical distribution, high-risk patient distribution and a number of other principles that are in place. The reason that we involve the nuclear medicine community in this way is that it is impossible to be absolutely deterministic about these things; it is better to have an ongoing collegial discussion in which we share views. The typical delay for technetium-99m availability is of the order of three days. Given the nature of these scans, this is inconvenient but it is certainly something that is within the normal timing of patient treatments and diagnoses.

Senator EGGLESTON—You would say that no patients are being seriously disadvantaged or would you not say that?

Dr Paterson—I would never say that patients are not being seriously disadvantaged. I think that any failure of supply has an impact. However, we do consult with the nuclear medicine community to understand the impact and they have indicated to us that there has

been no ultimate negative health outcome as a result of the delays in shipment. Nevertheless, ANSTO is not happy with a situation where any patient is disadvantaged by lack of availability.

Senator LUDLAM—Thank you for coming in this morning and I would just like to also record my thanks for the detailed answers that I received to questions I put on notice a couple of months ago in March. I would like to spend a bit of time this morning going back through some of those answers and just clarifying a couple of matters, and then I have some more general questions. Referring specifically to my question of 11 March which I think had about 42 parts, firstly to the final commissioning of the OPAL reactor. You have said in the answer here that you expect ‘to soon receive formal recognition for the full conclusion of commissioning from ARPANSA’. Has that occurred yet or could you define ‘soon’ for us?

Dr Cameron—The situation is that we have a number of conditions on our licence. We have a licence to operate from ARPANSA for OPAL and we have a number of conditions on that licence and we are working through those conditions in the time frame that we have agreed with the regulator. There is no restriction on our operation.

Senator LUDLAM—But in your language, you have a commissioning plan that has been executed but it has not yet been recognised, using your words, from ARPANSA.

Dr Cameron—The issue there is that the commissioning plan that we put in required also for us to do what is called contract performance and demonstration tests. ARPANSA were interested in the outcome of those as part of their process. The commissioning plan has now been executed and those tests will be completed or have been completed. This is only just a matter of documentation; this is not a matter of any real significance to us but they have to formally write back and say that they have accepted all the results from those contract performance tests.

Senator LUDLAM—Okay, so we do not have ARPANSA at the table but you have no idea what is meant by ‘soon’; you are just expecting it soon?

Dr Ron Cameron—No, ‘soon’ we assume would be soon but the timing is a workload issue for them.

Senator LUDLAM—Minister, is that something you are able to help us out with given that we do not have ARPANSA here?

Senator Carr—That is the Department of Health and Ageing. Senator Ludlam, I suggest you would have to go around to the health estimates and speak to them.

Senator LUDLAM—Sure, thank you. Just going to part (3), there are still some moneys to be recovered from INVAP and you have said ANSTO will recover money paid to INVAP for fuel supplied that was out of spec. What is the process for recovering that money?

Dr Cameron—That is correct. There was some money to be recovered because the fuel elements were defective, and we declared them defective and therefore not usable. As Dr Paterson indicated earlier, we have worked towards a framework for concluding all the contractual issues together, and that is included in that particular framework.

Senator LUDLAM—In (6) you say:

Claims for an additional value of approximately \$10 million have yet to be resolved ...

Is that process proceeding smoothly, or is there some difficulty recovering the funds that are outstanding?

Dr Paterson—What we have done in our negotiations with INVAP, which are still subject to legalisation and therefore are not fully confirmed, is to take all of these outstanding matters and to weigh them and balance them against each other to get to a final conclusion of this phase of the contract negotiations. We have therefore asked them to take a certain view of the additional claims that they have made. They have conceded certain aspects of that, but that is still subject to legalisation. There has been significant process in packaging all of the remaining issues, balancing them appropriately and finding an effective way forward. But we are waiting for a review by their lawyers and by our lawyers of the proposed text and the reduction of that text to a legal form. I cannot promise that all of the matters are indeed resolved, but the spirit of the negotiations and the intent to reach a conclusion were very strong on both sides. There is a non-binding document which describes all of those agreements.

Senator LUDLAM—So that is still ongoing. Do you have any idea when these matters will be finally settled? It has been going for a couple of years.

Dr Paterson—The intention is to bring them to closure as soon as we can from a legal perspective. I would not want to anticipate the timescale because the legalisation process is not yet complete.

Senator LUDLAM—What are ANSTO's legal costs? Are they identified separately in your annual report for this sort of work?

Dr Paterson—These are not documented separately.

Senator LUDLAM—Are you able to tease out for us what you are spending on lawyers to get these things reconciled?

Dr Paterson—We would like to take that question on notice and revert to you.

Senator LUDLAM—Thank you. Going to the construction of the heavy water plant, I believe that has been signed off now and that that is the way ANSTO wants to proceed with rectifying the defects in the reflector vessel. Can you tell us what your strategy is from here on? Do you plan on constructing the cost and the timelines of the plant?

Dr Paterson—The heavy water plant is part of the package of finalising the negotiations. There is a mutually agreed position that it would partially mitigate the issues that relate to the defect. It is not a full mitigation of the defect, and we have given INVAP the go-ahead to progress the engineering and the planning for the installation of a heavy water plant, subject to the legalisation process.

Senator LUDLAM—Can you tell me if I have this approximately right? Light water is leaking into the heavy water vessel and that is diluting it to the point where the reactor is not functioning, so you need a heavy water plant to top up the diluted water?

Dr Paterson—Essentially the reactor continues to function, but the quality of the neutrons produced is degraded over time because of the dilution of the heavy water. The function of the heavy water is to reflect the neutrons back into the core area. We would not operate the reactor for users if the degradation reaches a level where it is not sustainable from a science

management and from an irradiation point of view. There is a good predictor of the time that that takes and there is a good understanding of the impact of the light water ingress and its impact on reactor performance. It would not be correct to say that the reactor is non-functional; it is just that the reactor planning has to take account of the absolute level of heavy water to light water in the reflector vessel.

Senator LUDLAM—So rather than patching the leaks it is intended to have a plant that basically just keeps that material topped up?

Dr Paterson—The range of mitigation actions that we are taking are not dependent only on the heavy water plant. When the full range of mitigation actions are put in place the heavy water plant will form part of that, but at this point we are not sure whether it is a large part or a small part of the solution.

Senator LUDLAM—Yet you have asked INVAP to commence engineering work on constructing one.

Dr Paterson—Yes. There are three reasons for that. The first is so that they can properly secure long-lead items. The second is so that we can evaluate the engineering and do the necessary licensing actions with ARPANSA. The third reason is that it is a mitigation action; therefore, it makes sense to progress it.

Senator LUDLAM—Can you tell us what the operating costs of that plant will be in an average year? Is it possible to estimate that?

Dr Paterson—My understanding is that the operating costs will be estimated in the detailed engineering phase. It will depend to some degree on how the plant is used and serviced.

Senator LUDLAM—So you cannot tell us how much it will cost, and I presume that will also depend on how much water you find you are having to replace. Will INVAP be responsible for maintaining and paying for the operation of that plant for the life of the reactor, or will all of those costs be borne by ANSTO?

Dr Paterson—The cost of the plant will be borne by INVAP. The cost of operations will be borne by ANSTO. We will do a full life cycle cost assessment, because there are some upsides for us in being able to deal with the heavy water in the plant that is active all the time. There are some estimates that suggest that we will not, for example, have to replace the heavy water after 10 years, and this would constitute a major saving. We will only be able to determine any increases in costs or net benefits once the life cycle costing has been completed.

Senator LUDLAM—Where does the heavy water come from? Do we import it from somewhere?

Dr Paterson—The heavy water that we are currently utilising came from Argentina but there are several sources of supply around the world, and this should not be a constraint.

Senator LUDLAM—I suppose we will be hearing more about that at future estimates sessions. When do you anticipate that you will have a final set of strategies that are costed on the table?

Dr Paterson—We will have a set of strategies in particular relating to the heavy water plant once we have the detailed engineering and once the outcome of the other mitigation actions is known.

Senator LUDLAM—This is not an open-ended process. You must be able to tell us when you anticipate having that data.

Dr Paterson—The next stage to which we are going to formally engage on the heavy water plant is in six months time. It is difficult to be absolutely determinate about the costs. Therefore, I would not want to create the impression that we can fully estimate these costs now or in six months time.

Senator LUDLAM—What happens in six months time that would give you greater certainty?

Dr Paterson—We will have the detailed engineering on the heavy water plant for discussion with INVAP.

Senator LUDLAM—Do you have a date for that? Is it exactly six months from this week?

Dr Paterson—The planning month is November and the meetings will take place during the course of that month.

Senator LUDLAM—So you may be making a decision on that early next year.

Dr Paterson—The full mitigation decisions will probably be during the first quarter of next year.

Senator LUDLAM—I want to pick up on a couple of things that might have been my error in the questions that I put to you. You have said a couple of times that there were no design flaws in the drawings and the materials that you received from INVAP.

Senator Carr—What question numbers are you referring to?

Senator LUDLAM—Questions (33) and (39). I am trying to get my head around where the errors occurred. It was not an error in design but errors in interpretation of the drawings and then errors in manufacturing. Would that be correct?

Dr Paterson—Our understanding of this defect is that it is likely that it was not a weld manufacturing defect but a fabrication defect when it was assembled into the plant. That is the most likely hypothesis, but there is still a reasonable assumption that it might have been a manufacturing defect. The root cause analysis and all of the work that we have done on this defect suggest that it was a construction fabrication defect rather than a manufacturing defect.

Senator LUDLAM—Therefore, there was nothing wrong with the designs but something went wrong getting them off the paper?

Dr Paterson—The design remains robust.

Senator LUDLAM—Can you tell us a little bit about the insurance that ANSTO holds? You are indemnified against a major accident or a major radiation exposure to the public, but you have said in (42) that you hold commercial insurance. Can you tell us something about the kind of insurance that an agency like ANSTO requires?

Dr Cameron—Yes, certainly. We obviously hold all the normal insurances you would expect an organisation to hold, including those related to our occupational health and safety issues. We obviously hold professional indemnity and public liability insurance. With regard to nuclear insurance, we are covered generally under the Comcover arrangements. The issue with regard to nuclear indemnity is particularly important with regard to third parties. For example, contractors and others working for us need to be covered under those arrangements; that is the point of the nuclear indemnity insurance. In addition of course, it does mean that in the very unlikely event of there being a need for people outside to claim, there is a provision that would allow those claims to be covered if they exceeded the insurances that we hold.

Senator LUDLAM—I gather for householders it is not possible to claim for damages against radiation accidents so that would just be put to ANSTO rather than to your insurer as a household; is that how it would work in practice?

Dr Cameron—The process would be, of course, we would discuss it with our insurers and our insurers would decide whether that was in their remit of insurance. If, as I said, that was to exceed what was already insured, there is the nuclear indemnity that allows us to have support from government beyond that level.

Senator LUDLAM—Up to what value are you insured for that kind of event?

Mr McIntosh—The insurance policy is to an amount of \$50 million, so for anything beyond the \$50 million the indemnity would then be invoked.

Senator LUDLAM—That is helpful, thank you. If we can just go to some of the basic budget items, you received \$6.4 million over three years to meet increased costs for reactor fuel. Can you just tell us why fuel costs are increasing and what is behind that? Do we still purchase the fuel entirely from INVAP or are the costs coming from elsewhere?

Dr Cameron—The issue is about fuel for the OPAL reactor. A number of things have changed. One is that the cost of uranium itself has increased significantly; in addition, the cost of enriching that uranium has also increased significantly; third, the cost of transportation has also increased. There are a number of compounding factors meaning that those costs have gone up significantly over the last few years.

Senator LUDLAM—Is the fuel imported from the United States or from Argentina?

Dr Cameron—No, we purchase our fuel for the OPAL reactor from the French from a company called CERCA in France. However, I think you are referring to the fact that the enriched uranium comes from the United States and then is sent to the manufacturer who puts it into fuel elements and sends it onto us. It is American obligated enriched uranium.

Senator LUDLAM—That is where the OPAL fuel is returning to after it is burnt in the reactor?

Dr Cameron—Correct. Under the current arrangement, American obligated enriched uranium goes back to the United States after the fuel is spent.

Senator LUDLAM—In rough numbers, if we include the cost of the fuel, the enrichment and the transport, to what order are the increases compared with what you estimated the cost of fuel would be?

Dr Cameron—Those are exactly the sum of money which we have asked for under this particular—

Senator LUDLAM—\$6.4 million over three years.

Dr Cameron—Correct and that related directly to the contract that we signed with the French manufacturers for the fuel.

Senator LUDLAM—Thank you, but how much is the increase? Is that 50 per cent over budget? How much was it relative to what you were expecting to pay?

Dr Cameron—I would not be able to be confident in giving you an exact number but it was between 50 and 100 per cent. If you would like us to provide that number we can do so.

Senator LUDLAM—Yes, if you could pin that down for us, I would appreciate that. Apologies if Senator Abetz covered this while I was out of the room, but regarding revenues from independent sources in the budget statements in table 2.1. Revenues from other independent sources are quite a bit. Can you just describe for us what those independent sources are?

Dr Paterson—The commercial income is predominantly from radiopharmaceutical sales; secondly, from the work of our minerals arm which undertakes work for people working on naturally occurring radioactive materials; thirdly, silicon irradiation; and then we get some small income streams from rentals and service provision.

Senator LUDLAM—Are those revenues itemised in your annual reports?

Dr Cameron—Not broken down like that.

Senator LUDLAM—Is there a reason why they are not published?

Mr Cubbin—There is no need for us to disclose them under the reporting standards, so we just do not go down to that level, but we can break it down if you would like us to.

Senator LUDLAM—I am just trying to get a sense of how important to your revenues is the radiopharmaceuticals part of your business.

Dr Paterson—Senator, if I could suggest that we could provide the radiopharmaceuticals figure but I would not like, for example, to declare the silicon irradiation figure because it is a small client base and we create a commercial-in-confidence.

Senator LUDLAM—It would be helpful to know the radiopharmaceuticals breakdown as a proportion of those revenues. That would be helpful.

Mr Cubbin—The radiopharmaceuticals is in the order of about \$22 million.

Dr Cameron—Senator, if we could refer you to page 78 of the annual report.

Senator LUDLAM—I do not have it in front of me but I can refer to—

Dr Cameron—That would give you the breakdown of those.

Senator LUDLAM—Great, thank you.

Dr Paterson—It is also reflected on page 141 of the PBS, Senator.

Senator LUDLAM—Thank you.

Dr Paterson—The number is \$26 million.

Senator LUDLAM—Thank you. I have got a couple more and then I will let somebody else have a go. With your deliverables for 1.1, you point out ‘completion of requested reports on national security issues.’ Can you just tell us what those were?

Dr Paterson—Yes, we are obviously part of a process of assisting with national security and border protection issues. As part of that, we have a publicly funded research agencies grouping which seeks to work with the end users to provide them with services and advice as they request it. Obviously, those particular issues are national security issues but we just indicate that ANSTO is fully involved and works with all those end user agencies to enhance national security and border protection for Australia.

Senator LUDLAM—Thank you. Just one final question: given the amount of time that the reactor was closed down and that you are still not confident enough of domestic production to stop the imports, I am just wondering how much work is done at ANSTO into non-reactor methods of producing medical radioisotopes, particularly moly-99 but others. Is that something that is under active consideration—are you looking for alternatives?

Dr Paterson—We have very carefully followed the development of non-reactor techniques. In fact, there has been a recent series of discussions in the public domain about this. We are also tracking it through a number of bilateral interactions and discussions. At the management breakaway last week, we have decided to put together an internal paper on this so that we can understand the short-, medium- and long-term implications of the potential for developing moly-99 by alternative routes. It is just a prudent practice to know what is happening and to have a good insight into it. My belief is that we will probably, within the seven to 10 year time frame, see the first attempts to produce moly-99 on a reasonable economic basis using accelerator based techniques. My view is that the cost will be very high initially and it is unclear how long the learning curve will be. But, we are certainly well aware of these developments, we track them actively and we all understand them deeply.

Senator LUDLAM—Great. Is that research that ANSTO will be conducting and be engaged in?

Dr Paterson—We will be doing two types of things: one will be desktop research—that is, gathering information and networking with the people involved in this domain. In addition, we will be working with those who are looking at those accelerator types of solutions to understand the developments and how fast it is going, and we will be making tech and economic assessments. We will not be, with our relatively low-power accelerators, undertaking any direct accelerator research.

Senator LUDLAM—Thank you for that.

Senator CAMERON—When did ANSTO put the proposition to government to build the OPAL reactor?

Dr Cameron—The government decision was in September 1997 and obviously the submission went to cabinet during the early part of the year.

Senator CAMERON—How much time did you spend preparing the submission prior to 1997?

Dr Cameron—There were a number of events that took place which were all part of the process. Back in 1993, there was an enquiry conducted by Professor Ken McKinnon into the need for a replacement research reactor. We had to put together a lot of information for that. The inquiry came up with a rather inconclusive position indicating that some other conditions needed to be fulfilled. We worked over that period of time from 1993 to deal with those issues. All of that preliminary activity and work which we did was put into the final case.

Senator CAMERON—So, this OPAL reactor spent about 16 years in gestation?

Dr Cameron—Yes, it is about that period of time. When it was first a gleam in our eye is perhaps a bit before that.

Senator CAMERON—Submission went to government in 1997?

Dr Cameron—That is correct.

Senator CAMERON—When did you get the go-ahead to build?

Dr Cameron—In September 1997.

Senator CAMERON—Is that a normal lead time for a small reactor like this in terms of bringing it to where it is now?

Dr Cameron—That is a difficult question to answer because the process is very dependent on the national situation with regard to approvals. The time to construct it is pretty well known and is within quite tight bounds but of course each country has a different set of approvals. This went through a very extensive approval process with environmental impact statements, public works committee processes, three licensing processes and two senate enquiries. There was a very detailed and extensive period of approval prior to us being able to go out to tender and finally sign a contract with INVAP.

Senator CAMERON—Could you give us a date when you expect the plant to be fully reliable?

Dr Paterson—Research reactors globally have very coherent and clear missions these days. Certainly, we have already achieved our first level of reliability on neutron provision in the Bragg Institute. However, in order to fully satisfy that community which is a slightly different question, we have to change the basis of our fuel strategy. What I am trying to convey, Senator, is that these machines tend to evolve their emissions over time. Full reliability and radioisotope supply will be difficult to predict until we know the mitigation of the current defects. We will not be able to give an exact date by which the machine could be declared reliable. In the case of neutron beam instruments, it is already effective, which is a slightly different idea.

Senator CAMERON—Is this an Argentinean design?

Dr Paterson—It is an Argentinean design with an Australian client function. The Australian client function really assisted in setting the user specifications—

Senator CAMERON—I am not interested in the client function. So it is an Argentinean design—

Dr Paterson—Correct.

Senator CAMERON—manufactured in Argentina was it?

Dr Cameron—The contract has a provision for at least 50 per cent local content and in fact, we achieved nearly 60 per cent local content. That was delivered by a consortium of John Holland and Evans Deakin Industries. A lot of the civil construction, the air conditioning and the electricals, et cetera, were all done locally. INVAP were responsible for the nuclear core bit of the reactor and that is manufactured by them.

Senator CAMERON—Was it an Argentinean construction team that came in and did the reactor?

Dr Cameron—That is correct.

Senator CAMERON—The problem leak is in the reactor area. Why can it not be patched?

Dr Paterson—Can I comment on that? It is likely that one of the mitigation actions would be the ability to clamp the leak and with the clamp to essentially patch it. Nuclear practice suggests that you always take a conservative approach, so in any attempt to mitigate the risk at the moment, we want to be able to reverse out of if it is not successful. Therefore, one takes a very considered and careful approach before finalising any mitigation strategy.

Senator CAMERON—When you say clamp, is this a flange?

Dr Paterson—It would be a clamp over the flange, yes.

Senator CAMERON—Is that a welded flange?

Dr Paterson—The defect is in a weld. I think reasonable practice would suggest that we would mechanically clamp rather than weld.

Senator CAMERON—Was that weld subject to X-ray prior to commissioning?

Dr Paterson—It was subject to dye penetration tests from my understanding and these did not show any pre-existing defect.

Senator CAMERON—Okay, thank you.

Proceedings suspended from 10.08 am to 10.21 am

Commonwealth Scientific and Industrial Research Organisation (CSIRO)

CHAIR—Welcome to the Commonwealth Scientific and Industrial Research Organisation. Dr Clark, do you have an opening statement you would like to make?

Dr Clark—Thank you, Chair, I think in the interests of time we will table the opening statement.

CHAIR—Thank you; we will make a start. Senator Abetz.

Senator ABETZ—Thank you, Chair, and if we could have a copy of that opening statement circulated, please, via the secretariat, in case there is anything that arises from it. Previously, Chair, Dr Clark and I had a brief discussion and it was agreed that the first issue we should canvass was the cricket ball. In fact, I might be verballing Dr Clark on that, but she did predict I would be asking about it, and I am. How are we going with the Australian Cricket Board and the development of a day-night test ball?

Dr Clark—Thank you for the question, Senator. I am delighted to tell you that CSIRO, together with the Australian Institute of Sport, submitted a proposal to Cricket Australia in February. We really do aim to improve the quality of the cricket ball—both the durability and the visibility—to be able to be used in day-night games.

Senator ABETZ—A proposal has been put to Cricket Australia, and so can I ask when do you anticipate a response?

Dr Clark—If the proposal is approved, it should take us about 15 months to complete all the testing and promote—

Senator ABETZ—I look forward to future updates. To matters more mundane, I take you to page 210 of the portfolio budget statement. At the very bottom of that page there is a figure in dark type in parenthesis: \$27,500,000. How do I interpret that figure? Does that tell me that we are, in fact, budgeting for a loss this year?

Mr Whelan—Yes, that is correct, Senator. We expect to run a deficit this year of approximately \$27,500,000.

Senator ABETZ—Can you briefly outline the reason for that?

Mr Whelan—Yes. Three major factors, Senator. As required by the accounting standards, we valued our property folio at the end of 2007-08. That led to an increase in the valuation of a number of properties, which meant that our depreciation expense went up, the impact of which was about \$10 million per annum. We had discussions with the Department of Finance and Deregulation about whether or not they would provide supplementation for that, and in the current year they indicated not, but they indicated they would allow us to operate a deficit. Coincidentally, they provided that \$10 million in 2009-10 to cover that cost.

The other factor, Senator, was that with the reduction in interest rates, the present value of employee leave entitlements—recreation leave and long service leave—goes up as the discount factor falls. The impact of that is of the order of \$21 million. Then there was a third factor, Senator, which relates to the impairment of some assets. We have some financial investments that have reduced in value as a result of changes in the stock market and the global financial conditions, and the impact of that is approximately \$6.7 million. If you take those together, Senator, the impact of those extraordinary items is of the order of \$37 million. We have identified other savings to offset that and therefore we have sought permission to run a deficit of \$27½ million.

Senator ABETZ—Which obviates the next question, so thank you for that. The efficiency dividend did not have any impact on your bottom line deficit?

Mr Whelan—Not directly, Senator. Its impact across the forward estimates was something we factored into our plans earlier in the year. We have set about reducing a range of support and overhead costs, and those changes are on track.

Senator ABETZ—I will just put on record that the chances are that your difficulties would have been lessened without the efficiency dividend, but I will not canvass that any further. Are you expecting any income from asset sales in the forward estimates?

Mr Whelan—We have not factored that into our forward estimates, Senator, because of the uncertainty around the timing of that. We are expecting money to flow to CSIRO from asset

sales in the forward estimates. In terms of the profit and loss statement, which you see before you on page 210, we have not assumed many profits from those sales in our income; however, we will be receiving cash for those. On page 213, Senator, which is the statement of cash flows, part way down the page under 'Investing activities' there is an entry called 'Cash received, proceeds from sales of property, plant and equipment'. Across the forward estimates are the figures starting in 2009-10 of \$40.575 and in 2012-13 of \$25.050, but we have not anticipated in our forward estimates to make a profit on those sales, and therefore there is no income in an accounting sense.

Senator ABETZ—I think that answers that. You do have some assets that you are specifically hoping to sell?

Mr Whelan—Yes, Senator.

Senator ABETZ—Can you confirm that Cannon Hill and Heath Road, Alice Springs, have been sold?

Mr Whelan—No, Cannon Hill I can confirm, Senator, and I will just check Alice Springs.

Senator ABETZ—So this is not a memory test, I am referring to AI61, a question on notice from the *Hansard* of the estimates of 26 February 2009, pages 122 and 123, and you people kindly provided an answer, so if we just go through that. Cannon Hill and Heath Road, Alice Springs—

Dr Clark—I can answer that, Senator. In 2008-09 Cannon Hill and Heath Road, Alice Springs assets were sold.

Senator ABETZ—Now that they have been sold, can we be told how much they realised? If you do not have that handy just—

Mr Whelan—I would be happy to take that on notice, Senator.

Senator ABETZ—Fine, but we do currently have an asset on the market, which is Indooroopilly.

Mr Whelan—That is correct, Senator.

Senator ABETZ—I will not ask you what you are anticipating in relation to that because that might spoil your capacity to market that property. You are still anticipating that you will sell that property ASAP?

Dr Clark—Not ASAP in terms of making sure that we meet the timetable, but given the current market, we are looking to do that in an appropriate manner during the next year.

Senator ABETZ—You are continuing to prepare those other properties for market that you outlined, of which I think there are 10 or more?

Dr Clark—That is right.

Senator ABETZ—Have any of those sold by way of somebody coming forward saying, 'We specifically want that property' or any property taken off the market?

Dr Clark—We are in active discussions with stakeholders, not just for sale but how to best use some of those assets, and to make sure we provide ongoing services with some of the assets.

Senator ABETZ—I have been told that this whole list is being prepared for market during 2009-13—

Dr Clark—That is right.

Senator ABETZ—and that is still projected for all of them?

Dr Clark—That is right.

Senator ABETZ—Thank you. I take you to page 214 of the portfolio budget statements to an item called ‘Other’ under ‘Financing activities cash received’. What do \$12 million, then \$50 million, then \$46 million then \$12 million refer to in the forward estimates?

Mr Whelan—Senator, that refers to income we expect to receive to support the construction of a replacement for the marine national research facility.

Senator ABETZ—That you expect to receive, and that would be from government?

Mr Whelan—That is correct, Senator.

Senator ABETZ—That has all been budgeted for?

Mr Whelan—We have factored it into the forward estimates.

Senator ABETZ—Thank you. Then on page 210 we also have, about halfway down the page under ‘less: own source’, the item ‘other revenue’ of \$270,113,000.’ Who can explain to me what that is?

Dr Clark—I can cover that. That includes some of the prices from our wireless LAN litigation as well as the sale prices from Cannon Hill.

Senator ABETZ—They are the two items that make up—

Dr Clark—There are some other items in there as well.

Senator ABETZ—Which are? Are they of any monetary significance?

Mr Whelan—No, Senator.

Senator ABETZ—Then I just ask that question on notice and if you can provide me with a split up, because that will undoubtedly tell me what you got for Cannon Hill, what the other items are and how much you got by way of settlement with your wireless litigation; is that right?

Dr Clark—Yes, Senator. Are you asking for the settlement—

Senator ABETZ—I will get into that as a separate area later on. I am just trying to get a handle on the PBS at the moment. Once again, as I understand it, on the same page 210 total expenses and total income appear to be about \$200 million higher this year than in future years, and is that largely because of this settlement of the legal actions?

Dr Clark—It does include the legal actions and the sale of Cannon Hill, so it is both of those items, Senator.

Senator ABETZ—It would be helpful if you could, in fact, tell me how much you got for Cannon Hill, so I can get a handle on how much you got from the litigation. You could take it on notice but just round figures at the moment.

Mr Whelan—It was approximately \$17.5 million from the proceeds from Cannon Hill, Senator. I clarify that they are not in ‘other revenue’; they were included two lines down under ‘gains: sale of assets’. There is a figure of \$20.635 million. Approximately \$17.5 million of that related to Cannon Hill.

Senator ABETZ—Then is the \$270 million all from the litigation?

Mr Whelan—No, it is not, Senator. There are a range of other sources of revenue in there, but I am happy to provide you with the breakdown on notice.

Senator ABETZ—Roughly, so that I can get a handle on it.

Mr Whelan—The vast majority, Senator—

Senator ABETZ—The \$113,000 and the \$270 million are from the litigation. Is that a fair call or not?

Dr Clark—The revenue from the settlements was around \$221 million.

Senator ABETZ—Thank you for that. That gives us a figure to work with and then the exact figures can be provided on notice. Let us move on to the court case. First of all, well done with the perseverance. That has taken, what, about a decade of pursuit?

Dr Clark—Yes. It has taken even longer if you include the time from the discovery—some 16 years—and four years involved with the commercial terms, so this has been a team effort for a considerable amount of time.

Senator ABETZ—And of course your ongoing legal costs to pursue this case came out of your budget on an annual basis? You were not given any supplementary funding to pursue the case?

Mr Whelan—That is correct, Senator.

Dr Clark—That is correct, Senator.

Senator ABETZ—Having taken that risk in relation to the litigation and being required to cover the cost of all that litigation, you are going to be the beneficiaries of all the proceeds of that litigation; is that correct?

Dr Clark—Certainly that is how we have approached the PBS.

Senator ABETZ—Minister, can you confirm that—

Senator Carr—Could I make a couple of points, Senator?

Senator ABETZ—Yes, of course.

Senator Carr—You have been provided with a detailed briefing on these issues.

Senator ABETZ—I have, indeed.

Senator Carr—It was my intention that the opposition be provided with as much information as could be provided within the terms of the legal settlement. There are confidentiality constraints in regard to what can be publicly discussed, which I have no doubt you will respect.

Senator ABETZ—Yes.

Senator Carr—It is my intention to follow that arrangement. As far as the government is concerned, in relation to the estimates of the proceeds, the government's position is that we have had correspondence with the relevant authorities. I have no reason to challenge the proposition that CSIRO has put to you.

Senator ABETZ—Excellent. What do we intend to do with this money? Are we going to have a big party—a new coat of paint for every building—or are we going to put it in a fund of some description?

Dr Clark—Senator, the board will consider for decision the establishment of an endowment fund to ensure that the money is reinvested for national benefit.

Senator CAMERON—Does that include a party?

Senator ABETZ—I would be absolutely gobsmacked if an informal party has not already taken place and, after all the years of aggravation and uncertainty of litigation, I would be surprised if there were not some sort of celebration. I am sure the party would have come out of general revenue and not out of the funding from the litigation. It was remiss of me not to thank the minister for the briefing that I received, but some of the information we sought at the time we did not get—and that is also fully understood and acceptable, so no criticism. But the questions I now ask are to elicit more information. The first one is that a number of cases, I understand, have been settled in relation to this action. Are there still ongoing cases that have not been settled from which you might anticipate further revenue—without detailing how much?

Dr Clark—We have reached settlement, and we also have ongoing discussions to make sure that provisional settlements with all of the partners are fully committed to licence agreements.

Senator ABETZ—Are there any organisations holding out and trying to resist CSIRO's claim?

Dr Clark—Settlements were achieved with all of the parties with which we were in litigation to achieve licences.

Senator ABETZ—Is it possible that there are other people out there that you are not aware of as yet who are using your IP without your permission?

Dr Clark—We are certainly aware of groups using our IP, but our litigation covered only a certain portion of areas in the market where this technology is used or could be used.

Senator ABETZ—Are you considering any new actions?

Dr Clark—Certainly we are actively pursuing discussions for ongoing licences. It really is our aim to achieve licence agreements with parties that are actively using CSIRO intellectual property, and achieving that in direct discussions with the groups is our aim.

Senator ABETZ—That will provide you with an ongoing revenue stream, apart from the \$220 million?

Dr Clark—In the PBS and in our estimates, really all that we have is some of the forward projections for agreements that we already have in place.

Senator ABETZ—Where do I find them?

Mr Whelan—Those figures are included in the estimates for royalties in the out years; they are not separately identified. Sorry, the label has changed. It is not royalties; I think it is now called—

Dr Clark—Fees and fines.

Mr Whelan—Fees and fines.

Dr Clark—Page 210.

Senator ABETZ—Yes, I see that figure. That figure has virtually doubled from 2008-09 to 2009-10, and is that doubling due to that income stream?

Dr Clark—The wireless LAN, as we previously mentioned, is under the ‘Other revenue’, and then forward estimates sit in the ‘Fees and fines’.

Mr Whelan—And, Senator, there are other components in that estimate other than the proceeds from wireless LAN.

Dr Clark—That is right. We currently have around 160 active licences for our intellectual property. The agreements that we have in place, the recent ones in the wireless LAN case are only 14, so we have a lot of active licences out there.

Senator ABETZ—Can you then disaggregate for me so those 14 that relate to the wireless issue, that is unless there are some commercial-in-confidence issues, and if there are, I would assume the total sum of the 14 aggregated should not provide any commercial-in-confidence issues.

Dr Clark—That is right. I have just provided that number for you in the \$221 million recognised in 2009-10. The forward estimates involve individual settlements, and at the moment details of the individual settlements are confidential under US law, so I would be comfortable, if you are comfortable just with the bulk number.

Senator ABETZ—Yes, I accept that. What are the total legal costs thus far?

Dr Clark—Our legal costs for all of our commercial activities are aggregated, not separated out, and, as you can imagine, we still have ongoing discussions with many of the parties, and so detailed discussion of the individual legal costs is commercially sensitive.

Senator ABETZ—In relation to the settlements with the various companies, can I ask whether or not, without specifying, they included legal costs?

Dr Clark—The proceeds have exceeded our legal costs substantially.

Senator ABETZ—Even as a lawyer I would have anticipated that, Dr Clark. All I want to know in rough terms is whether the legal costs represented five per cent, 10 per cent, 20 per cent of the pursuit of that figure of about \$220 million? I could imagine it was in the millions, indeed tens of millions of dollars, but I would be interested to know that figure.

Dr Clark—Senator, I am sure that you can appreciate we are in discussion for licence agreements directly with the parties. It is really commercially sensitive to discuss the legal costs while we are still in discussions with licence agreements with other parties with whom we have not undertaken litigation.

Senator ABETZ—Let us go back to basics, then. Is the \$220 million in rough terms the net or gross figure from these litigation and other legal activities.

Mr Whelan—It is the gross figure, Senator.

Senator ABETZ—That is the gross figure?

Mr Whelan—In 2008-09, that is correct, Senator.

Senator ABETZ—Where do I find the legal costs again?

Mr Whelan—That would be included in the estimate of supplier costs, Senator, the second line from the top of the page under ‘Expenses’ on page 210. They are not separately disclosed.

Senator ABETZ—If we could have a breakdown, please, of what the total legal costs were, accepting that the total legal costs will not at this stage identify the wireless issue; is that correct?

Mr Whelan—Senator, it would be very difficult for us to do so. If we were to provide you with total legal costs for the organisation, a very substantial proportion would be associated with the wireless LAN litigation, and given, as Dr Clark has indicated, we have a number of discussions underway with other potential licensees, the value and the investment we make in legal costs is a major commercial strategy issue, and we would very much prefer not to disclose that figure at this point in time.

Senator ABETZ—I would not have thought for those issues or for those matters that have been settled and licence agreements are in place, without specifying which ones but saying, ‘Look, we have settled 10 cases and everything has been put to bed, and for those 10 cases in aggregate the legal costs were...’ would jeopardise any of your ongoing matters, given the commercial confidence that attracts around the amount paid.

Senator Carr—Senator, these matters are, and it has been indicated now on several occasions, highly sensitive. As a lawyer, you understand the sensitivity of lawyers’ fees, and in the United States I would have thought that would be even more a question. The officers cannot answer any further questions on this matter given the answers they have already given.

Senator ABETZ—Please, Minister, I thought we had been getting along quite well up until now. For you to say that they cannot answer any more questions on this issue when you do not even know what the questions might be is, I think, out of keeping with the pleasantness of the morning, let me put it that way.

Senator Carr—Senator Abetz, far be it for me to want change the tone, but I indicate to you that the officers have said to you now on numerous occasions that these issues about the legal fees, because there is ongoing action, are sensitive. I do not know how many ways they can say it, but they have indicated to you on several occasions. It is not possible to pursue this matter of legal fees any further. If you have other questions, I am sure every effort will be made to answer them.

Senator ABETZ—What I am trying to understand is why sensitivity in relation to that raft of actions and licence agreements that have been settled, put to bed, set aside, if we are given an aggregate figure for that—

Senator Carr—It is not resolved, Senator, that is the point.

Dr Clark—Let me explain, Senator, why it is sensitive. We would certainly like to undertake further discussions for commercial licences with parties directly and not have to go through the route of litigation to be successful in those licence agreements. Of course, the parties that we are speaking to have the option of saying, ‘We will enter into a licence agreement with you in commercial terms’ or ‘No, you can take us to court to achieve that licence.’ We would much prefer to achieve those licence agreements without having to go through four years of commercial and legal activity, and in terms of not jeopardising us to be able to do that in the cheapest and most expedient way directly and commercially with those parties, I am sure you can understand why it is particularly sensitive, because they do actually have a choice.

Senator ABETZ—Thank you very much for that. That does assist me considerably because I was under the misapprehension that for some cases the litigation had now ended with settlements agreed. I would have thought that if litigation had ended and settlements agreed—

Dr Clark—Yes, Senator, recently we have had settlements agreed with 14 of the players, representing around half of the market for the particular segment we were going to, and it does not include other devices such as telephony that use this form of technology. We would want to consider entering into licence agreements for the use of CSIRO intellectual property.

Senator ABETZ—With those 14 parties?

Dr Clark—No, with other parties, Senator.

Senator ABETZ—That is where I do not understand; if we have ended litigation and we have settled, for those that we have ended litigation and settled in aggregate, not individually, because that might give the game away for others who might see themselves in a comparable situation—

Dr Clark—Yes, it could.

Senator ABETZ—But if you have an aggregate of 14, I would have thought that would be fairly difficult then for—take it on notice and see what you can provide to me. Because, I must say on the face of it, I cannot see any commercial sensitivity given that you tell us it has ended. I do not want to prejudice anything with the CSIRO, and the more you can get from those miscreant companies, the better; all the best with that. Can I ask in relation to the proposed, did you call it an endowment fund, Dr Clark?

Dr Clark—Yes, I did.

Senator ABETZ—When do you think those considerations might be finalised?

Dr Clark—We would be looking to take a proposal to the board in June and finalise the arrangements for the fund.

Senator ABETZ—Minister, will you be examining that at all? Dr Clark, does the minister or the government need to approve that, or will that be within the complete province of the board of CSIRO?

Mr Whelan—It is the latter, Senator.

Senator ABETZ—Good. Can I take you to page 201 of the PBS? The very last line tells me that between 2008-09 and 2009-10 there will be in rough terms 130 fewer staff; is that correct?

Dr Clark—In our PBS numbers, we have conservatively put a reduction in staff numbers, mainly due to being able to derive increased efficiencies and, put in context, our natural attrition is around that number as well.

Senator ABETZ—How many of these do you anticipate will be scientists or scientifically qualified individuals?

Dr Clark—As we have in previous years, we have been looking to increase the number of research scientists in the organisation.

Senator ABETZ—You are looking to increase?

Dr Clark—In our previous years we have consistently increased the number of research scientists.

Senator ABETZ—Yes, I am aware that in previous years the number of scientists has increased, but I am now asking: out of the 130 decrease in personnel that is being budgeted for, albeit conservatively, how many do you anticipate will be scientists or scientifically qualified individuals—or will they all be clerks, for example?

Mr Whelan—We do not conduct the forecast at that level. However, if the trend of the last five to eight years is anything to go by, there will not be any reduction in the number of research scientists in that figure. Those numbers have been increasing; off the top of my head, the number of research scientists employed in CSIRO has gone up by more than 400 over the last five years, and I think over the same period the number of administrative and support staff has fallen by 528. I think the total staffing of the organisation has moved by 28 over that period, and all of those reductions have been in non-research personnel. You would be aware that we have a strategy and a policy of trying to maximise the investment we make in science, in the number of research scientists; we have also been increasing the number of students we supervise. What Dr Clark was referring to is an ongoing program of trying to improve efficiency in the organisation.

Senator ABETZ—Thank you for that but, out of the 130, can I be told how many you anticipate? I know what the trend has been over the previous, say five years but, as I understand it, over those years there have been offsets in the total number of CSIRO staff. Is that correct? Whilst the administrative staff levels have decreased, the scientific level, if I can use that term, has increased?

Mr Whelan—That is correct.

Senator ABETZ—Now we have a figure suggesting a total decrease by about 130 and, if you have some figures there for me, that would be very helpful.

Mr Whelan—As I indicated, we do not prepare the forward estimate of staff numbers at the level of detail you are talking about. However, if I can use last year as a comparison, using the same methodology we forecast a reduction in staffing of 85. As it has turned out, we have grown over that period of time and we have grown the number of research staff further in the last 12 months, and there has been also a slight increase in the number of support staff over

the same period. So, over the last 12 months, we have grown the number of research scientists by 60 and of other staff by 11. I cannot answer precisely what the breakdown in the period ahead will be, because we have not conducted the estimates at that level. However, based on the current year's data and previous history, the vast majority of that will be other staff; they will not be research science staff. It could be that there will be no research science staff. But given that I have not conducted—

Senator ABETZ—Let us hope so. Could you could take that on notice and let us know. Today is 1 June; you operate on a financial year basis, so would it be possible for us to get the figure for this current financial year?

Mr Whelan—Yes, Senator, I just gave you the figure for this financial year to date.

Senator ABETZ—Sorry, of course. I have confused myself. This is for the future year. That figure must be based on some assessments, and if you could indicate to me—

Mr Whelan—The basis of the assessment?

Senator ABETZ—Yes.

Mr Whelan—I would be happy to do so.

Senator ABETZ—Thank you. Can I take you to page 194 of the PBS? At the bottom of that page, it states:

A key challenge that will affect CSIRO's ability to achieve its results both now and into the future is the current global financial crisis, although at the time of writing this PBS the full impact of the recession on CSIRO science investment envelope is not clear. Reduced revenue from CSIRO's spin-off companies, commercialised products and external research and contracts are expected to affect some areas of the organisation.

Are we able to have an assessment as to what the axing of commercial-ready support may have caused to the CSIRO? In the past we have not been able to identify that figure with any accuracy. I accept some, if not most, of the reasoning for that. I am just wondering whether now, with a longer period behind us of a good 12 months since the axing, if we can have some indication.

Dr Clark—Sure. In terms of CSIRO over that period from 2005 to 2007-08, we had 11 commercial partners that obtained commercial-ready, although we would note that there may be other commercial partners that had commercial-ready support that we were not aware of. We are aware of 11.

Senator ABETZ—So you are definitely aware of 11.

Dr Clark—That is right.

Mr Whelan—That is, 11 companies we have dealt with in the past.

Senator ABETZ—In the period from 2005 to 2007?

Dr Clark—Exactly. From 2005-06 to 2007-08.

Mr Whelan—It is approximately three a year.

Senator ABETZ—We are unable to indicate which companies they were?

Mr Whelan—No, we are not.

Senator ABETZ—Is that because of commercial-in-confidence considerations?

Mr Whelan—That is correct.

Senator Carr—None of those companies lost money as a result of the government's decision. The government's decision was that all contracts would be paid out. So it is not possible for CSIRO to provide you with advice on which companies might have been affected because it is a hypothetical.

Senator ABETZ—But it stands to reason that if there has been a trend of, let us say, three companies per year being the beneficiaries of commercial-ready, which then partner with the CSIRO and provide an income stream for the CSIRO, that is the figure that I am trying to get hold of. Your officials have been very helpful in telling us that there have been 11.

Senator Carr—They have, and they have provided you with advice about the numbers of companies in the previous arrangements that had received support under that program.

Senator ABETZ—That is right.

Senator Carr—All of those companies continued to receive support and the contracts would have been fully paid through. There are new initiatives in this budget in regard to the CSIRO's funding base. There has been an increase of 6.4 per cent, if I recall, for the CSIRO's budget this year.

Mr Whelan—That is correct.

Senator Carr—There will be new initiatives that the government is taking in regard to its super science packages and other research packages. We have the largest single increase in support for innovation in 30 years. If you would like to talk about hypotheticals, I can probably encourage you to look at those matters as well, but if you want to talk about specific companies, then those specific companies will be funded in terms of the contractual arrangements entered into.

Senator ABETZ—I know there is a point of sensitivity here, but all I asked about was the number of companies, and the officials have now given me the answer of 11 companies over that period of time. Because of commercial-in-confidence considerations, you are not able to share with me the names of those companies or the amount that they obtained in commercial-ready funding.

Mr Whelan—That is correct.

Senator ABETZ—Thank you. I now move to the issue of biochar funding. I know this is cross-portfolio, because it came from Minister Burke's department, as I understand it, but CSIRO were the beneficiaries. I think in these estimates we do not care where the money comes from; we are happy if CSIRO gets it. Was there any discussion with CSIRO prior to this funding announcement?

Dr Clark—We have with us today Dr Brian Keating who is an expert in this area. I would ask him to join us to address these questions.

Senator ABETZ—Just before we go there, can I quickly press the rewind button. In relation to the 11 contracts, you must be able to tell us, without breaching any commercial-in-confidence, the value of those contracts with the CSIRO. I fully accept, of course, that the

total value of the contracts will not be necessarily related to the funding that they got under commercial-ready, but could you give the total?

Dr Clark—I do not have that number with me.

Senator ABETZ—You can take it on notice.

Dr Clark—The department does publish each of their grant allocations to individual companies, so we can provide that information.

Senator ABETZ—Sorry, you can provide that?

Dr Clark—We do not have it right here today.

Senator ABETZ—Yes, but you will on notice?

Dr Clark—It is public information.

Senator ABETZ—But will I necessarily know as to which company was a commercial-ready beneficiary that then moved on to partner with the CSIRO, because the number of partnerships you had with companies would be above and beyond those that have commercial-ready funding?

Dr Clark—We can certainly provide it on notice.

Senator ABETZ—Thank you for that. Fast forward again to biochar: were discussions had between CSIRO and Minister Burke's office in relation to this undoubtedly welcome funding of \$1.4 million?

Dr Keating—To my knowledge, no direct discussions were had there. This particular biochar project came about through an open call on funding proposals that the Department of Agriculture, Fisheries and Forestry put out in the second half of 2008. This is a program called Australia's Farming Future, a roughly \$43 million research program covering a number of areas. CSIRO put in a proposal at that time on biochar. That was held over. There was not an initial response to that. It was held over because there was a review going on in this area of research. That international review has been published, and after that was published, the Department of Agriculture, Fisheries and Forestry came back and indicated they were interested in pursuing that proposal. They asked CSIRO to broaden the partnership to some other research providers as well.

Senator ABETZ—But you were asked, were you not, to have a look at the research gaps in this area prior to the funding announcement being made?

Dr Keating—We certainly had an interest in looking at the research gaps and the international review that we were party to and that is now published does address the research gaps. I am not aware that there was a direct request from DAFF to look at the research gaps. That was something we were doing anyway.

Senator ABETZ—This is not a trick question—I just want to understand what happened on 21 May 2009. Minister Burke made an announcement, part of which said:

The independent Climate Change Expert Panel recommended no decision be made on the proposal until the CSIRO had completed a review to identify major biochar research gaps.

Dr Keating—That is correct. That is a review that we were doing. I am not sure that that was a direct request from the department to do that review.

Senator ABETZ—Thank you, I think I understand that now. Are you aware in which department the Climate Change Expert Panel is located? Is it Senator Wong's department?

Dr Keating—No, this is the mechanism that DAFF is using to direct the Australia's Farming Future R&D program which comes under a climate change program of DAFF.

Senator ABETZ—Undoubtedly part of CSIRO's considerations in this was that this is a worthwhile area to pursue and to sink some public money into?

Dr Keating—Yes, we welcome research in this area.

Senator ABETZ—When were you first asked by DAFF to be involved in this?

Dr Keating—As I explained, we submitted a proposal in this area in 2008.

Senator ABETZ—Do you know in what month of 2008?

Dr Keating—I would have to take that on notice. It is on the public record because it was a public call. I just do not have the exact date.

Senator ABETZ—All right, if you could that on notice?

Dr Keating—It would be the second half of 2008.

Senator ABETZ—I remember being the beneficiary of an excellent speech at the National Young Liberals Convention by the Leader of the Opposition, Mr Turnbull. I was not there in my capacity as being young, just in case Senator Cameron is wondering. But a speech was given in relation to the potential of biochar which was met with some degree of ridicule by certain government ministers. So it is interesting for me to know that CSIRO had put forward some suggestions in this area prior to that speech having been made, but that is more by way of commentary, Dr Keating, rather than for you to traverse into the political arena.

Senator Carr—Senator Abetz, the issue has seen work undertaken by CSIRO for some time. My recollection is, from the briefings I have received, that these are questions that remain unresolved in terms of its efficacy. I take it that, like all interesting ideas, they will be pursued where they are seen to be of significant public benefit that may well flow.

Senator ABETZ—How long, Dr Keating, will this research go for, do you think?

Dr Keating—The recently announced program is a three-year program.

Senator ABETZ—How many scientists will be involved?

Dr Keating—In total, the scale of the effort would be of the order of—I am just doing some mental arithmetic here. Perhaps it would be better if I take that on notice.

Dr Clark—Our investment in that soil area is around \$2.8 million.

Senator ABETZ—Your investment—can you just assist me in that? Is that over previous years thus far?

Dr Clark—The research relevant to the soil carbon, our current investment.

Senator ABETZ—So that is this financial year or next financial year?

Dr Clark—That is this financial year.

Senator ABETZ—The one we are in?

Dr Clark—Yes.

Senator ABETZ—You will spend \$2.8 million on that?

Dr Clark—That is right.

Senator ABETZ—I assume this \$1.4 million coming from agriculture will build on that body of knowledge?

Dr Keating—It certainly does. That is \$1.4 million over three years of new money. CSIRO would co-invest with that, of course, so the scale of that effort is bigger than \$1.4 million; it will be closer to \$3 million.

Senator ABETZ—Excellent. Dr Clark, are you able to take us back further? This current year it is \$2.8 million; what about the year before that? When did our interest in biochar first get tickled, if I can use that term?

Dr Clark—I do not have the breakdown for previous years, but we have had a very long history of research into soil organic matter. In the 1990s, we did a lot of work to recognise that soil contained a significant amount of fine charcoal.

Senator ABETZ—If you could take on notice when the research into biochar specifically started, and in rough terms, if you can disaggregate, how much money was spent on that?

Dr Clark—We would be very happy to.

Senator ABETZ—That would be helpful. What other partner organisations, if any, will be part of this exercise?

Dr Clark—I can certainly provide an overview, and I am sure Dr Keating can provide any details. Some of the collaborations involve the University of WA, the GRDC and ourselves. I think Dr Keating probably has further details of our collaborations in this area.

Senator ABETZ—Is the New South Wales Department of Primary Industries involved?

Dr Keating—Yes, it is involved.

Senator ABETZ—I had a note here that it is Australia's leading expert in the field, but CSIRO might wish to dispute that, so I had better be careful. Would it be accepted that it has a degree of expertise that might be helpful in this area?

Dr Keating—Yes, that is a fair statement.

Senator ABETZ—Without picking who is the better?

Dr Keating—That is a very fair statement.

Senator ABETZ—Thank you very much for that. The issue of biochar as a climate change remediation effort has been around now for some considerable period of time, Dr Clark?

Dr Clark—As I mentioned, the recognition went back to the 1990s that soils contain very fine amounts of charcoal, which is what is referred to as biochar. Whilst it has been known, we still have a lot of research to do to deeply understand that. One of the most important steps forward that CSIRO needed to do was to develop an inexpensive way of actually measuring

that. We have now managed to do that, and we have a measurement tool that allows us to assess soil. We are in the very early stages of characterising and understanding this in detail.

Senator ABETZ—Would it be fair to say that most of the research thus far has been more laboratory oriented rather than in substantial field trials?

Dr Keating—There is a mix, both of CSIRO research and research of other groups, both laboratory, glasshouse and field; they are spread across each of those three areas. One of the science challenges in this area is that the benefits of biochar when additional quantities are added to soil are proving quite variable. We believe that variability probably has something to do with the nature of the biochar, the biomass that it has come from, the nature of the soil—

Senator ABETZ—So the biomass which is charred, if I can use that term—

Dr Keating—Yes.

Senator ABETZ—So it depends, for example, if it were, what, timber refuse compared to straw?

Dr Keating—Let us take a woody eucalypt residue or a poultry litter, they would have very different nutrient contents, very different chemical and physical properties going into a charring process and then going back onto the soil. We believe some of the variability relates to those factors, and that is a focus of the current research.

Senator ABETZ—Without holding you to anything specifically at this stage, which one has the most beneficial aspect? Is it the poultry litter or the timber refuse?

Dr Keating—I am getting close to the edges of my expertise here, but I believe that the higher nutrient content materials going in clearly take higher nutrients through into the char environments as well. But I would like to perhaps explore that in more detail.

Senator ABETZ—If you could take that aspect on notice. Chair, I have a number of other questions for CSIRO, but I am assuming that on the biochar issue some of my colleagues will have questions.

CHAIR—Some other senators on this side have questions as well.

Senator ABETZ—Of course, I fully understand that. But I thought that it might be convenient for those who have issues relating to biochar that we air those now and then move on.

CHAIR—Do other senators have biochar questions?

Senator JOYCE—Your advent into biochar is interesting, because obviously there must be the belief that there will be a change in the Kyoto protocol guidelines that you will now be allowed to account for soil sequestration, is that right?

Mr Paterson—I do not think that is a question that can reasonably be put to the scientists from CSIRO. That is a policy question that should be properly directed to the Department of Climate Change.

Senator JOYCE—I will make a very blunt statement of fact then. Is soil sequestration allowable under the Kyoto protocol guidelines?

Mr Paterson—This is not a question that should be put to these officers. That is a question that should be put to the Department of Climate Change.

Senator JOYCE—You have no knowledge of the answer to that, Mr Paterson?

Mr Paterson—I do not appear here as a witness with expertise in relation to the Kyoto protocol per se; it is the responsibility of the Department of Climate Change.

Senator JOYCE—Well, they do not; I will help you out. Did you do any other alternative studies into other forms of biosequestration such as the planting of summer grasses?

Dr Keating—CSIRO's research is intended to explore all the carbon management options that Australia has open to it, and that extends from forest plantings, from grassland management, into cropping systems and residue management, as you know, right into things like the biochar or, for that matter, bio-energy fits in there. Across that spectrum they are all subject to different elements of CSIRO's current and historical research activity.

Senator JOYCE—You look at biochar for the purpose of sequestering carbon; that is the premise of the study?

Dr Keating—With biochar, you have to start with biomass, so all of these technologies, all of these options for carbon management start with biomass somewhere. What is attractive about biochar is that many biomass options, like a forest, saturate. After a period of time, the accumulation of carbon will stop when the forest reaches what we call an equilibrium level of carbon. The benefit of biochar is there are possibilities to continue to capture carbon in biomass and store it in biochar. That is an attractive feature that is one reason why we are looking at it.

Senator JOYCE—In the latest policy I notice 11 schedules that were delivered to us to review through the economics committee. There is a part where there is a policy of encouraging reforestation, and now obviously there are the studies of people such as Dr Christine Jones who says there is more carbon sequestered through summer grasses than dry sclerophyll forests. In your study of biochar and the optimum storage of carbon, did you do a comparative analysis to carbon sequestered through buffel grass or Mitchell grass compared to carbon sequestered through a dry sclerophyll forest? In your research, did you find an optimum storage capacity and, if so, what were your findings?

Dr Clark—Let me cover the aims of some of the research. We have four main aspects: one of course is simply the documentation of carbon in the soils. As I mentioned, we now have new techniques to do that. Secondly, there is an area of looking at the influence of carbon stocks. We do look at things like lucerne and kikuyu, we are looking at some of the woody fodder crops as well, and Rhodes grass. We look at the uses of some of these materials and how the management activity related to their use affects the carbon stock. The third area that we look at is actually quantifying the amount of carbon in that nutrient cycle. As Dr Keating outlined, we also look at carbon in relation to other areas under our agricultural productivity simulator, which is a computer model that looks at soil moisture, soil carbon and the nitrous oxides; it looks at that whole system. As you can understand, our research is covering several aspects of this which cover productivity areas and the active management of soils, as well as the stocks and flows of carbon.

Senator JOYCE—Just in those two you mentioned, kikuyu and Rhodes grass, and the carbon stock of those, I am interested to know what the results were. Was there more carbon sequestered through kikuyu and Rhodes grass than through, for instance, dry sclerophyll forests?

Dr Clark—We are just commencing that work. I am just outlining where our research focus is now. My understanding is that we do not yet have all of the results of that yet to share.

Senator JOYCE—That will be peer reviewed and brought back before parliament?

Dr Clark—Absolutely. Our foundation is the integrity of our excellent science and that involves our peer review process.

Senator JOYCE—It is extremely applicable to the current legislation before us which has a premise that reforestation is the optimum form of carbon sequestration. It is quite apparent in what you are doing the study for that it might not be the optimum form of carbon sequestration, if the object of what is before us at the moment is about carbon sequestration. We might be actually giving people a premise and structuring a policy towards an inferior form of carbon sequestration, if you are still doing a study into which is the optimum form.

CHAIR—I do not know if there was a question for the CSIRO in that.

Senator JOYCE—The question is that they are doing the study now that will clearly define what is the optimum form, if you want to go down the path of carbon sequestration, of what you should be doing. So they are doing the study to work out which is the best, yet we have a policy before us right now telling us what is the best.

CHAIR—I do not know that this is the responsibility of the CSIRO. They are doing the research now. I do not know if Dr Keating wants to—

Dr Keating—I was going to make the statement that the CSIRO is committed to exploring every potential option that Australia has open to it to deal with this carbon management. All of the options that we are talking about are actively being pursued at the current time because we recognise the importance of the issue.

Senator JOYCE—We look forward to the science that will take the place of the policy that we have currently got.

CHAIR—Senator Cameron?

Senator CAMERON—Dr Keating, I understand Dr Evelyn Krull has been responsible for undertaking the research into biochar at the CSIRO?

Dr Keating—That is correct, Senator. She is our project leader in this area.

Senator CAMERON—I understand that she has raised a number of impediments or safeguard issues that we need to deal with on biochar.

Dr Keating—That is correct.

Senator CAMERON—Can I just ask you to comment briefly on some of the issues: that not all soils respond to biochar. Is that still the CSIRO's position?

Dr Keating—That has been the experience of the experiments to date, Senator, by not just CSIRO but by other groups around the world.

Senator CAMERON—That it could have an adverse effect on some plant growth?

Dr Keating—That has also been the experience in some situations, I gather, Senator.

Senator CAMERON—There is no real measurement available at the moment on the stability or its capacity to sequester the carbon; you cannot be sure how much it will sequester?

Dr Keating—I think, Senator, there was a question on what you might call the loading rates of soils, how much you can load up in a soil as a long-term large store. There is less of an issue over the stability; this is a very stable form of carbon. That is not—

Senator CAMERON—Yes. CSIRO believe an environmental risk assessment should be undertaken before they go into this in a big way?

Dr Keating—Certainly, Senator. Any major landscape-scale change that was of such magnitude you would want to be doing cautiously and with proper foresight.

Senator CAMERON—And the economic viability is not understood yet?

Dr Keating—The economic viability will depend on a great many factors, not the least being whether you are using a waste stream or if you have to go and grow a purpose grown biomass source; and, secondly, the magnitude of any benefits in the agricultural productivity which could come and compensate for the cost. They are both significant uncertainties.

Senator CAMERON—That also includes the chemical and physical properties of the different materials that may be used?

Dr Keating—Senator, as I think I explained earlier, that is a source of some of the variation that you find in the experimental activities.

Senator CAMERON—I notice in the published pamphlet from Dr Evelyn Krull she talks about the difference between manure and wood cuttings in terms of what they can deliver?

Dr Keating—Yes, they are both sources but with potentially different consequences.

Senator CAMERON—I was a bit intrigued when she indicated that the difference between manure and wood cuttings was that wood cuttings had more aromaticity. I would have thought it would have been the other way around.

Dr Keating—I am not in a position to comment to that.

Senator JOYCE—Can Senator Cameron explain aromaticity to us please?

Senator CAMERON—I think it is a technical term so I am not qualified.

CHAIR—Senator Abetz?

Senator ABETZ—In relation to all those matters that Senator Cameron has just raised, that it might benefit some soils more than others or benefit some plants more than others and the issue of sequestration, that is more an issue of the amount of sequestration rather than if; all those issues are in fact worthy of investigation, because the CSIRO has already pumped a lot of its own money into it, and, indeed, the government has now agreed to pump even more

money into the issue. It seems to be a worthwhile area of investigation. In your opinion, Dr Keating, as an expert in this area, is it or do you think it is just money wasted?

Dr Keating—Senator, as reflected in CSIRO's research, we are exploring all the carbon management options open to Australia, and this is part of the mix.

Senator ABETZ—Can I say there is a diplomatic posting going, and I think that answer is very good. You ensured that you did not traverse into the debate between Senator Cameron and myself. I think it might be in Germany or Sweden. Well done. Can I just ask you, if I did not ask you to take on notice, the exact date when the Department of Agriculture, Fisheries and Forestry indicated to the CSIRO that it was looking into this—do I call it a partnership—in relation to the announcement by Minister Burke on 21 May 2009 when that was sort of finalised?

Dr Keating—We can pull the time line out for you, Senator.

Senator ABETZ—Excellent, thank you very much. That finishes biochar.

CHAIR—Senator Pratt?

Senator PRATT—Thank you, I wanted to ask about—

CHAIR—You had not finished?

Senator ABETZ—I had finished but—

Senator Carr—Can I ask, Chair, the timetable as published would suggest to me that the CSIRO's question time would be completed at 11.45 am.

CHAIR—Yes, but it does not appear to be the case, and my understanding from the committee is that CSIRO and the Australian Research Council will go on for longer and the section that was scheduled for after lunch, from two to seven, will be shortened according to how long we go over with the agencies.

Senator Carr—We have officers obviously available to answer questions but it is always of assistance if these program guides can be stuck to.

CHAIR—Yes. We are certainly trying to, but I will indicate that we have a long list of people to ask questions and I do expect that we will go on with the Australian Research Council as well. IP Australia might well be after lunch. Senator Pratt, and then we will go back to you, Senator Abetz.

Senator PRATT—I have a question with relation to the Square Kilometre Array (SKA), because I note in your opening statement, Dr Clark, you spoke about the success of the transference of data across Australia. I wanted to know the significance of that in relation to our bid.

Dr Clark—It is a very important milestone for the project because we were transferring data 500 times faster than those of consumer broadband. This kind of transmission is going to be critical because of the amount and intensity of data that will be received under the Square Kilometre Array. It was a very important milestone to be able to demonstrate that we had the national network coordination needed to do that.

Senator PRATT—How does that sit with our competitors in South Africa in relation to the bid for the ultimate announcement?

Dr Clark—In terms of the transfer—

Senator PRATT—Just this issue in terms of South Africa's capacity compared to ours?

Dr Clark—I have Dr Zelinsky here, who is our expert on those matters of transmission of data et cetera, and I invite him to the table.

Dr Zelinsky—Could you please repeat the question?

Senator PRATT—I just wanted to know how Australia stands in relation to its bid, particularly in relation to the data transfer question. I know there are a number of issues that need to be resolved. I am not sure when a decision is going to be made about the SKA; I have seen different reports ranging from 2010 to 2012. But my specific question is in relation to data transfer. How does Australia's capacity compare to our competitors in South Africa?

Dr Zelinsky—Firstly, the decision is 2012. In the meantime we are building the Australian Square Kilometre Array Pathfinder in North Western Australia, the Boolardy site in the Murchison Range. As part of that demonstrator we will be transferring data to Geraldton. There will be a data processing centre. There are ongoing discussions about upgrade of broadband backbone from there to Perth with the national SKA science centre that was announced in the budget. We will be looking to doing further data processing there.

Senator Carr—Senator Pratt, as you are aware, the government regards the SKA as a very important piece of infrastructure and we are seeking to accelerate our efforts internationally in terms of drawing the attention of other countries to the value of this project, and because it is an international project we will be working cooperatively with countries around the world. There are some 21 countries, if I recall, in the consortia. There are issues that do need to be pursued further in regard to funding arrangements and timelines for decision making. It is our intention to see what actions can be made to work more closely with southern African consortia. I think there are some eight countries involved in that consortium. We will be exploring what actions we can take on a cooperative basis with that in mind. It is my intention later in the year to seek out discussions in the United States about the United States Decadal Plan. These are critical issues in regard to future funding arrangements also in regard to what actions are being taken by European governments to support this project. The Australian government has provided additional support in this budget for the SKA. We are working closely and cooperatively with the Western Australian government to facilitate further infrastructure development. CSIRO has a leading role in that project and I am very pleased with the progress that is being taken. Professor Brian Boyle has a very significant role to play in terms of our international work.

We are developing new arrangements with the Western Australian government to facilitate our capacity at a domestic level to improve coordination and communication, and internationally we are taking renewed efforts to produce a more cooperative approach around the world to these issues. To be successful though, this international project will require a high level of cooperation across the globe.

Senator PRATT—Is that what drew the government's commitment of that \$180 million worth of funding, for the Pathfinder Project, which is a kind of capacity demonstration, and I suppose a project very much of its own merit leading into the bid for the overall SKA project; is that right?

Senator Carr—The officers can talk about the technical detail, but it is quite clear that for this project to be successful there will have to be developed new technological breakthroughs. There will have to be new processes put in place that currently do not exist, and the Pathfinder provides an opportunity to demonstrate what can be done. It is a very significant piece of infrastructure in its own right. When it is all said and done, the international decision making timetable will be very important. This is initially a very major part of the process. The southern African countries are looking to us in regard to their operations for the MeerKAT project, and I dare think we are making considerable progress with what work is being undertaken at the moment. I will let the officers actually go to the specifics though.

Dr Zelinsky—The only thing I would be able to add about the project is that the project is a \$111 million project; about 25 per cent of the expenditure has been expended; we have secured the site, which is considered to be the best radio quiet zone in the world; and we are building a Pathfinder. A Pathfinder is essentially a demonstrator of new technology that is required for the full SKA. SKA stands for Square Kilometre Array, which means it is a square kilometre array of collecting area. You would not build a single dish of that size. So it is proposed somewhere around 4,000 dishes will be required to operate the Square Kilometre Array. We are currently proposing to operate a Pathfinder with 36 dishes, which shows the concept, the scale of the instrument, and then those numerous scientific and technical challenges in building such an instrument. By doing that, that shows us the way forward, hence the word Pathfinder.

Senator Carr—That answers my question, thank you.

CHAIR—Senator Eggleston.

Senator EGGLESTON—I am interested in your joint environmental management study and I am just wondering if I could ask some questions of somebody to do with that.

Dr Clark—Certainly, Senator, and we have with us Andrew Johnson who covers this particular area and who can answer your questions.

Senator ABETZ—I thought he was an expert in matters south of Tasmania, but there you go, he is an expert in all manner of things.

Dr Johnson—I will attempt to answer the question, Senator, if I can. I do not have a deep familiarity with that but I will do my best.

Senator EGGLESTON—The questions are not going to be terribly difficult. There is a proposal to put forward the Ningaloo area for World Heritage listing. Have you had any role in the preparation of the case for that?

Dr Johnson—To the best of my knowledge, the answer to that is no.

Senator EGGLESTON—In addition, there is a lot of activity in terms of oil and gas exploration off the coast, in particular the Chevron development, which is the Chevron and

the Gorgon development. Have you given any advice to Chevron or have they consulted you about the impact their development might have on the fisheries off that coast?

Dr Johnson—I am not in a position to answer that from an environmental point of view, but my colleague, Dr Beverley Ronalds, who looks after the energy part of CSIRO, may be in a position to answer that question for you.

Senator EGGLESTON—Do not leave. I might ask other questions.

Dr Johnson—I was not leaving.

Dr Ronalds—I am sorry, Senator, could you repeat the question?

Senator EGGLESTON—I just wondered whether you had given advice to some of the oil and gas companies operating in that area about the impact of their developments on the fisheries off the north west coast?

Dr Ronalds—I am not able to answer that question in detail. Certainly, CSIRO has offered advice to Chevron in relation to some environmental aspects of the Gorgon project, including the potential for CO₂ storage. In addition, a major collaborative effort in Western Australia called WAMSI, the Western Australian Marine Science Institution, has worked with companies, including BHP, in assessing the environmental values of the Ningaloo area.

Senator EGGLESTON—I notice your charter is to provide practical tools to help planners manage potentially competing uses of Australia's marine ecosystems. Since you are apparently not involved in the two issues I have raised with you to any great degree, what exactly is it that you are doing with your \$7.7 million budget?

Dr Ronalds—I am sorry, what is the \$7.7 million budget?

Senator EGGLESTON—That is what your budget is listed as in this document; is that not the case?

Senator ABETZ—To what page are you referring?

Senator EGGLESTON—On the CSIRO annual report, page 56.

Dr Ronalds—The North West Shelf Joint Environmental Management Study developed the framework and tools to assess the management of different uses for a particular area, and it used the North West Shelf generically as a case study. It therefore looked at a range of different things, including oil and gas, tourism and fisheries, in a broad contextual framework and developed tools that could be used to look at the specifics in various locations.

Senator EGGLESTON—You talked about resource development. You seem not to confirm that your advice had been used to any great extent by the gas and oil industry in that area, or is that unfair? What advice have you given them?

Dr Ronalds—This particular project was very much around developing the tools and the framework, rather than specifically applying them with and for particular oil companies.

Senator EGGLESTON—So you have set up a system to deal with issues.

Dr Ronalds—Yes.

Senator EGGLESTON—It has not progressed to a practical application phase?

Dr Ronalds—I am not aware of it being used in practice at the moment, although there is work of that sort of nature, as I mentioned, going on through the WAMSI joint venture.

Senator EGGLESTON—Thank you very much.

Senator CAMERON—Dr Clark, in your opening statement you spoke about the new automation technologies for longwall mines. Is this a CSIRO initiative?

Dr Clark—There are several areas but this really brings together some of our ICT research. We now have active visual communication with the active face to enable automation and increased automation and we have active trials running. The face and the operation at the coal face can be viewed remotely, so it is a significant piece of work and it also connects with an overall focus that we have on increasing automation.

Senator CAMERON—The question I asked was: was this a mining company initiative or a CSIRO initiative?

Dr Clark—It is actually joint. Automation is a CSIRO initiative and we have several applications in that area. This particular activity was working with a company on a particular longwall and making sure that we could provide the best tools to the remote operation of that by operators on the surface and away from the longwall.

Senator CAMERON—Is there any remote operation being undertaken here or elsewhere in the world at the moment in longwall mining.

Dr Clark—There are clearly a number of activities involved in automation of longwall. This particular active partnership and collaboration uses the latest techniques to see the longwall actually operating to measure the parameters of the longwall itself and see if it is operating to specifications. It also incorporates some of CSIRO's world-leading technology in laser surveying. It is a project that leads the world in this particular area.

Senator CAMERON—There is no longwall manufacturing in Australia, is there?

Dr Clark—Not to my knowledge or my colleagues' knowledge.

Senator CAMERON—So this technology would benefit those companies who manufacture longwall mining equipment, and that would be predominantly overseas companies.

Dr Clark—No, this is to operate that equipment safely from the surface and to monitor, guide and see how the equipment is operating, which is of benefit to the companies in Australia.

Senator CAMERON—You say it increases both productivity and safety. How do you increase your productivity? Is that because you will not be employing miners down in the actual operational sector?

Dr Clark—It does so by making sure that the longwall is operating for the maximum time available and by making sure that any down time on the longwall is visible instantly to the operators on the surface. That is the main area of productivity—being able to make sure that the maintenance of the machine is done.

Senator CAMERON—But I am asking you: who does that monitoring now?

Dr Clark—In terms of the operating company does that monitoring? I am not sure what you are—

Senator CAMERON—No. You are going to put this automatic monitoring in place. Who or what performs that task at the moment? You are saying it will increase productivity. I am saying: does that mean less jobs?

Dr Clark—You want to make sure that you increase the safety of that area and that you do not have people in an environment—

Senator CAMERON—I will come to the safety, but I want to stick to the productivity at the moment. You have said there are two aspects to this—one is productivity and the other is safety.

Dr Clark—That is right.

Senator CAMERON—I am asking: what is CSIRO's analysis of how you increase productivity?

Dr Clark—This particular work that we are doing with the company is really making sure that the equipment is online and up and running for maximum amount of time.

Senator CAMERON—I am not sure about that because I do not know how that works. Does it mean less employment in longwall mining in Australia?

Dr Clark—One of the things that make that productivity most efficient—and this is what brings in CSIRO's laser technology in terms of guiding the longwall—is making sure that it maintains the smoothest surface, and our technology is being used to make sure that it maintains a very smooth operating surface.

Senator CAMERON—Then you come to this issue of safety. You must have human involvement at the moment in the process. By automating it, you take that human involvement out. Isn't that correct?

Dr Clark—No. Simply providing camera and laser access to assess the quality condition of the operating environment is very valuable to the humans interacting in that particular environment.

Senator CAMERON—On notice could you try and get a more detailed response to me in terms of the implications of this for employment in the longwall mining activities in Australia?

Dr Clark—It is not a focus of our research. We can certainly provide you where we have increased the productivity and how we are doing that. We can certainly provide you with additional information on the improvement of safety.

Senator CAMERON—It means less cost if you are going to increase productivity, and one of the areas of cost is human involvement.

Dr Clark—The deep analysis of that particular aspect that you delve into is not an area of our research.

Senator CAMERON—What company are you doing the work with?

Dr Clark—The work has been funded by ACARP. We want to check whether the naming of the company was commercially sensitive, and we will need to take that off-line. I can confirm that the work is being sponsored by many of the operators in this area.

Senator CAMERON—I am not sure what you mean. Are you going to take it on notice?

Dr Clark—Before answering with the name of the individual company which we are working for, we need to confirm whether that is commercially sensitive. What I can say to you is that the research has been funded by ACARP, which is a consortium of the coal companies.

Senator CAMERON—I am still not sure what this actually means. Can you provide on notice a more detailed response to some of the questions I have asked so that I can get an idea of what you are actually doing with this?

Dr Clark—It is certainly a major step forward to be able to automate and to be able to manage from the surface. To be able to control the longwall to a much more level and continuous surface is a major step forward.

Senator CAMERON—It is not if you are employed down there and you lose your job.

Senator IAN MACDONALD—My questions to CSIRO relate mainly to Northern Australia, and I guess they will be to Mr Johnson. I want to ask the same question Senator Eggleston asked in relation to Cape York. What work has CSIRO done in relation to the World Heritage listing of Cape York? Were you consulted?

Dr Johnson—CSIRO had no direct involvement in that process, Senator. As you know, it is a process that is driven by the Environment portfolio in consultation with the state. We have had a series of investments in research on the cape dating back to the 1970s. In fact, CSIRO did many of the original soil surveys and biological surveys on the cape in the seventies, but at the moment the extent of our engagement on the cape on the land side of things is primarily through involvement in supporting the Northern Australia Land and Water Taskforce in its deliberations and also through some ongoing work that we have with Indigenous communities, looking at options for cultural economies and so on.

Senator IAN MACDONALD—I am aware that you are a member of the Northern Australia Land and Water Taskforce, so I guess you will have to determine whether there is any conflict of interest between CSIRO and your membership of that, although I should not imagine so, it is a pretty well open book. I want to pursue that, but before I do, I just ask: in relation to the proposal for a World Heritage listing of Cape York, CSIRO has not been consulted?

Dr Johnson—No.

Senator IAN MACDONALD—The work you are doing for and on behalf of either the Land and Water Taskforce or the department of infrastructure et cetera, what does that constitute just at the moment?

Dr Johnson—To take a step back, earlier this year the chair of the task force, Joe Ross, wrote to CSIRO seeking its support to undertake a series of scientific investigations to support the task force's work plan. In other words, the task force is being asked to report to government by December this year. To assist it in its deliberations, CSIRO, on behalf of a

number of scientific institutions in Australia, pulled together the latest information around a number of key issues, such as water availability, climate change, land use and so on. We are now working with colleagues in the state agencies and a couple of universities as well to bring that information together so that the task force can use it in its deliberations consistent with its terms of reference.

Senator IAN MACDONALD—Is this a paid job for CSIRO or are you—

Dr Johnson—There are three funding sources for the work.

Senator IAN MACDONALD—What are they?

Dr Johnson—CSIRO is committing some of its appropriation dollars to this activity. The department of infrastructure is also committing some dollars and the environment department is also contributing. Between the three of us we are pooling our resources to do the work.

Senator IAN MACDONALD—Is there a specific number of titled, separate projects?

Dr Johnson—There is a comprehensive scientific work plan between now and a very tight deadline, which is really the end of November. It is quite complex and lengthy. I would be happy to take that on notice and supply you with a copy.

Senator IAN MACDONALD—So it is available?

Dr Johnson—It is available. It is in the public domain.

Senator HEFFERNAN—Does it include soil types?

Dr Johnson—Yes, it does. It is a very ambitious request that we have been asked to meet in the time period, but as both of you would know, given your previous involvement in the task force, it is absolutely crucial information to assist the task force discharge its duties.

Senator IAN MACDONALD—In relation to your work on water, can you tell me where that is? Are you close to some conclusions or what is your expectation of time?

Dr Johnson—As you know, post the completion of our work in the Murray-Darling Basin we were asked to undertake similar assessments of water availability for Northern Australia, south-west Western Australia and north-west Tasmania. That work is ongoing. It is running on schedule and we are expecting to deliver that in the next period. I do not have an exact date in front of me, but again it is imminent. Certainly, all three of those studies are expected to be delivered by the end of this calendar year.

Senator HEFFERNAN—Does that include gauging—

Senator IAN MACDONALD—Does it include what?

Senator HEFFERNAN—Gauging.

Dr Johnson—It does not include new gauging, Senator.

Senator HEFFERNAN—It does?

Dr Johnson—No, it does not. What it does, given the incredibly short time frame we have been asked to do the work in, all it is doing is bringing together all the available information that exists within the state jurisdictions, but there is no new gauging.

Senator HEFFERNAN—We cannot measure what happens.

Dr Johnson—Certainly there are a lot of systems that have been neglected and—

Senator HEFFERNAN—Some sort of guessed information.

Dr Johnson—Yes, where we do not have gauges, we are being asked to model, using the best available information that we have, estimates of water flows.

Senator IAN MACDONALD—Have you been doing work on the Flinders River in Queensland?

Dr Johnson—It is one of the catchments that we are investigating, yes.

Senator IAN MACDONALD—And the Gilbert River?

Dr Johnson—We will be looking at every catchment from the tip of Cape York west through to Broome. Every river basin in that region is part of the investigation.

Senator IAN MACDONALD—I gather when you say the report is imminent, that you would be expecting that within the next couple of months?

Dr Johnson—That is our expectation. The issue there in terms of its actual release is a matter for the department of environment and subject to all the usual review processes. Its release is beyond our control, but we are certainly on schedule and on budget with respect to the science that we have been asked to do.

Senator IAN MACDONALD—It raises an interesting question of course about who actually owns the work you are doing, seeing some of it is done by you on your own money.

Dr Johnson—I need to differentiate. The water resource assessments that I am talking about are being fully paid for by the department of environment. They are an input source to the work that has been commissioned by the northern task force.

Senator IAN MACDONALD—I remember that. It was the \$20 million.

Dr Johnson—Yes.

Senator IAN MACDONALD—Regarding the soils work, that has been going on for almost a century that we are aware of now. We saw that book in your library in Darwin. Is the work you are doing now on the soil types new work or is it a collation of work that has been done by others?

Dr Johnson—We are not undertaking any new investigations on the soil types of the north. They are well known, as you say. That work has been going on since the sixties. What we are doing is really looking at the land capabilities. It is the combination of soil type, geology, water resources, climate and so on and looking at the capability of those particular soils to support not just agricultural enterprises but others as well.

Senator IAN MACDONALD—Thanks for that. I am not sure whether this is you or Dr Clark. Is CSIRO doing work on global climate change in relation to the cooling of the sea in the north? The Bureau of Meteorology indicated to me in answer to a question on notice that in the last 18 months the sea temperatures around Northern Australia had a downward decline from what had been an upward decline for the previous 18 years I think—18 years to 18 months. Is CSIRO doing work on that?

Dr Clark—One of the key aspects of our climate change research is in fact the observations both in the marine area, deep ocean as well as the surface temperatures. Dr Johnson has some of the latest information relating to that particular area.

Dr Johnson—I am happy to take that question on notice because I am not aware of the evidence given by the Bureau of Meteorology, whether they are talking about long-term temperature trends of the Pacific or the short-term variation in sea surface temperatures as part of the El Nino southern oscillation index—

Senator IAN MACDONALD—I think the latter.

Dr Johnson—which may be what they are referring to. In that case, yes, the sea surface temperatures in the Western Pacific have been cooling in the last few months, and, as I am sure many of the senators would know, projections are for return to an El Nino cycle in the months ahead. But, if you are talking about longer term deep ocean temperatures, again I would be happy to take that on notice.

Senator IAN MACDONALD—If you would, thanks, Dr Johnson.

Senator HEFFERNAN—With the demise of Land and Water Australia and the guess that there is 78,000 gegalitres in the Timor, 98,000 gegalitres in the gulf and 85,000 gegalitres in the north south-east, with no gauging and gathering up information that is already there, but no new science. And given the phenomenon that in most of the catchments up there the rain falls towards the bottom of the catchment—like the Gilbert River for instance—how would you store the water, in a sand bed or a series of weirs or a dam? Is it not a waste of time though if you do not put in some measuring? Otherwise it is a guess.

Dr Johnson—I do not agree that it is a guess. What we are doing is using models—

Senator HEFFERNAN—Yes, but there are no gauges.

Dr Johnson—Almost all rivers have some gauging. What they do not have is gauging at an intensity or density that enables you to model in as detailed a way as we would like. We do have a number of rivers that are well gauged. We are able to calibrate our models on those rivers that are very well gauged and use that to make our best projections possible about what might happen in those rivers that are poorly gauged. As you know better than anyone, for the distances and investment that will be needed to gauge all those rivers appropriately, there is some gap. It is not true to say that it is not new science; how you take that work and apply it is—

Senator HEFFERNAN—We want to get it under one database.

Dr Johnson—That is right. How you take the work from known catchments into unknown catchments is a significant scientific challenge, hence why CSIRO has been requested to do that work.

Senator HEFFERNAN—Will you be able to assist in filling the hole that is going to be left by the demise of Land and Water Australia?

Dr Johnson—To the best of my knowledge, Land and Water Australia would not have undertaken the sort of work to which you are referring. It is an R&D funding agency and of course we do the R&D ourselves. Land and Water Australia was involved in funding a small

component of some of that work, as you know, but the vast majority of that work can only be done by agencies like CSIRO that have the scientific capabilities to deal with some of the uncertainties to which you refer.

Senator HEFFERNAN—Finally, in regard to the longwall mining, is the CSIRO interested in the water interception of the various aquifers, some of which are saline and some of which are not, and the contamination of one? Also, regarding the coal seam gas extraction, which will alter the pressures in the aquifers and get the water flowing in different directions to what the farmers expect the water to flow, have you done any work on what will happen if you start taking the pressure out of the aquifer through gas extraction, which of course is gas and water?

Dr Clark—The interaction in terms of the groundwater in terms of the mining activity? I will just ask my colleague.

Senator IAN MACDONALD—Thank you, Madam Chair. I just wanted to go back to your opening statement.

Senator Carr—Hang on. We are just trying to get an answer to the last question.

CHAIR—Sorry, that was my fault.

Dr Clark—Senator, can we provide that information on notice to you in terms of the detail?

Senator HEFFERNAN—So you have done the work?

Dr Clark—We do have some work active in the groundwater area, but I do not have the detail and I would prefer to provide you with accurate information.

Senator HEFFERNAN—Does the CSIRO recognise the danger in coal seam extraction, that you actually alter the flow of the aquifer in the process?

CHAIR—I think Dr Clark has said she will take it on notice. Senator Macdonald?

Senator IAN MACDONALD—Dr Clark, your final dot point in your opening statement about the Northern Prawn Fishery, could you just elaborate on that?

Dr Clark—Certainly.

Senator IAN MACDONALD—When did the Food and Agriculture Organisation, FAO, say it was a global model?

Dr Clark—It was actually a few weeks ago in their recently released report. They highlighted the Australian Northern Prawn Fishery as one of the global models for sustainability. We have been working with the industry and with the government for some 45 years in that area, particularly looking at reducing the bycatch by making sure that we use design elements for the nets to be able to release turtles from their nets; there is very sophisticated modelling but some very simple adjustment to that. In addition, we have been monitoring and quantifying all of the bycatch for many, many years with the industry. All of this has resulted in a significant reduction of bycatch, increase of catchment and much more sustainability. It points to a longstanding relationship with both industry and stakeholders, and now independently verified by the United Nations as a model that the rest of the world can follow.

Senator IAN MACDONALD—Are you involved with the floating quota proposal for the Northern Prawn Fishery? Is that something that you get involved in with the Australian Fisheries Management Authority?

Dr Clark—I do not know whether we are involved in the aspects of—

Senator IAN MACDONALD—I think Dr Johnson the floating quota.

Dr Johnson—I would like to answer that question, Senator. CSIRO's fisheries research scientists do contribute scientific information into that process. As you know, there is a well established process to take that science and consider it amongst all the other values in the system through the marine coastal advisory committee and the fisheries management authority but our science provides an input into that process.

Senator IAN MACDONALD—Right.

Dr Johnson—But it is not the only input.

Senator IAN MACDONALD—Okay, thanks. That is all I have.

Senator ABETZ—I thought Senator Macdonald was going to ask who the responsible minister was in relation to the Northern Prawn Fishery.

Senator IAN MACDONALD—There are two of them.

Senator ABETZ—Yes. The most important one I think is sitting over there. Senator Ian Macdonald and I faced numerous issues, let us put it that way, in seeking to deal with the Northern Prawn Fishery and it is nice to know that it got some approval somewhere in the world, even if not locally.

Senator IAN MACDONALD—Even if it is from the FAO.

Senator ABETZ—Can I ask CSIRO whether any studies have been done in relation to the importance of gas replacing other forms of fossil fuel in our fight with climate change? Are there any specific studies being done on that?

Dr Clark—Dr Beverley Ronalds heads our energy group and can cover that question.

Senator ABETZ—Could you confirm that a study has been undertaken in this area?

Dr Ronalds—CSIRO undertakes techno-economic modelling of different future scenarios of what the energy mix might be. We have conducted a number of those reports and studies over the years as have other organisations. We publish them, for example, in a document called *The heat is on: the future of energy in Australia* published a couple of years ago. A number of those scenarios show a growth in gas utilisation over the next 20 years or so.

Senator ABETZ—Would an increase in gas utilisation as a substitute for, say, coal be helpful in seeking to abate greenhouse gas emissions, and that is for producing energy?

Dr Ronalds—Yes, the basis of the modelling is to make different—

Senator ABETZ—So we do have studies that confirm that?

Dr Ronalds—We have studies that look at different scenarios, make a series of assumptions around each of those scenarios and go on from that to model what the most cost-

effective energy mix would be. In certain scenarios, it shows a significant increase in gas because of its cost and CO2 footprint relative to other opportunities in the mix.

Senator ABETZ—Are you able to provide on notice some of these studies?

Dr Ronalds—Absolutely.

Senator ABETZ—To the committee?

Dr Ronalds—A number of them are in the public domain.

Senator ABETZ—Thank you very much for that. I understand journalists are running a competition to determine which senator asks the most self-serving question. I think the Labor Party took that one away last week with the use of Comcars—

Senator CAMERON—You have lots of experience with that. You are the winner. We will give you that.

Senator ABETZ—and it is only on that basis that I am prepared to ask this question.

Senator CAMERON—Self serving!

CHAIR—Are you finished?

Senator ABETZ—Enjoy a bit of humour in your life sometimes, Senator Cameron.

Senator CAMERON—What a joke.

CHAIR—Are we right there?

Senator HEFFERNAN—Do you want to lower the tone? I will intervene.

Senator ABETZ—It is only on the basis that I think somebody else has already won that award for this fortnight that I am willing to ask this about ‘DNA uncorks wine blue’. That is a heading in a local newspaper which suggests that CSIRO is under fire over vine origins. For those of us who partake in the odd drop of wine, albeit in moderation, this could be considered a matter of self-interest. Knowing journalists as I do, chances are they will give me a few brownie points—and I do not get many of them—for inquiring about this important beverage. Who can assist, Dr Clark?

Dr Clark—Thank you. I think you are referring to the Albarino wine growth area.

Senator ABETZ—That is the one.

Dr Clark—We have Dr TJ Higgins with us to answer that question.

Senator ABETZ—I assume that potentially sits on the other side of the ledger with the very successful legal action with the wireless situation?

Dr Clark—Which aspects would you like Dr Higgins to cover?

Senator ABETZ—First of all, Dr Higgins, do we accept the basis of these media reports that it appears as though an error was made in the DNA testing of the spanish grape Albarino?

Dr Higgins—I think your question assumes that there has been a mistake made in the DNA testing.

Senator ABETZ—Do you accept that that is the case? We have heard the media view of this but I would like to hear the CSIRO view of this.

Dr Higgins—As you know, the naming of varieties of grapevines is a very complex area. We probably depend on maybe 50 different varieties for our major wine grapes but there are 5,000 different grapevine varieties out there. Their identity is mostly based on their appearance, what they call morphology—the leaf shape, the bunch shape and the bunch colours. This of course makes it very difficult to deal with the naming of varieties. A relatively new technique has come into use, as you have just indicated, of DNA typing in the last 10 years or so. It is an improvement on the existing method for identifying varieties, but it is still not totally foolproof because it depends on having good reference standards and there are not very many reference standards, certainly for some of more minor varieties. It is certainly true that it is possible to do that for the major varieties but for the minor varieties it is much more difficult. There was no mistake made on the DNA testing of the Albarino variety; there was a mistake made on its identity

Senator ABETZ—Originally, when it was imported?

Dr Higgins—It was imported into Australia in 1978. Because of the confusion that surrounds the naming of varieties CSIRO, takes a great deal of care to go to the best sources for new varieties that it imports for its research activities. In that particular case it went back to the Spanish germplasm source and unfortunately there had been a mistake at some time in the past. We do not know when that mistake was made, but there was a mistake in the collection.

Senator ABETZ—Does the CSIRO accept that it was partly responsible for this mistake?

Dr Higgins—No, I think that CSIRO was not responsible for this mistake. Since it became clear at the end of last year with the visiting French expert that the variety grown in Australia was likely not to be Albarino, we have since gone back to the Spanish authorities to seek standard reference material. We have been able to get DNA from that material, do the DNA typing and confirm that the variety that we had imported 20 years ago was in fact a different variety, not Albarino.

Senator ABETZ—That is still to be confirmed, one way or the other, is that right?

Dr Higgins—Sorry, what is to be confirmed?

Senator ABETZ—As to whether an error was made some 20 years ago. Do we accept an error was made?

Dr Higgins—Yes, an error was made 20 years ago. We accept that.

Senator ABETZ—The next issue then is: who is responsible for the error? I understand CSIRO was involved in the importation of this particular variety.

Dr Clark—That is right, Senator. Imagine 20 years ago, as TJ has outlined, in this plethora of names and varieties, the best way to make sure of your source was in fact to import from a collection; this was from a Spanish collection. We now use DNA testing. At the time it was the best and most accurate way of ensuring the correct variety, by importing from the Spanish collection. As TJ outlined, the mistake that was made in that collection was clearly made some time before that—so over 20 years ago.

Senator ABETZ—But that error, you say, given the scientific knowledge available 20 years ago, was not able to be guarded against?

Dr Clark—That is right. The mechanism was the best available at the time. Subsequent to that we now have of course the availability of detailed DNA testing.

Senator ABETZ—There are some vineyards, especially in South Australia as I understand it, that were given the results and now have to relabel and go to considerable costs because they can no longer call the wine an Albarino wine. They will have to change their labelling to the other varieties. That is going to impact, as I understand it, on more than 30 South Australian vineyards. Does the CSIRO have any ongoing involvement with these vineyards? Is it considered there might be some legal liability consequences arising out of this error?

Dr Higgins—CSIRO is working closely with the growers involved. As you say, there are about 30 growers who are involved in growing the putative Albarino variety. CSIRO is working closely with the growers as well as with the Australian Wine and Brandy Corporation, which has regulatory control over the naming of varieties, to come up with a solution to this problem and to come up with an alternative name for the variety which they are growing and which they are making very good wine from.

Senator ABETZ—As a result of these estimates, I trust CSIRO will be delivered a crate or two so you can confirm for yourself that it is a good wine. In relation to the legal liability issue, do you foresee any possibility there, or will the answer be that you do not want to comment on that?

Dr Higgins—If I could pass that question on to one of my colleagues.

Senator ABETZ—Of course.

Dr Higgins—I am only experienced in the technical area.

Dr Steele—The question of whether there is legal liability is the subject of CSIRO's internal legal advice, Senator, and I prefer that we do not go there.

Senator ABETZ—Yes, of course, fully understood. So we have not dismissed it completely as a potential issue?

Dr Steele—Senator, I do not want to expand the answer; I am just saying it is the subject of CSIRO's legal advice.

Senator ABETZ—I fully appreciate that. Can I move to the issue of bushfires? Who is our expert there?

Dr Johnson—Dr Andrew Johnson.

Senator ABETZ—Dr Johnson, what is the CSIRO's view of the Bushfire Cooperative Research Centre, CRC? Do they do good work? Is it scientifically robust?

Dr Johnson—CSIRO has been part of the Bushfire CRC since its inception. We have somewhat immodestly formed the view that, as a key member of that consortium, it does good science.

Senator ABETZ—You would not agree with the assessment that research results are academic waffle, as reported in the *Canberra Times* on 21 February 2009 on page four?

Dr Johnson—It is really a matter of opinion. I am not in a position to comment on that.

Senator ABETZ—You believe that it does worthwhile research?

Dr Johnson—The work that it has done has made significant contributions across a range of dimensions of bushfire research over a long period of time.

Senator ABETZ—Are you working with a CRC in a renewed partnership bid to secure new funding for the round in 2010?

Dr Johnson—Yes.

Senator ABETZ—You would not be doing that unless you thought there was some benefit to the body of science and CSIRO in that?

Dr Johnson—Correct.

Senator ABETZ—Thank you for that. I understand CSIRO is looking at a bushfire resistant housing panel. Is that correct?

Dr Johnson—I am not in a position—

Senator ABETZ—Take it on notice, please.

Dr Johnson—Yes, I may have to take that on notice.

Senator ABETZ—Let me know how developments are going in that area. Can I ask about the decision to let the Chinese government build an antenna network for the CSIRO virtually adjacent to a top secret joint US-Australian intelligence and operations base?

Mr Whelan—I am happy to have a go, Senator.

Senator ABETZ—Excellent, thank you. First of all, this has also got some media speculation about it. It seems to be a matter of national security. Prior to that contract being agreed, were there discussions with Australia's defence intelligence organisations as a general body?

Mr Whelan—Just to clarify the premise for your question, Senator, I think you made reference to the Chinese government operating a facility; I think what you might be referring to is the decision by CSIRO to let a contract to a Chinese company to construct some antennas to be used in the development of the Pathfinder.

Senator ABETZ—That is right. Can I just get an understanding that, in general terms, Chinese companies usually operate under the auspices of the Chinese government.

Mr Whelan—Senator, I was making reference to your observation to operate the facility. The facility will be operated by CSIRO Pathfinder; it is a research project to which Dr Zelinsky was referring earlier. The CSIRO will be operating that facility. The Chinese company's involvement is the construction of antennas to be deployed in that facility. To go to the substance of your question, Senator, yes, CSIRO did approach the Department of Defence as part of its planning for this process.

Senator ABETZ—I assume that CSIRO would not have gone ahead with this if there would have been any difficulties?

Mr Whelan—The advice we received, Senator, was that there were no compatibility issues between the SKA development and the proposed ground station at Geraldton.

Senator ABETZ—Thank you for that.

Senator Carr—This is the article that Piers Akerman published, is that the one?

Senator ABETZ—I am asking the questions, Minister.

Senator Carr—We want to be clear about this, Senator Abetz, you should cite your sources.

Senator ABETZ—The red snakes have kicked in. The morning was very good until Mr Patterson brought in the red snakes.

CHAIR—Thank you, Senators, we are running a tad over time and it would be helpful if we got on with questions.

Senator Carr—You should not run fabrications as fact.

Senator ABETZ—I asked questions and I am more than satisfied with the responses. No assertions have been made; I simply asked questions. Can I ask a question in relation to Moreton Bay and the CSIRO making a report available just before the Queensland state election in relation to the state of fisheries in Moreton Bay, which attracted some publicity?

Dr Clark—Senator, Dr Johnson could cover that.

Senator ABETZ—I understand a scientist from the CSIRO Wealth From Oceans Flagship, a national research flagship, reported they had almost completed the first stage of a three-year collaboration and then started to make commentary on it before they had actually finished. Are you able to tell us about that Dr Johnson?

Dr Johnson—I am just seeking your guidance, Senator, as to exactly what you would like to know.

Senator ABETZ—Is it usual for the CSIRO to release unfinished studies into the public arena?

Dr Johnson—I am not exactly sure what data information you are talking about in terms of what was released. All I know is that our scientists would not be talking in the public domain unless the science that they were talking about had been peer reviewed. It may well be part of a long-term study, which is not unusual, but I would be surprised. I can take that on notice if you like, but to the best of my knowledge that is the case.

Senator ABETZ—I do not like mentioning individuals at these estimates but the *Australian*, Friday 27 February 2009 on page four, had an article at the bottom of the page referring to the project leader in relation to that. Possibly if we could be provided with a response to what the article was talking about and if you could provide that on notice, I would be much obliged.

Turning to the team of scientists, there is I understand a team of scientists led by a CSIRO environmental economist who suggests that cool burns across Indigenous land could cut emissions by 2.6 million tonnes per year. Do we have any information on that to provide us with further information?

Dr Johnson—Again, I am just trying to understand the nature of your question. Are you asking if we are involved in work around burning in the northern range lands?

Senator ABETZ—Yes, if a copy of that study—I think it is no secret that it is your environmental economist, Mr Scott Heckbert, Research Scientist, CSIRO Sustainable Ecosystems. Similarly, if we could be provided with a copy of that study because that would be, if I might say, very helpful to us. I think finishes me on CSIRO.

CHAIR—In that case, thank you to the CSIRO for your contribution this morning. Thank you for the long session when I think you were expecting half an hour.

Dr Clark—It is our pleasure.

CHAIR—We will now ask the Australian Research Council to come to the table.

[12.29 pm]

Australian Research Council

CHAIR—Welcome to the Australian Research Council. Professor Sheil, do you have an opening statement?

Prof Sheil—No.

CHAIR—We will go straight to questions. Senator Eggleston.

Senator EGGLESTON—Are cooperative research centres within your purview?

Mr Cameron—No.

Senator ABETZ—If I can go to answer AI-70 that was provided to me on notice resulting from the last lot of estimates. First of all, can I say thank you very much for the answer that was provided. Can I be advised of the various classifications, how many resigned and how many retired; that is the separations in that first table on top of the page? If you have that information handy, that is helpful, if not, if you could take that on notice.

Prof Sheil—We will take that on notice, Senator.

Senator ABETZ—All right, thank you. Has the chief operating officer left the organisation since we met last time?

Prof Sheil—He is still employed by the ARC and is currently on leave.

Senator ABETZ—Currently on leave, so he has not provided a resignation or an indication that he is leaving the organisation?

Prof Sheil—Senator, I do not believe it is appropriate for me to talk about the personal circumstances of individual officers. I am happy to talk about the ARC organisational structure in general, if you would like me to do that.

Senator ABETZ—I am not wanting to know the personal circumstances behind him possibly leaving or not, but I think it is appropriate for us to know whether somebody has given an indication as to whether they are leaving the organisation.

Senator Carr—Senator, Professor Sheil has indicated what her attitude is to this matter. I support that. We did canvass this at the last estimates that it is inappropriate. In a relatively small organisation it is difficult, but I do think it is required, that we do not discuss the individual personal issues relating to any officer. I think that question clearly goes to the personal circumstances of an individual officer.

Senator ABETZ—I think we are entitled to know whether somebody has resigned from the organisation and that is all that I am asking for at this stage.

Prof. Sheil—I believe I answered that already.

Senator ABETZ—Has the chief operating officer resigned from the ARC?

Prof. Sheil—The chief operating officer is still employed by the ARC and is currently on leave.

Senator ABETZ—I know that he is still employed, but that does not mean that that person may have offered his resignation from a future date.

Prof. Sheil—He has not resigned.

Senator ABETZ—He has not resigned; thank you. See; that was quite easy when you get down to it. Can we please be provided on notice with a breakdown of location, costs, et cetera, of your travel since 24 November 2007? Is it correct that the ARC at this stage has not appointed a director in physical sciences?

Prof. Sheil—No, that is not correct. We have appointed an executive director in physical sciences and he will take up his position in July.

Senator ABETZ—We can hear about those sorts of things quite easily, though can we not? Thank you very much for that. How long will that position have remained vacant prior to it being filled?

Prof. Sheil—I think it is useful if I give you some background as to the structure of the senior management of the ARC. Being an organisation that spans the public service and academia, we have a number of positions in our senior management group that are filled by practising academics that come into the organisation from the research or academic sectors, and they come in on contracts that span from three to five years. Prior to my arrival, the turnover in those positions was around two to two-and-a-half years because they either took up the roles prior to retirement, or with the intention of returning to the sector. That represents a significant loss of corporate knowledge for the organisation so I put in place a number of steps to try and address that, including offering incoming executive directors five-year contracts, because as the positions take a long time to fill, they are quite specialist positions and they bring and require particular expertise.

Senator ABETZ—I will quickly backtrack to the chief operating officer's position. Is there a dispute surrounding that particular position?

Prof. Sheil—No.

Senator ABETZ—Going further through the document that was provided to me—AI-70—the final table tells us that in 2007-08 the sum of \$325,000 in round figures was spent on separation and termination payments. For the previous years it was about \$32,000 and about \$86,000. On the basis of the figures supplied, there seems to be a substantial jump in 2007-08 for the payment of separation and termination payments—a tenfold jump in comparison to the previous year. I was just wondering if you could explain to us the basis of what seems to be, on the face of it at least, a very serious increase in separation and termination payments.

Mr Cameron—Those figures appear in our financial statements under the executive remuneration note. Those figures also include the discharge of any accrued leave entitlements. In those particular instances, the larger figure is due to the discharge of leave entitlements for departing staff.

Senator ABETZ—Yes, but there would have been in general terms the same sort of accrued leave entitlements in the previous year, which was down by a factor of 90 per cent of what was in 2007-08.

Prof. Sheil—No, Senator, there is not. As I explained, the majority of our senior executive comprises academics that come to the organisation from the research sector, so they typically do not bring with them large amounts of accrued leave. It is only officers who have been in the public service for a long time that accrue that leave and have that entitlement.

Senator ABETZ—Yes.

Prof. Sheil—We are a small agency with a relatively small number of people, so one or two officers can make a big difference year to year.

Senator ABETZ—For 2007-08, how many former staff were responsible for this \$324,974 figure?

Prof. Sheil—Three.

Senator ABETZ—Three. In 2006-07, the \$31,000 figure?

Mr Cameron—That was one, Senator.

Senator ABETZ—Just one person, one staff and in 2005-06, \$85,000?

Mr Cameron—That was four.

Senator ABETZ—That was four staff. In fairness, I think that makes your point in relation to how we have come to that figure and I accept that, so thank you for that. I now move onto the Excellence in Research in Australia initiative. How many people in the ARC are working on developing the ERA? Do you have that figure off the top of your head?

Ms Harvey—We would have to take the exact numbers on notice, Senator.

Senator ABETZ—Alright, just roughly?

Ms Harvey—We have a number of public servants on staff who are doing it. We have a number of non ongoing staff that are assisting and we have a number of contractors. It is about 30 in the business side and approximately 20 on the IT side, so about 50 in total. But we will take the split on notice.

Senator ABETZ—Thank you very much for that. If you could also provide the APS classification and then the totals in each category, that would be appreciated.

Ms Harvey—Some of the contractors are not actually mirrored in APS classifications because of the nature—

Senator ABETZ—Yes, of course.

Ms Harvey—They will just appear as contractors.

Senator ABETZ—Thank you for that. Are we able to be provided with an itemised list of ARC spending on the ERA to date into various categories?

Ms Harvey—Yes, Senator.

Senator ABETZ—What would those categories potentially be? Is there an administration budget, an outreach budget and a checking and vetting budget? How are they categorised?

Ms Harvey—We would typically categorise it into salaries. We would be able to split the operating costs into things of an administrative nature where we have experts come in and give us some advice, including travel consultancies and into general operating expenses. Outreach that you mentioned encompasses a range of things in the ARC, not just the ERA initiative.

Senator ABETZ—Provide us with that split up that you can, thank you. It would be fair to say that the development of the ERA has impacted on the day-to-day operations of the ARC?

Prof. Sheil—In terms of enhancing our operations, that is true. In terms of numbers of officers involved in it, in addition to those that we were funded for or moved into the ARC as part of the machinery of government changes, I would say the answer is no.

Senator ABETZ—In this budget have you received extra funding for the ERA?

Prof. Sheil—That is correct.

Senator ABETZ—I have not referenced it for myself, unfortunately. Can somebody assist me with where I find that in the portfolio budget statement?

Mr Cameron—Yes. In the budget measures table—

Senator ABETZ—On what page?

Mr Cameron—On page 166.

Senator ABETZ—There has been an increase in the expenditures—no, there is a zero amount in the 2008-09 and that is because it was in a previous portfolio?

Mr Cameron—No, Senator. As part of the machinery of government changes in 2007-08, the ARC received funding for the ERA at that stage and some unspent monies from 2007-08 have carried across to 2008-09 to fund the ERA activities in the current financial year.

Senator ABETZ—So that is why none was needed to be budgeted for in 2008-09?

Mr Cameron—That is correct.

Senator ABETZ—How much money was spent on ERA in 2008-09? We are not actually told that in the budget measures table on page 166 of the PBS.

Mr Cameron—I do not have those exact figures with me, but I can take that on notice.

Senator ABETZ—If you could, thank you. Can we find it?

Mr Paterson—It is on page 169, Senator.

Senator ABETZ—Whereabouts on 169?

Mr Paterson—Page 169 identifies all of the estimated actuals.

Senator ABETZ—That says zero and zero.

Mr Cameron—Yes, Senator. Under program 1.3, ERA, you will see that there is an amount in 2008-09 for expenses not requiring appropriations in the budget year of \$4.5 million.

Senator ABETZ—Yes, thank you. In comparison to 2009-10, that is an increase of what—\$800,000 in rough terms?

Mr Cameron—That is correct.

Senator ABETZ—That is a fairly generous increase in the amount that was, as I understand it, initially anticipated would be required for this exercise. Why was it seen as necessary to provide this extra funding?

Prof. Sheil—We are conducting two evaluations this year as a trial and next year we will be conducting eight. The additional expenses essentially relate to the conduct of further evaluations. I would also add that we have not expended the full \$4.5 million to date this year in relation to that previous figure.

Senator ABETZ—You had better hurry up before Mr Tanner gets to hear about it.

Prof. Sheil—We are not very far off; we are a little under it.

Senator ABETZ—How far developed is work on the ERA and when can we expect it to be fully operational?

Ms Harvey—We actually opened for the physical, chemistry and earth sciences submission this morning. That is the first trial.

Senator ABETZ—That is hot off the news.

Ms Harvey—Yes, 1 June. We are conducting two trials this year, one being PCE, Physical, Chemical and Earth Sciences. As I said, that opened this morning. It closes on 3 July. We will then be opening for the Humanities and Creative Arts cluster on 3 August. We are well advanced, as you can imagine, for those two trials. We have issued the submission guidelines and the technical pack. We have actually had some universities uploading this morning. So we are well advanced in doing the evaluations of those trials. The outcomes of those trials will help us do a quick evaluation and we will actually be doing the eight clusters next year in 2010.

Senator ABETZ—And the totality is eight clusters?

Ms Harvey—Yes.

Senator ABETZ—When do we hope to have all eight clusters up and running in full?

Ms Harvey—It is expected that we will do all eight next year and that the results of those will be available by December 2010.

Senator ABETZ—So you do not anticipate any of them being provided with a status of ‘trial’, as has occurred I understand—and I will get onto this later—with the humanities and the creative arts?

Ms Harvey—There are two trials this year. They were specifically selected because of the way that research outputs or the way that research is conducted in those disciplines. For the physics, chemistry and earth sciences, it is predominantly research output based with regards

to journals and articles. The humanities and creative arts have a different research output structure. We looked at the two different ends of the continuum there, trialling of those two, and then that will help inform for the next year for all eight. We will redo clusters one and two next year again but the other six will not have trials undertaken at this stage.

Senator ABETZ—At this stage. We will see if that remains the position later on. Have you done any estimates of the cost of developing the ERA by way of feedback from the various stakeholders?

Ms Harvey—We have actually been talking to the stakeholders—if you mean the 41 eligible institutions—about what they need to collect and how they need to collect that. One of the things that we have taken into account is the cost factor for them and how they are able to do that. We have actually taken some strategies to minimise any costs that they would bear. In particular, for the articles that are being submitted as we speak, we have actually paid for the electronic identification tag that goes with each of those articles and arranged that through the citations provided that we are currently using. We are looking to minimise where at all possible the cost to the institutions.

Senator ABETZ—Were the institutions provided with some funding to assist them in this program?

Ms Harvey—Yes, Senator. There was some funding that was carried over from some previous budgets from the Implementation Assistance Program and also the Australian Scheme for Higher Education Repositories. There was some money provided.

Senator ABETZ—All the institutions with whom I have spoken are telling me that it is costing them a lot more, by a factor of three or four times as much as that which was actually allocated to them, to undertake the work necessary for the ERA. Have you received similar feedback?

Prof. Sheil—It was never intended that the original grant would meet the full cost of the exercise. It is recognised that the universities themselves, the institutions themselves, gain considerable benefit from this exercise as well.

Senator ABETZ—I am sure that they do, but they are reporting to me that this is having a substantial financial impact on them. Do you agree that the finances provided to assist them with the exercise will end up costing them in dollar terms—accepting there might be some benefits flowing through—about three or four times that which was initially allocated to them?

Prof. Sheil—We do not have that information.

Senator ABETZ—But have you had any feedback in your discussions with institutions that—

Prof. Sheil—Not in those terms, no.

Senator ABETZ—In what terms? That it is costing them more?

Prof. Sheil—I have had no feedback from them about the actual cost, and no figures have been given to me.

Senator Carr—I recall from many long years of involvement with universities that it is not unusual for vice-chancellors to say that they are entitled to more money as a result of any government program. There have been substantial sums of money made available to assist universities with their IT infrastructure and with their repositories, and there is ongoing program support. There are very significant expansions on the program this year in terms of the budgetary allocations this government has made available. Notwithstanding all of that, I would be surprised if I do not hear any further interest from vice-chancellors in receiving more money.

Senator ABETZ—Even if we were to accept at face value, Minister, what you have just told us, it seems passing strange that that view would not have been expressed to the ARC in their day-to-day activities in establishing the ERA. But the evidence is that it has not been passed on—

Senator Carr—I deal extensively with universities. I have not had matters raised with me regarding the cost structures of ERA. We have had extensive conversations about the design and other matters, but I do not recall any of these matters being presented to me as an issue. I wonder which vice-chancellors you are speaking to and perhaps we should get on the same mailing list.

Senator ABETZ—Possibly they are reluctant to do so, given the potential consequences if they were identified.

Senator Carr—Given the very substantial increase in expenditure this government has made for universities and given the fact that your government was so poor in this regard, I find it extraordinary that you would suggest that people would be reluctant to discuss these matters with us.

Senator ABETZ—This *Hansard* will be very helpful for me to forward to those that in fact have made such a complaint. It will highlight how dismissive you are of those concerns.

Senator Carr—We have a series of profile discussions through the IRF. We will be able to look at these issues without looking at the compacts. I have no doubt that there will be plenty of opportunities for vice-chancellors to put matters to us. All we can say at this point is that those concerns have not been expressed to me or to the ARC.

Senator ABETZ—That is the evidence and I have to accept that evidence. It just passing strange they would make different comments to me. Professor Sheil, would you accept that the Australasian Society for Classical Studies is one of the pre-eminent organisations in relation to the study of classical studies?

Prof. Sheil—It is one peak body that is involved in classical studies.

Senator ABETZ—Which others have you liaised with in relation to the ERA for this sector?

Prof. Sheil—The primary initial contacts were the four learned academies. In the social sciences and humanities area there are two academies, the Academy of the Social Sciences and Academy of the Humanities, and they were our initial contacts in relation to journal lists. We have also liaised with the institutions themselves and a range of other various organisations. In this particular organisation, ARC officers have spoken in great detail to them

and we have provided them with the opportunity for feedback. We have directed them to various portions of the website where they can provide further feedback. We have indicated to them that we will take their feedback into consideration when we revise the journal list before the full exercise next year.

Senator ABETZ—The problem is some journals have been upgraded and some have been downgraded, and in the interregnum between the reconsideration of that list academic reputations and journal reputations potentially can suffer very, very serious consequences.

Prof. Sheil—I acknowledge that, but we have done an extensive consultation process around the journals. It has been a massive undertaking. We have had a range of different inputs into that process including, as I said, not only the academies but also experts reviewing individual portions of the list. We have had extensive feedback coordinated through institutions and peak bodies. As I indicated, we will be reviewing those lists after the trial prior to the full-blown exercise.

Senator ABETZ—The trial finishes when?

Ms Harvey—It opens on 3 August and will close on 21 August, and we will actually be reviewing the entire list after that.

Senator ABETZ—Sorry, the trial?

Ms Harvey—The trial for the humanities and creative arts submission opens on 3 August, and after that we will review both those lists.

Senator ABETZ—That is next year?

Ms Harvey—This year, 2009.

Senator ABETZ—But the list is already in operation?

Ms Harvey—We have a list for trial purposes, which is currently on the website. The initial list that was published was a draft list which we put out for consultation. A range of bodies, individuals and institutions gave us feedback on that list. We then worked through that list. We actually had experts come in and give us some advice about that list and we developed a list for the trial purposes which we released earlier this year.

Senator ABETZ—Which was when, 31 March?

Ms Harvey—Yes. We actually withdrew the list on 6 April and reissued it on 9 April. We had a technical issue with it.

Senator ABETZ—What was that technical issue?

Ms Harvey—It was a time-out issue with regard to the servers.

Prof. Sheil—Some of the updated information had not been updated as we anticipated. That only related to the design journals; it was not the journals of concern to the society.

Ms Harvey—We wrote to everybody to let them know that we were aware of that issue. I personally wrote to our ERA liaison officers—every institution has a contact officer—to let them know we had an issue and also to let them know we would have it resolved and back up on 9 April, which we did.

Senator ABETZ—When was it decided to make the humanities list a trial?

Ms Harvey—Very early on. As we constructed ERA, we said we would start with the two disciplines, as indicated, where we had the physical sciences at one end and the humanities and creative arts at the other end. It was always intended that we would use the first two clusters as an exercise where we would learn, develop and improve the exercise.

Senator Carr—What the ARC has been asked to do is actually undertake some of the most difficult work as well as the easiest work in terms of developing the journal lists and in terms of the metrics that are used for this quality assessment. We need to have a system of verifications for claims made about the quality of research undertaken at universities. Within the physical sciences, it has been easier for that to be done and I think there is a higher level of consensus. Within the humanities and creative arts, it is obviously much more subjective and, as a consequence, the level of controversy will invariably rise. Where there have been issues in regard to the journal listings, people that have contacted the ARC have been advised that there may well be journals that fall into another cluster, there may well be journals that have changed their name and there may well be circumstances where journals are not peer reviewed, and there will be occasions where journals are not actually published during the period of the trial. So there are a number of quite reasonable explanations for differences that occur as to the listing of particular journal lists. What is incredibly important here—and I trust you will support this proposition—is that we do all we can to develop a consensus which goes to the issue of the verification of people's claims as to whether or not their research is world-class. What we are seeking to do through this process is to provide that verification process.

Proceedings suspended from 1.01 pm to 2.00 pm

Australian Research Council

CHAIR—Welcome to the officers of the Australian Research Council.

Senator ABETZ—Has there been an increase in the number of ERA staff budgeted for in the coming year?

Ms Harvey—Over the life of the forward estimates, yes.

Senator ABETZ—Is that because you are bringing on another eight streams? Is that the terminology?

Prof. Sheil—Discipline clusters.

Senator ABETZ—Is that the reason for it?

Ms Harvey—It is for the implementation of the work and the evaluation. We have been preparing for it and we are now rolling it into implementation.

Senator ABETZ—Can I ask, in relation to the humanities and arts cluster—

Ms Harvey—Humanities and Creative Arts.

Senator ABETZ—Thank you very much. When were the professional associations contacted in relation to the list of journals?

Ms Harvey—There has been a range of work back to 2007 when we started looking at the issue of ranked outlets, which includes journals. Initially, as Professor Sheil described, the learned academies were approached and there were some disciplines that we approached

separately as well, because of the very specific nature. There has been a range of ongoing work over the last couple of years.

Senator ABETZ—When was the Australasian Society for Classical Studies asked to comment on the draft list of journals?

Ms Harvey—With regards to the journals we asked some professional bodies where there was specific issue that we needed some help with or the academy suggested that we get some help with, but we actually did a full public consultation on the list where anybody could write in. It included professional bodies, groups of deans, institutions and individual academics. We had the HCA list out for consultation from 12 June 2008 to 14 August 2008 and then we prorated the work on that. We were opening for cluster 1 first, which is the physics, chemistry and earth sciences, and then we proceeded to work on the HCA list. We looked at the draft list that had been developed with the help of the different academies and some professional bodies; we looked at the feedback that came in to see where there were discrepancies or where people agreed with those and then we convened a group of people to come in and help us work through that feedback. The list was then published earlier this year for the trials itself.

Senator ABETZ—When was the Australasian Society for Classical Studies advised of the draft list?

Ms Harvey—The draft list was out for public consultation in June last year.

Senator ABETZ—When specifically?

Ms Harvey—We did not write to every single association. We publicly advertised it.

Senator ABETZ—Did you write to this one.

Ms Harvey—I do not believe so. It was a public consultation process.

Senator ABETZ—You would agree that an organisation such as that, with at least the benefit of hindsight, should have been written to.

Ms Harvey—We went to a number of consultation forums. We went to different cities. We went to every deputy vice-chancellor's research committee and every council of deans that were convening in the time. We went along and talked about the consultation. We publicised it on our website. We notified every institution. Many of them have their mechanisms for translating that through the institution.

Senator ABETZ—With the benefit of hindsight, would you agree that this is an organisation that should have been proactively contacted?

Prof. Sheil—Not necessarily. As Ms Harvey described, we have had a very extensive public consultation. We could not possibly individually contact every particular learned society or group of academics.

Senator ABETZ—This society only has 470 members, 80 per cent of whom are from Australia, comprising academic staff, 140 current and retired. Rightly or wrongly, they see themselves as the peak professional body for classicists and ancient historians. Are you able to point to another professional body that you would say covers the area of classicists and ancient historians better than the Australasian Society for Classical Studies?

Prof. Sheil—The peak body in this area is the Australian Academy of the Humanities.

Senator ABETZ—Within the humanities there are a huge range of disciplines that have specific expertise. Would you agree with that?

Senator Carr—That is why you go to the learned academy. That is exactly the reason.

Senator ABETZ—You therefore deliberately ignore organisations like the Australasian Society for Classical Studies because they are unable to provide any extra information.

Prof. Sheil—When the Australasian Society for Classical Studies wrote to one of my officers on 4 May, another one of my officers spent an hour on the phone to the particular honorary secretary of that society. Certainly, when contacted by any organisation of this type, we make a concerted effort to understand their concerns and we understand that particular individual's concerns have been allayed through that extra consultation.

Senator ABETZ—When they proactively contact you it is worth while for you to engage in discussion with them. I accept that and that is good, but it does come back to the question: why did we not proactively engage them in the first place, given the number of people that they represent in this discreet and important area of academic pursuit?

Prof. Sheil—Many of their members would have been contacted via the consultations that we have described in relation to the universities, the deputy vice-chancellor's research committee and their peak academies. There is a range of different ways in which the individuals in this society could have interacted and were contacted via those peak bodies. I am not sure what more I can add in this respect.

Senator ABETZ—Therefore, in the totality of the Humanities and Creative Arts cluster, the one peak body that you consulted with was the academy?

Prof. Sheil—No. As Ms Harvey described, our initial contact was with the two learned academies in the humanities and social sciences. We have also had a range of interactions with other bodies.

Senator ABETZ—Proactively?

Prof. Sheil—Proactively, depending on—

Senator ABETZ—Could you provide me with a list of all of those organisations with whom you have had proactive communication in relation to the Humanities and Creative Arts cluster?

Ms Harvey—On our website when we put up the draft consultation list we listed the various bodies that had helped us with that. I would happy to supply that on notice.

Senator ABETZ—Thank you, if you can provide that. When was that draft list put up for consultation?

Ms Harvey—June 2008.

Senator ABETZ—Was it 12 June?

Prof. Sheil—Yes.

Ms Harvey—12 June 2008.

Senator ABETZ—For input by 14 August?

Ms Harvey—Yes.

Senator ABETZ—When the list was first put out for consultation, was 14 August the initial cut-off date or was that an extended time?

Prof. Sheil—I believe we did extend it for two weeks.

Ms Harvey—We did extend it for two weeks.

Senator ABETZ—Originally, in rough terms, it would have closed on 31 July 2008 and then it was extended for a two-week period. Why was it deemed necessary to extend it for the two-week period? Were there concerns about further input being needed?

Prof. Sheil—As I have said from the outset, and I have said in previous estimates hearings, the most positive aspect of this exercise has been the extensive input that we have had from a range of organisations. In order to capture that, as best as we could, we extended it for a further period of two weeks and we have had further consultations with areas where there has been particular concerns and representations, as I have indicated earlier.

Ms Harvey—In actual fact, a number of bodies contacted us to say that they had done their work and they were not having a meeting of their professional body until a certain date, so they would like the body to actually ratify the input that was coming, so it had the imprimatur of that body and that is why we extended.

Senator ABETZ—That was the reason we extended until 14 August?

Ms Harvey—We gave an extra two weeks.

Senator ABETZ—Yes, but was that the reason that you gave the extra two weeks?

Ms Harvey—Yes. There were a number of people who were doing a lot of work that needed that.

Senator ABETZ—That was the reason that we extended it. Who was responsible for making the initial decision and the initial ranking of these journals? At the end of the day, with whom does the buck stop?

Ms Harvey—If you are talking about the draft lists we put out for consultation, they were lists that came back to us from the four learned academies. We then had a look through those lists. We had a look at where there were crossovers. We had a process and, where there were differences in what the rankings had been, we then went back or asked particular academics in those fields to provide us with some information on that. At the end of the day the ARC has published that list based on the information provided.

Senator ABETZ—The ARC takes responsibility, albeit they relied on advice?

Prof. Sheil—At the end of the day the buck stops with me.

Senator ABETZ—Thank you for that. Would you agree with me that the relative standing of journals in a particular discipline is potentially best judged by the professional body that deals in that area?

Prof. Sheil—Not necessarily.

Senator ABETZ—Who would be better?

Prof. Sheil—As we indicated, we take a range of input into these processes. Depending on how the professional bodies are constituted, not all of them are representative. Not all of them have criteria for membership. There is a range of different professional and other learned bodies of varying standards.

Senator ABETZ—The particular one that I am referring to, the Australasian Society for Classical Studies, representing 80 per cent, seems to be a fairly representative grouping of these academics.

Prof. Sheil—I do not have any information as to how their members are admitted or otherwise.

Senator ABETZ—Were inquiries made with all the other bodies that had input as to how they selected their members?

Prof. Sheil—We definitely have extensive information as to how people are elected to the learned academies. That is a rigorous peer review process.

Senator ABETZ—What about with the others?

Prof. Sheil—In other cases we have consulted with bodies such as the Council of Australian Law Deans. They have been through a process within their own institution to become part of that body. It is similar with associations of deans of humanities and so on.

Senator ABETZ—As I understand it, and I am no expert in this area, the Australasian Society for Classical Studies made certain recommendations. For example, in one case they recommended the upgrading of one journal, *Ramus*, from an original B to an A. That recommendation was accepted. In another case they recommended that *Antichthon* be upgraded from a B to an A as the recognised premier Australasian journal, but it was left at B. Can an explanation be provided as to that?

Prof. Sheil—It would depend on the other inputs that we had into those particular journals and the various additional steps that we went to in order to scrutinise those rank lists.

Senator ABETZ—After scrutinising *Antichthon*, the ARC is not of the view that it is recognised as the premier Australasian journal in its area?

Prof. Sheil—That is where it stands at the moment.

Senator ABETZ—Is that your professional assessment?

Prof. Sheil—That is where it stands at the moment.

Senator ABETZ—Can you explain to us how the *Journal of Hellenic Studies* and—my schoolboy French is not flash anymore, not that it ever was—*Revue des Etudes Grecques* were left off the list?

Prof. Sheil—There are 55,000 journals on this list.

Senator ABETZ—Reputations are at stake here.

Prof. Sheil—I can tell you about the process. I cannot tell you now, in great detail, about individual journals.

Senator ABETZ—Can you take on notice to explain to us why the recommendation in relation to *Ramus* was accepted and why the premier Australasian journal, *Antichthon*, was

not upgraded? Can you also tell us why the *Journal of Hellenic Studies* and the *Revue des Etudes Grecques* were missing from that original list?

Prof. Sheil—We will take that on notice.

Ms Harvey—I just wanted to clarify that when people talk about missing journals, as the minister talked earlier, in actual fact we have not published the journal list for the entire eight clusters. They may be in another cluster with a field of research code that we have not published yet. We find that when people say that journals are missing, as the minister explained, it could be that their name has changed, they did not publish in the reference period or they are not peer reviewed, so they do not meet the definition of ‘journal’ for the purposes of the ERA initiative. I am not saying any of those relates to that, but that is one of the things. The process of missing journals can be quite a challenging one.

The other one is that, as we have found, as we get closer to the implementation of ERA we have a higher level of engagement by academics in making sure that every single journal that they think should be on there is on there. That has been borne out through the process. That is why we have a formal process for updating after the trial, to the extent that, as we have discussed with the author of the letter that you are referring to, we have got a new journal form that allows them to fill it out, say why it should be there and so on. Sometimes they are not missing, they do not meet the criteria or they have not been published in that cluster yet.

Senator ABETZ—You are not suggesting that the *Journal of Hellenic Studies* might find itself in another one of the seven clusters, are you?

Ms Harvey—Sometimes it might.

Senator ABETZ—Sometimes it might?

Ms Harvey—Yes. I am not saying that it is, but I am happy to have a look.

Senator ABETZ—Can you take it on notice as to why the *Journal of Hellenic Studies* might find itself on some of the other clusters, and also the *Revue des Etudes Grecques*.

Ms Harvey—It may not have been added yet.

Senator ABETZ—Having said all of that, are those two now on the list?

Ms Harvey—No. We have been asked to consider that. We have spoken to the author of that letter and explained how it works and how to move forward and actually supplied the information to them ready for the review.

Senator ABETZ—It is astounding that this letter was sent on 4 May 2009. You are told in that letter, quite openly, that a number of other senators are going to be provided with this letter. I would have thought that you might have been pre-armed to answer some of these questions that I am now asking, given that this organisation was quite open in saying that they had also written to me, Senator Carr, Senator Brown and Senator Xenophon. Do you need to take these matters on notice?

Ms Harvey—We have spoken to the author about how that all works.

Senator ABETZ—Can you tell us, on notice, whether these journals were dropped simply as a mistake or were deliberately dropped and, if it is the latter, who made the decision? All these matters are asked for in this letter and, quite frankly, I am astounded that we cannot get

answers today. In relation to the submission this organisation undertook, I understand they have worked through 21,400-plus items on the original list. Would that be right?

Ms Harvey—That is referring to the original draft consultation list that came out last June, which was a full list, not just HCA, as you are referring to now.

Senator ABETZ—When organisations saw that a particular journal was on the list with a classification next to it, I think they not unreasonably assumed that the classification might remain unless objection was raised. They are now saying that they did not comment on a whole range of journals and their classifications because they in fact agreed with your classification and inclusion on the list. Then when the list was republished some of these classifications had changed without the benefit of further input. These organisations, I think quite rightly, are saying to me that if there were a hint that some of these journals' classifications were going to be in dispute they would have made representations saying, 'No, that classification should be maintained', or possibly, on further reflection, that it should be downgraded. Can you tell me how that process actually worked? Did it only need one body to say, 'Bump it up the list, bump it down the list or take it off the list'?

Ms Harvey—No, in actual fact I think we got 116 representations with regard to journals on the list, we went through them all and looked at where people agreed or did not agree. When we actually had a conflict with regards to the ranking, we asked particular academics in those fields to come in and work through the list to look at the rationale from the two different areas, the original consultation list or the submission that came through, to try to actually look at what weighting should really be applied to that journal. For every single one where there was a difference, we actually had some academic input.

Senator ABETZ—Were the journals themselves consulted in relation to the standing that they would have in relation to this listing and whether they would want to have some input?

Ms Harvey—We just did a public consultation. Some journal editors did actually write to us. Not all of them did, obviously, but some did. We did not ask all the different editors of the journals.

Senator ABETZ—In relation to what I am told is a significant journal—and I am sure somebody will correct my Greek or Latin; I am sure you have it in front of you, Professor Sheil—is it *Mnemosyne* journal, new list number 7,442? It had its rating significantly downgraded from A to C, which according to these academics is patently wrong. On what basis was that decision made?

Prof. Sheil—As Ms Harvey has described, it would have been on the basis of other input and additional review to the list from a range of different experts. In addition we had 116 submissions, some of which addressed many of the journals that are on various lists.

Senator ABETZ—When is the review coming up again for this list?

Prof. Sheil—The list will be reviewed prior to the full ERA evaluations next year.

Senator ABETZ—Which is when next year?

Prof. Sheil—We have not released the details of the timing for next year, but we have spoken to the secretary of the society and explained to him in great detail how he can go about putting additional information into that consultation and that review process.

Senator ABETZ—But do you understand for example that if this journal *Mnemosyne* is downgraded from A to C, a number of academics may well say, ‘I do not want my work published in that journal anymore because it is so downgraded.’ They will move to other journals and then it may potentially be very difficult for some of these journals to regain their reputations in the academic world. Without putting too strong a point on it, it is potentially an academic defamation against them to say that these journals are no longer worth an A rating but a C rating. It could do untold damage to their reputation during this period when you are reviewing. I assume objectively you would agree that that is a possibility. What I am putting to you is: is there any possibility of any gross examples of misrepresentation on these lists being corrected immediately?

Prof. Sheil—We have not even established whether it is a gross misrepresentation of that particular journal—

Senator ABETZ—That is why I am asking in general terms as to whether there is that opportunity?

Prof. Sheil—At some point when you go through a consultation process you have to draw the consultation and the review to a close, which we have done. We have indicated that we will review the list prior to the full trial next year. That is the only thing that is feasible at this point.

Senator ABETZ—But if somebody were able to submit to you—and I pick this name not at random but because it was supplied to me, as it was supplied to you, Professor Sheil—that this might do untold damage to this journal over the next roughly 12-month period and in fact that most academics would be of the view that it should be given a higher category, there is no mechanism for that rating to be changed now as opposed to when you do the full review next year?

Ms Harvey—The full review of the journals will take place later this year. We published on 7 May how we were going to do that, including that new journal form that I talked about and including the opportunity to give feedback about any ratings on the draft list. One of the challenges we have, as you can imagine, is that we have developed the ranked journals list fit for purpose. For us, ‘fit for purpose’ is to try to recognise the quality of the research that is published in that journal. We try to be very careful and tell people that that is the reason that those journals have been developed with those ratings and the reason for those lists. It is a very specific fit-for-purpose listing.

Senator ABETZ—Just as long as you can confirm to me that none were accidentally left off the list in the first place and that none have been accidentally miscategorised in the thousands that you are dealing with. I accept it is a difficult task. But even if there is one error in that list, that one journal might suffer severe consequences.

Ms Harvey—I think there are two points to be made there. One is that with regards to ‘accidentally left off’, there are journals that people would now like to have added to the list that were not included when we did the consultation. We call them new journals, ones that were not actually provided as part of that process and whether they should be categorised, whether they meet the definition, so we have to do that work again—

Senator ABETZ—I accept a date has to be set to finalise these things but if there are so-called new journals, I suspect a lot of those new journals had been around for some time already and—

Ms Harvey—New to the list, yes.

Senator ABETZ—Yes, they are simply new to the list, not actually new journals, and these journals may have some very real damage done to them by having been left off the list. You are saying that a review is taking place later this year. When will that review take place?

Ms Harvey—After we finish the HCA cluster, which closes in August, then we will actually be starting to undertake that review, but we are allowing people to do the submissions now.

Senator ABETZ—When will that review be completed?

Ms Harvey—It will be completed prior to the implementation of ERA next year, in 2010.

Senator ABETZ—Professor Sheil was in fact correct that this new list will be put out in 2010?

Ms Harvey—It may be put out in 2009, but it will be utilised for the 2010 evaluations. The list which we currently have is the one that will be used for the 2009 trial.

Senator ABETZ—I am aware of that. But I have pointed out some issues—let us put it in a neutral context—with the 2009 list. I thought you sought to, in effect, correct Professor Sheil, but I must have misunderstood that, when you indicated that there was a review of that list this year. But the outcomes of that review will, chances are, only be published next year? That is the current timetable?

Prof. Sheil—They will be utilised next year. They may or may not be published towards the end of this year or early next year.

Senator ABETZ—We do not have a timetable set for that?

Prof. Sheil—No, we do not.

Senator ABETZ—The point that I think Bruce Marshall of this organisation says quite rightly is that the reputation of journals will hinge on this list and scholars will not seek to have their research published in them if they are left off or given a low ranking, and their rank will become fossilised and very difficult to change in people's perceptions. I think that is a matter of some concern, at least to myself, and I trust it is to the ARC as well. How many complaints has the ARC had about its journal ranking lists to date?

Ms Harvey—'Complaints' might be a strong word—

Senator ABETZ—All right—issues?

Ms Harvey—We run a help desk for a range of various things, including a whole range of different sorts of aspects. We have actually had feedback over the time with regard to it. Often they are one or two a week. They are not prolific in number. However, as we get closer to actually starting the trial people have actually been trying to clarify things more. I could get you a breakdown of exactly how many there were with regard to the journals themselves. But in total, since August last year, we have had just over 600 inquiries in total for ERA.

Senator ABETZ—I dare say those 600 inquiries did not include a majority saying, ‘Well done, we agree with our rating’?

Ms Harvey—We do get inquiries of that nature but—

Senator ABETZ—I am sure you do. But I am asking whether a majority of those inquiries—

Ms Harvey—No.

Senator ABETZ—Chances are the majority of those 600 are related to certain issues surrounding the ERA process?

Ms Harvey—No, but I am happy to clarify that. The majority of them are about clarifying how things would work. It is why we continue to update our frequently asked questions. It is inquiries of that nature.

Senator ABETZ—When the ERA for the Humanities and Creative Arts cluster was changed to a trial, that was announced on 31 March; is that right?

Ms Harvey—The minister actually announced that earlier this year.

Prof. Sheil—The 31 March was the HCA journal list.

Senator ABETZ—But it was a trial list, not a final list?

Ms Harvey—I am sorry, I thought you meant the actual trial. Yes, absolutely, but it was the list to be used for the trial.

Senator ABETZ—Yes. Prior to that announcement it was not going to be ‘a trial list’; is that right?

Ms Harvey—Yes, it was. It was always to be used for the trial. We use the term ‘trial’ with regard to the two clusters we are doing this year. When I say a ‘trial list’, it is the list to be used for that trial.

Senator ABETZ—If we were always going to have a trial, why was the minister’s announcement made on 31 March?

Ms Harvey—The actual list itself was released on 31 March.

Senator ABETZ—As a trial list?

Prof. Sheil—As a list for the trial.

Senator ABETZ—I am not sure much revolves around that, but I accept the different wording—

Ms Harvey—Sorry, on 23 February the minister announced the time frame for ERA, which included the announcement that there would be two trials. That was 23 February 2009.

Senator ABETZ—That was the first time that it was announced that there would be trials?

Ms Harvey—With regard to formal releases. The minister has, through many speeches and things, talked for some time about testing and trialling ERA in 2009.

Senator Carr—I indicated to you before what our policy objective here is. I will be brief, but I think it is important that we do understand that the purpose of this exercise is to find a

mechanism that can verify claims made by researchers about the quality of their research. In that context, of course it is going to be the case that people will want to contest ratings and rankings of journals and all sorts of other pieces of data as to the proxies for metrics which have been put together in regard to the humanities and the creative arts. Particularly in regard to the humanities and the creative arts—classical studies might well fit within this category—there will be discussions about the quality of journals. But I would be surprised that you would be proposing that we go down the scale rather than up the scale. We are talking about Australia's international reputation. It is extremely important that the processes that the ARC engages in are rigorous and can be defended in terms of their excellence.

Having said that, of course we are encouraging people to actually make comment on the construction of these journal listings. That is what is happening at the moment. There is plenty of scope for people to argue the toss about any particular decision, but in general terms I am urging the Australian Research Council to be sure that the quality of our work can be demonstrated internationally. We are in the business of making sure that Australia's standing in research circles is protected. We do not want to see ourselves being asked to fund second-rate research. I trust that is your view, too.

Senator ABETZ—I dare say our international reputation is extremely enhanced when a journal that rejoices in a French name *Revue des Etudes Grecques* is left off the list. I am sure that does—

Senator Carr—You assert that.

Senator ABETZ—a lot of good for our international reputation.

Senator Carr—You assert that and you have had—

Senator ABETZ—In relation to the journals, do they have to be commercial journals to appear on the list?

Ms Harvey—No. They have to be peer reviewed. They have to be a scholarly journal. They have to be published in the reference period and they also have to have an international standard serial number to be considered for the list.

Senator ABETZ—Can you tell me whether the journal of American Mathematical Societies is on the list? Take that on notice. I do not expect you to know that.

Ms Harvey—We have only published the physics, chemistry and earth sciences list and the humanities and creative arts list. Given it is a mathematical journal, it is probably not on this list but it may be—

Senator ABETZ—With the physics, I thought it might.

Ms Harvey—That is right. It may be under the—

Senator ABETZ—My very rudimentary understanding tells me there is a fair bit of maths associated with physics, but I will not seek to embarrass myself further by going down that track. How are we dealing with the issue of that research which might only be abstracted rather than dealt with in a fully fledged journal article?

Prof. Sheil—Do you mean someone who has published an abstract over a conference presentation?

Senator ABETZ—Yes.

Prof. Sheil—In the two discipline clusters that we are trialling, the physical sciences and the humanities and creative arts, abstracts of conference proceedings are not typically publications that are valued to any great extent. There are some disciplines that do value conference papers quite substantially—principally that is computer science and engineering. But in the current clusters that we are dealing with most physical sciences—and I can speak to that with some authority—would not consider conference abstracts as something that they would want valued in this exercise.

Senator ABETZ—Is there a mechanism to discriminate between research or simply an overview document, something that provides some new information into the marketplace or something which just deals with over-viewing that which is already in the marketplace?

Prof. Sheil—Certain journals are what would be referred to as review journals. In my area, for example *Mass Spectrometry Reviews* is the journal where reviews would be published.

Senator ABETZ—Is that on the list?

Prof. Sheil—That is on the list, but I might point out that the Australian and New Zealand Society for Mass Spectrometry was not consulted about the list.

Senator ABETZ—Chances are they had some good inside running, though?

Prof. Sheil—There are typically review journals and they are readily identified and our experts understand that you have a different citation pattern in relation to review journals than you do with journals that publish original research.

Senator ABETZ—But if it is cited for this exercise it is research; is that right?

Ms Harvey—It needs to have a research component and we have actually defined ‘research component’. For example, with abstracts and conferences and things we are looking to do ranked conference lists and we actually have various groups of councils of deans who are helping us with that. That is one of the things they look at: do the abstracts actually have a research component or not?

Senator ABETZ—How is the impact assessment of certain research being dealt with?

Prof. Sheil—We are not asking for impact statements of research in this exercise. But we recognise that the very best research that does have an impact is published in good journals and in other forums and we will be taking that into account using other indicators—for example, applied research income, commercialisation income and so on.

Senator ABETZ—What else does the ARC do besides the ERA?

Prof. Sheil—It does have a very important function to administer the National Competitive Grants Program.

Senator ABETZ—Would it be fair to say that a fair bit of your time not only at estimates but from a day-to-day operational point of view is being consumed by the ERA process?

Prof. Sheil—Do you mean my time in particular or the organisation’s time?

Senator ABETZ—The whole organisation.

Prof. Sheil—I would say that the ERA team led by Ms Harvey spends most of their day dealing with ERA issues. The National Competitive Grants team spends most of their day dealing with national competitive grants issues. The senior executive of the ARC is spread across both of those, but it would be fair to say that the time that I have spent on ERA this year, for example, is much less than I have spent on it last year. In particular, this year I have been focussing on quite a number of aspects of the NCGP program and advancing that agenda.

Senator ABETZ—That completes my bracket of questions on the ARC.

CHAIR—Thank you. Senator Cameron.

Senator CAMERON—The government has made an announcement that \$27.2 million will be available over four years for Super Science Fellowships, specifically in the areas of space and astronomy, marine and climate, and future industries. Could you advise me where we are up to in terms of initiating that government budget decision?

Prof. Sheil—The proposal is to have 50 fellowships this year and next year. It will be 100 fellowships in total across those areas. The team within the National Competitive Grants Program area working on fellowships has almost completed an outline of the proposal, the call for proposals and we will be forwarding that for further approval shortly with a view to awarding 50 fellowships by the end of this calendar year.

Senator CAMERON—Thank you.

CHAIR—Senator Pratt.

Senator PRATT—There have been concerns in recent years about the collapse of our research capacity in the Southern Ocean. I understand some steps have been taken to address this, largely through new capacity and the number of days that we are able to spend at sea in the Southern Ocean. Could you highlight for me what is being achieved through the Super Science initiative?

Prof. Sheil—That is not my area of expertise.

Senator Carr—I might be able to assist you with this.

Senator ABETZ—It is a good story to tell, but—

Senator Carr—I thought you would be very pleased about it.

Senator PRATT—I would like to know the answer. I have been concerned about it.

Senator ABETZ—I am, but it does not fit in this.

CHAIR—I think that is right. We might deal with that in Outcome 2.

Senator ABETZ—Science, yes.

Senator Carr—It is actually a CSIRO project. The point is that this was a program that the previous government refused to fund on many occasions and this government has now decided to fund it.

Senator Carr—I would have thought you would be only too happy about that, Senator Abetz.

Senator ABETZ—I am very happy about that funding.

Senator Carr—You were so unsuccessful in previous years at securing funding.

Senator ABETZ—No, you took it out of our budget.

CHAIR—If there are no more questions for the Australian Research Council, I will thank them for their time here today and ask IP Australia to come to the table.

[2.46 pm]

IP Australia

CHAIR—I welcome IP Australia. Do you have an opening statement you would like to make?

Mr Noonan—No.

CHAIR—We will go straight to questions. Senator Cormann.

Senator CORMANN—Thank you. I know that Senator Heffernan will have a series of questions as well. I would like to start off at the general level. Could you describe for us the approach of IP Australia to granting patents on biological materials, such as genes?

Ms Beattie—Our approach to patenting of biological materials is the same as for all other technologies. Our approach is technology neutral.

Senator CORMANN—Do you consider there is any difference between discovery of genes or inventions?

Ms Beattie—Discoveries are not patentable under the Patents Act, but inventions are. Gene sequences are considered inventions under the current patent law. Firstly, they have to be isolated gene sequences and—and I underscore ‘and’—they must have identified an association with a particular disease. Therefore, they can be used as a diagnostic or a therapeutic. An isolated gene in its own right is not patentable.

Senator CORMANN—Can you give me a sense of the numbers involved? How many patents for biological material, such as genes, would have been lodged with IP Australia in the past year?

Ms Beattie—I can give you numbers in relation to patents that might claim a human isolated gene sequence, if you are happy with that?

Senator CORMANN—Yes.

Ms Beattie—Since 1990 Australia has been patenting isolated gene sequences for which an industrial use has been identified. From 1990 to 2008 we have granted 363 patents that do identify a human gene sequence within them. Of those, 202 are still current. Not all patents stay current for the full 20 years. They need to be renewed and if renewal fees are not paid they tend to lapse. We currently have 202 patents that claim an isolated gene sequence for which an industrial use has been identified.

Senator CORMANN—These are the patents that have been granted. How many would have been rejected over that same period?

Ms Beattie—I am sorry, I do not have those figures.

Senator CORMANN—Are you able to get that for us on notice? What would be the proportions in general terms? Are we talking half, 90 per cent or 10 per cent? Have you got a general rule?

Ms Beattie—I prefer not to speculate. I am happy to try to give you some figures in relation to total filings.

Senator CORMANN—Do you know how many patents IP Australia rejected in the past year overall across the board?

Ms Beattie—Again, it is difficult to identify what you mean by ‘rejected’.

Senator CORMANN—If somebody submits an application and you say, ‘No, it doesn’t fit within the criteria’ or ‘We don’t approve. We don’t grant the patent.’ Does that happen at all?

Ms Beattie—Maybe I can explain to you the process.

Senator CORMANN—Perhaps you can.

Ms Beattie—What generally happens is that an applicant will file a patent application. It will be examined. When the first report is issued, if the report raises objections then the applicant has 21 months in which to get the application in order for acceptance. Some applicants choose not to respond. Therefore, the application technically lapses. Some will respond by making amendments to the patent application and therefore move on to grant if all the objections are overcome.

Senator CORMANN—Let me rephrase the question. I gather that you will have to take it on notice. Out of all of the patent applications made, both generally and then specifically for patents over biological material, how many of the patents lodged are ultimately successful and how many are ultimately either not proceeded with or not accepted? That is the sort of data I am looking for. Is that something that you would be able to provide us with?

Ms Beattie—I can give you the number of applications filed that might claim an isolated human gene sequence for which an industrial use has been identified. I can give you numbers in terms of grants, so that should then identify how many have not gone to—

Senator CORMANN—I am interested in the numbers for general patents or the total number of patent applications vis-a-vis patent applications over biological material. We would like to have that comparison.

Ms Beattie—I will just clarify. Biological material is a very broad classification. I am assuming that you would like those that might claim a human gene sequence?

Senator CORMANN—Yes. What sort of system does IP Australia use to track the performance of its examiners? Presumably a patent application is submitted. Somebody will make an assessment as to whether it is appropriate. How do you track whether the people who are examining those patent applications for you have the requisite qualifications in order to be able to do that?

Ms Beattie—I might go to the beginning. A patent examiner is hired based on their technical expertise, their professional qualifications and possibly their industry experience. They then undergo training within the office, and we use competency based training. An examiner will take somewhere between 12 to possibly 18 months to become what is called an

acceptance delegate. That means they are assessed to be competent to assess a patent application and make a decision about it qualifying or satisfying all of the legislative provisions.

In terms of quality assurance within the office, where an examiner objects to a patent the objections go to what is called the third report. If there is an issue about the patent not satisfying the requirements, the supervising examiner, a very senior individual within the organisation, reviews the determination by the patent examiner to ensure that the decisions being made are correct.

We also have an independent quality review, which is conducted by our senior examiners. That includes taking samples throughout the year of work both completed and in progress. That review is checked against quality standards, and we do have those quality standards available in our manual of office practice and procedure. There are a number of layers within the organisation where the quality of the decision is reviewed.

Ultimately, when we advertise that a patent application is accepted there is a three-month period within which the general public may review and oppose the granting of the patent application. That is called a pre-grant opposition process. That is another quality layer within the Australian patent system.

Senator CORMANN—Are those positions Public Service positions?

Ms Beattie—They are all public service positions.

Senator CORMANN—The remuneration would be a salary. Is there an incentive based system? You are shaking your head.

Ms Beattie—I am sorry.

Senator CORMANN—Are there any bonus arrangements?

Senator HEFFERNAN—Success rates.

Senator CORMANN—That is it. That is what I was looking for. Essentially the remuneration system is based purely on Public Service normal terms and conditions?

Ms Beattie—There are normal terms and conditions. We do have an incentive for our examiners in terms of performance, but those incentives are not related to how many applications they accept.

Senator CORMANN—What are they related to?

Ms Beattie—They are related to behaviours in the workplace, quality of work and productivity.

Senator CORMANN—How many patents would they be expected to review in a month? Is there a hard and fast rule?

Ms Beattie—There is a planning base or requirement for a number of actions. Those actions include things such as original searches, first reports and further reports. It takes into consideration all sorts of actions that an examiner might make in prosecuting a patent application.

Senator CORMANN—Other than the patent attorney profession and business users, who does IP Australia regularly consult on these sorts of issues? I am generally interested in the patent issues around human biological material.

Ms Beattie—Our examiners undertake continuing professional education throughout their careers. They are encouraged to discuss cases that they are considering with their colleagues where they feel that they need further peer input to their considerations. As I indicated, we have senior examiners who are there to assist them when they require that. At the end of the day they seek input but they have to make that decision as an acceptance delegate in their own right. They cannot be influenced by others in that decision.

Senator CORMANN—Does IP Australia have consultative or advisory bodies?

Ms Beattie—We do. We have consultative forums and bodies. Those bodies include the attorney profession, representatives from the research institutes and representatives from the Law Council. Again, the patent applications are open to public inspection from 18 months and they are available for the public to review as well.

Senator CORMANN—Other than those consultative or advisory committees, to what extent are public interest groups in areas such as health represented? You have mentioned all of the people that I already assumed you would be consulting with, such as patent attorneys, the Law Council and so on. Do you have health related interest groups represented on some of those consultative and advisory committees?

Mr Noonan—We tend to consult with particular industry sectors when there are issues about a particular part of the law. The most recent example where gene patents were considered was during the Australian Law Reform Commission inquiry, which was an extensive inquiry into gene patenting and which concluded only a few years ago. We were actively involved in that, and of course the full range of stakeholders was involved in that. The ALRC made a number of recommendations about the patent system.

Senator HEFFERNAN—Have any of those recommendations been tested at law?

Mr Noonan—I am not sure that I could understand that question, because there are a number of policy and legal questions.

Senator CORMANN—Could you perhaps provide us with a list of all of the consultative or advisory committees that currently operate in the context of IP Australia and the membership of those committees? Is that something that you would be able to provide us with on notice?

Mr Noonan—Yes. We have a number of committees where particular organisations serve with us. We also have more open forums where essentially we invite a whole cross-section of stakeholders, along the lines that Ms Beattie mentioned, to attend forums about IP matters. We held one of those in Melbourne just last month. I can certainly provide you with the names of the individual advisory committees.

Senator CORMANN—Are you aware of one advisory committee that has health interest groups represented on it; say, even those where the decisions have a potential impact on access to health care services?

Mr Noonan—We do not have an advisory committee where health interests would be represented other than in the research sector.

Senator CORMANN—I am going to conclude because I know that Senator Heffernan has some specifics.

Senator HEFFERNAN—I have.

Senator CORMANN—What is the cost to IP Australia of examining and granting a patent application?

Mr Noonan—We are a user recovery agency. Essentially we charge a fee across the different rights that is intended to cover our costs overall—not only patents but for trademarks, designs and plant breeder rights.

Senator CORMANN—Do you recover the cost of each individual patent from the individual applicant? How does it work?

Mr Noonan—Broadly speaking, we seek to recover within each of those four sectors. It is not possible to say: for a particular patent, here is the fee that they pay.

Senator CORMANN—How long would it take you to recover the costs of a particularly complex patent application in the human biological material area? Have you some case studies that you could share with us on how that works?

Mr Noonan—With the fee structure there are fees at the front end of the process, but also remember that a patent lasts for 20 years. Our policy position is to try to ask people, with increasing force, whether they want to maintain their patent. From the fifth year on there is a steadily rising annual renewal fee. It is not until we are well into that renewal period that we actually recover the costs of examining the patent.

Senator CORMANN—What would be the average cost to IP Australia of assessing a patent application in the high-technology sector—pharmaceuticals, biotechnology and software?

Mr Noonan—We would not divide the cost of assessing patents by particular sectors. Perhaps I could take that on notice.

Senator CORMANN—Would it be fair to say that the costs in some sectors would be higher than in others?

Mr Noonan—The demand varies quite a bit.

Senator CORMANN—Do you divide it up according to sector?

Mr Noonan—No, we do not.

Senator CORMANN—How do you decide on how you cost recover? How do you apply it and how do you spread those costs fairly and equitably?

Ms Beattie—We do have a differentiator that we apply for the fees. That is called the number of claims fee. At acceptance the basic application examination fee that is consistent for all patent applications is the same, but if an application has in excess of 20 claims at acceptance there is a fee that is charged for each and every one of those excess claims.

Senator CORMANN—If somebody submits a claim or patent application that is more complex than others, in terms of your cost recovery approach do you charge them more than what you would charge anybody else?

Ms Beattie—The number of claims is a proxy for complexity of the patent application.

Mr Noonan—How difficult a particular claim is going to be to evaluate is not something you can judge in advance. There is a limit to the sophistication with which you can tailor the fees to the costs of the individual application.

Senator HEFFERNAN—This is bureaucratic blather. Do you charge by the hour, the minute, the time taken or the overheads plus the rate and so on? Is there an hourly rate?

Mr Noonan—As I explained earlier, we charge a number of fees up front. There is an application fee.

Senator HEFFERNAN—What are they based on? Is it what the market will bear? There is no competition.

Mr Noonan—They are charged on the basis that we recover across the right—that is, all patent applications and all fees we charge—all the costs of administering the patent system.

Senator CORMANN—You make an assumption as to how many applications you are going to get in any given year. You make an assumption as to what your required budget is going to be, and then you spread that cost across all of the applications that you estimate you are likely get in a particular year—is that how it works?

Mr Noonan—That is probably right.

Senator CORMANN—Essentially, you do not really assess it on the basis that one is more complex or less complex or on which is going to take more hours of work. You do not necessarily have to have a certain number of claims for something to take more hours of work. You say it is a proxy, but it is not necessarily.

Mr Noonan—You are right. I can give an illustration of the difficulties in assessing complexity without working through the patent. Patents often cross technology lines. Our examination streams are broadly divided into scientific and engineering disciplines, but the novelty of a patent application may bring together two different disciplines.

Senator CORMANN—This is my final question. Even though we might not see it reflected in your charges, do you analyse your costs across various patent categories? Do you have an internal discipline of identifying: this particular category of patents costs that much across the extra process, whereas this particular category of patents costs us much less to process? Do you have some sort of internal discipline to assess your cost structure that way?

Mr Noonan—Ms Beattie mentioned the productivity component of what we do. That does vary from discipline to discipline. Broadly speaking, we allow different periods of time in our planning processes.

Senator CORMANN—I do not know if you are answering my question. I have a very specific question. We now understand how you make sure that you can recover your costs. Presumably you would have a clear indication as to which patent application, in general terms, would cost more than another category of patent application. Do you have any sort of

understanding as to what a particularly expensive patent application would invariably be vis-a-vis those that would be cheaper?

Mr Noonan—At the technology level, in our planning calculations we weight them differently according to their average complexity and length of time to deal with it.

Senator CORMANN—If I were to ask you how much a patent application in the biomaterials area, in general, would cost you on average, would you be able to tell me that?

Mr Noonan—Not offhand. We could try to give you an estimate.

Senator CORMANN—It would be very much appreciated if you could do that on notice. Thank you.

Senator HEFFERNAN—It is very hard to interpret the bureaucratic speak, but we will try to come to some plainer language. In the Family Court it does not matter whether the family is arguing over \$1 million or \$1 billion. As I understand it, there is a filing fee which is common. Do you have that sort of arrangement?

Mr Noonan—Yes, we do.

Senator HEFFERNAN—If I was to come along with an invention that was going to get me \$1 million or whatever and he came along with one that was going to get him \$1 billion, then he would pay the same.

Mr Noonan—That is correct.

Senator HEFFERNAN—That is easier to understand than all the other stuff that you were going on about. So you do not have an hourly rate or any real cost recovery of charges.

Mr Noonan—The fees are the same for each application.

CHAIR—Mr Noonan has already answered that. It would assist matters if you listened to the answers.

Senator HEFFERNAN—I am hearing the answers. It just seems like a stupid idea.

CHAIR—It does not seem to me that you are listening.

Senator HEFFERNAN—Ms Beattie, are you any relation of Peter's, by the way—or have I already asked you that? I know that is out of order.

CHAIR—Senator Heffernan, I have other senators with questions.

Senator HEFFERNAN—As to the proposition that there is some difference between an isolated gene and an in-situ gene, there is no difference.

Ms Beattie—As I said, an isolated gene for which an association with a particular disease results in a diagnostic or a therapeutic is considered an invention.

Senator HEFFERNAN—I implicitly understand that. In the case of BRCA there are three gene patents and a test patent. How the hell can you patent the actual gene, which is the problem with the BRCA1/2? They have actually patented the gene and not the test.

Ms Beattie—As I indicated earlier, they have isolated a gene and they have identified a particular use for that gene. The gene and its use is patentable subject matter.

Senator HEFFERNAN—They patented the actual gene, though, not the test. You think that is a fair thing?

Ms Beattie—They have patented the isolated molecule representing the function which results in a diagnostic or a therapeutic.

Senator HEFFERNAN—I do not want to labour this too much because there is an inquiry, as you know.

Ms Beattie—That is right.

Senator HEFFERNAN—I think the proposition that you can take a patent out on Senator Abetz's bits and pieces is pretty amazing.

Senator ABETZ—Nobody would want them.

Senator HEFFERNAN—I think the great danger to the human race in all of this is the same danger that we have just seen in the collapse of the financial world—that this becomes a river of gold because these things become tradeable. For instance, if Genes Technology Australia go bust because I have asked them the question, 'What happens to all the patents,' and they say, 'They just go on the market like shares,' that is a quaint system of dealing with the human body. We will come to that also at another time. Has any of what you have just told me about—the fact that you can patent a human gene and say that it is different from the gene that is in the body because you have got it isolated—been tested in court, or do we do that by convention?

Ms Beattie—We do that based on the legal precedent that has been established over time. There has not been a legal case in relation to that specific issue that you are asking about.

Senator HEFFERNAN—What is the legal precedent?

Ms Beattie—The issue about a discovery for which a new and useful result has been identified is patentable subject matter.

Senator HEFFERNAN—That has been to court and has been tested to set the precedent?

Ms Beattie—It is an NRDC—National Research and Development Corporation—decision that has set that.

Senator HEFFERNAN—Has it been to court and been tested? It has not?

Ms Beattie—The issue of the isolated gene sequence for which an industrial use has been identified? No, there has not been a legal case in Australia.

Senator HEFFERNAN—Are you familiar with the lady who is now in the US who wanted to get the second opinion on her BRCA1 test and who could not get a second opinion because she was restricted by the patent of Myriad?

Ms Beattie—Not with the particular case that you are alluding to.

Senator HEFFERNAN—I will just recall it for you. Genae Girard received a diagnosis of breast cancer in 2006. She knew she would be facing medical challenges and so on. She did not expect to run into patent problems. She took the genetic test to see if her genes had increased risk of ovarian which might require the removal of ovarian. The test came back positive, so she wanted a second opinion from another test, but there was no second opinion.

The decision by the government more than 10 years ago—this is in the States—allows a single company, Myriad, to own the patent on the two genes. This is not on the test but on the actual genes. As you know, most medical people here, including in Adelaide, Melbourne and Sydney, are intimidated and terrified by this stuff. We will give examples in another place at another time of where they have been completely intimidated by litigious letters when they want to make some meaningful contribution to research. This woman has now filed a lawsuit against Myriad. Is that the first time that has happened? You do not know the answer to that?

CHAIR—I think you can ask the department about what is happening in Australia concerning the department.

Senator HEFFERNAN—That is fair enough. The whole hurdle that we have got to jump is—

CHAIR—Is there a question here for the department?

Senator HEFFERNAN—I now have a series of questions. On or about 28 September 1992 IP Australia granted to Chiron Corporation Australian Patent No. 624105 for an invention entitled NANBV diagnostics and vaccine. I have some questions in respect of this patent. How long did the patent examiner or examiners examine the patent application?

Senator Carr—In 1992?

Ms Beattie—The examination was comprehensive. Objections raised included the manner of manufacture and lack of inventive steps. All objections were overcome by substantial and persuasive argument provided by the attorney. Two sets of amendments were filed in November and December 1991. The patent was comprehensively examined according to the law as it existed at the time and based on the technology as it existed at the time, including amendments being filed in order to overcome the objections raised by the examiner.

Senator HEFFERNAN—How long did all of that take? Was it a day, a week or half an hour?

Ms Beattie—No, it would be months.

Senator HEFFERNAN—Can you take that on notice?

Ms Beattie—I will just see if I can find it first.

Senator HEFFERNAN—It might speed up the process.

Senator Carr—I would just like to ask a procedural question here. In terms of the normal operations of an estimates committee, I cannot recall an occasion where officers were asked to comment on the actions of a department.

Senator HEFFERNAN—With great respect, this is not a comment. I am asking how long it took.

Senator Carr—You are seeking advice on the actions of a department from 1991, which is a fair while ago.

Ms Beattie—That information is available on our search database, called AusPat. It will give you the full chronology of that patent, including when the examination was requested, when the first report was issued and when it was ultimately granted.

Senator HEFFERNAN—What was the cost of the patent examination to IP Australia?

Senator Carr—In 1991?

Senator HEFFERNAN—In 1992.

Ms Beattie—As previously indicated by the Director General, we do not do our cost recovery on single applications. We look at all the costs involved in the patent examination area and then at the number of applications that we are likely to receive over the period of the cost recovery and we estimate those costs based on full cost recovery.

Senator HEFFERNAN—That is a very good bureaucratic answer, but it does not say anything. I would like these answered in great detail.

Ms Beattie—I do not think we can give you a response in terms of how long it took to examine that particular application and what the cost was.

Senator HEFFERNAN—Can you come back in great detail, in the required time of the committee, with how much IP—

Senator Carr—You cannot ask that. The officer has given you an answer.

Senator HEFFERNAN—No. I am putting these on notice, with great respect.

Senator Carr—You can put them on notice if you like, but your answer will not be improved. The answer will say that it has been answered on the day.

Senator HEFFERNAN—Just to get an idea of what we do and do not know, how much did IP Australia receive in fees between the time of the filing of the patent application and the date of the acceptance of the grant of the patent?

Ms Beattie—I would have to look at the number of claims that were accepted to be able to give you that answer.

Senator HEFFERNAN—Obviously we need to put these on notice. Can you give me the date of the sealing of the patent and the date of the expiration of the patent?

Ms Beattie—We can give you that.

Senator HEFFERNAN—I will assist the committee by putting four pages of very complex questions on notice and I would be delighted if you could answer them.

Mr Noonan—We will take all of those questions on notice and do our best with them.

Senator HEFFERNAN—Including those two.

Mr Noonan—I must tell you that over two decades of time there are a number of questions, including one or two that you have asked already, that it would simply not be possible to answer.

Senator HEFFERNAN—My point is that most Australians, and in fact most people on the planet, do not understand that we have let a bunch of bankers get into the act—and I have talked to—

CHAIR—Is there a question?

Senator HEFFERNAN—Yes, there is a question. Gene Technology Australia held all our public laboratories in Australia to ransom with a letter of demand, which they have since

walked away from, sacking the board and all the rest of it. And it was said they have nothing to worry about. They have plenty to worry about and so have you fellows. This is what we have allowed to happen, without even knowing about it, and most people's jaws hit the ground when they understand that we have allowed a bunch of people who are going to trade these things as financial instruments to patent the body.

CHAIR—Senators to my left are waiting to ask questions.

Senator HEFFERNAN—My question is: how is it that a naturally occurring gene in our body can be described as an invention?

Mr Noonan—I do not think that I can add to the answer that Ms Beattie has already given or to our submission that we made to the community affairs committee, which discussed this issue in detail.

Senator HEFFERNAN—It is a discovery. It is not an invention. We will see you in another place at another time.

Senator CAMERON—I am not an expert on patent laws. This is the first time I have ever been involved in a discussion of any length about it. What is the relationship between Australian patent law and the US patent law?

Ms Beattie—Patent laws are jurisdiction based, so each has its own specific requirements. There are some general principles and requirements that are common to all patent laws around the world. They are that it needs to be novel, inventive and have an industrial application. They are the key ones. There are some nuances within the various jurisdictions. A patent granted in Australia does not necessarily mean that it will be granted in the US, for example.

Senator CAMERON—I am just looking at some stuff on the web here from the US. The same debate is taking place in the US on this issue. How long has this debate about the patenting of genes been going on in Australia?

Ms Beattie—There was a debate initially when biotechnology started to be a prominent area of technology. There was a great deal of debate around the world in the early 2000s. The ALRC review was part of the Australian debate.

Senator CAMERON—In terms of the US position, there is a debate about multiple patents and different parts of the same genome sequence and whether you can patent the gene fragment, the gene and the protein. Is there a debate on that or is that settled in Australia?

Ms Beattie—Generally when a patent is filed the first inventor to isolate the particular gene sequence and find an association will then also claim the coding protein, any fragments et cetera. So there is a much broader claim based on the extent of invention that they can show.

Senator CAMERON—Also in the US there are four different tests in terms of patenting genes, gene fragments, SMPS, gene tests, proteins and stem cells. They say first you have to identify a novel genetic sequence. Secondly, you have to specify the sequence's product. Thirdly, you have to specify how the production functions in nature as its use. Fourthly, you have to enable one skilled in the field to use the sequence for its stated purpose. Are they the same tests that we apply here?

Ms Beattie—In general principles, yes.

Senator CAMERON—The argument I see is that some scientists are arguing that by allowing patents you stop either other research or the public good from having access to this invention. Has that debate been analysed within IP Australia?

Mr Noonan—One of the recommendations of the Australian Law Reform Commission was that there should be an exemption from the Patents Act for research activities, basically to meet the point, which is not specific to gene patents but does apply in gene patents, that often researchers can feel unsure about their freedom to explore innovation if they feel they might trespass on somebody else's patent. At the moment IP Australia has a law reform proposal out for public comment to introduce exactly such an exemption into the Patents Act in Australia.

Senator CAMERON—Could an Australian researcher come up with some new discovery, invention or however it is described, and then if the US system is more flexible move to the US and patent it there? How then does that apply in Australia? Vice versa, you could have an American scientist seek a patent in Australia. Is that the normal process?

Mr Noonan—There is a high degree of uniformity between the basic principles for the patent systems, but if one country were to allow the patenting of certain activities and another country was not, then all the incentives would be to operate within the country that offered the patent protection.

Senator ABETZ—At page 239 of the portfolio budget statement, the last line has a figure of \$2,223,000 for 2008-09 in parenthesis. I read that as a deficit, a shortfall, a loss?

Mr Noonan—That is correct.

Senator ABETZ—It is estimated for 2009-10 that that will in effect more than double that loss?

Mr Noonan—That is correct.

Senator ABETZ—Can you explain to us the reason for that loss? I assume, seeing that it appears in the portfolio budget statement, that Mr Tanner ticked off on it.

Mr Noonan—The main reason for the loss this year is the impact of the global financial difficulties on IP Australia. As I mentioned, we are a cost-recovery agency. Since the additional estimates process, when we were forecasting a \$10 million surplus for this year, estimated revenue for this year has declined by \$7.7 million. That is a large component of the change in position for this year. Also, at the same time we are faced with a stock of patent applications that need to be addressed. We are pursuing a medium-term strategy of continuing to engage patent examiners so that we can reduce that backlog during a time when our work is a little bit quieter, so that when economic activity picks up again we will be well placed. That is adding to our costs for patent examiners, in particular where we have continued to recruit. The government has taken the position that to dip into the reserves of IP Australia would be an appropriate course in order to enable those medium-term strategies to continue.

Senator ABETZ—It would be an appropriate—

Mr Noonan—It would be an appropriate course of action to enable those medium-term strategies to address our workload to continue even during a time of economic difficulty.

Senator ABETZ—If I go to page 224 of the PBS, the agency resource statement, and I look at the issue of departmental appropriation, am I right that that is pretty well halved?

Mr Noonan—That is correct. It is about all of our departmental appropriation. We are primarily a cost-recovery agency, so this is only a small fraction of our overall funding. This is primarily interest that we earn on our accumulated surpluses. What you see there is basically the reduction in interest rates during the course of this financial year.

Senator ABETZ—Are you able to pass any comment on the Australian-US Free Trade Agreement as it applies to generics coming into the Australian market?

Mr Noonan—That is a very broad question. Can you be a bit more specific?

Senator ABETZ—Does the legislation that we passed underpinning the Australian-US Free Trade Agreement in, was it 2004, or 2003—

Mr Noonan—The agreement was in early 2000. But the—

Senator ABETZ—We then had domestic legislation?

Mr Noonan—Yes, we had the relevant domestic legislation already allowing, for instance, for the extension of pharmaceuticals patents. We had that legislation since 1998.

Senator ABETZ—After that there were some amendments dealing with market entry by generics before the patent expired?

Mr Noonan—There were essentially no substantial amendments to the legislation in the light of the free trade agreement.

Senator ABETZ—That does not ring any bells? What about the amendments that Mr Mark Latham was at the time pursuing. Does that ring a bell at all?

Mr Noonan—It was a different issue, I think. I might ask Ms Beattie if she recalls.

Ms Beattie—As I recall, there were amendments made which required that certificates be provided to TGA that they were not infringing a patent and also that the patent holder was not pursuing legal action simply as a threat to entry. That is my recollection.

Senator ABETZ—How does that compare to the regime in the United States and the United Kingdom?

Ms Beattie—I do not believe those certification requirements exist in those jurisdictions.

Senator ABETZ—So it becomes easier for these generics to come into the Australian market than it would, vice versa, into the US and UK markets? Is that correct?

Ms Beattie—Sorry, could you repeat that question?

Senator ABETZ—Does the Australian regime make it easier for the generics to come into the Australian market as opposed to other generics into the US and the UK markets?

Ms Beattie—The generics would have to be approved by TGA. I think those requirements apply during the TGA approval process, don't they? So I do not think it matters whether they are coming or whether it is an Australian generic seeking approval through TGA. I am not qualified to speak on—

Mr Noonan—I might add we are not aware of this particular issue that you are raising.

Senator ABETZ—Time has slipped by substantially. I will add that to the questions I will put on notice.

Mr Paterson—Before you do put it on notice, I think that the issue is a Therapeutic Goods Administration issue, not a patent office issue, so in putting them on notice you should put them on notice to the health portfolio.

Senator CAMERON—As I understand it, the debate on pharmaceuticals at the it was about extending the American patent as part of the Australia-US Free Trade Agreement. Part of the argument went: if you changed the colour of the pill, then you could maintain your patent under the American law. There was an argument about stopping that. Is there anything under the free trade agreement that relates to patent law?

Ms Beattie—There is a whole chapter that relates to intellectual property in the FTA.

Senator CAMERON—I will just let you know that I may have some questions on notice on that as well.

Senator HEFFERNAN—I understand that this law was the first of its kind; is that your understanding? It has been organised by the American Civil Liberties Union.

Mr Noonan—Yes, this is a challenge to US patent law, and I understand it has constitutional implications. So, as to its direct application to Australian patent law, we will just have to wait and see.

Senator HEFFERNAN—My understanding is that South America does not recognise this patent regime; is that your understanding? I think we have been given that evidence.

Ms Beattie—We see all these pilot TRIPs; I think that is what you are alluding to. They do comply with the TRIPs requirements. It would appear they do have an exclusion on biological materials.

Senator HEFFERNAN—That is just a decision that Australia could take—the same as they have taken? Or are we different in that we are obliged by convention under the free trade agreement to agree with the US patent?

Mr Noonan—There is no specific provision in the free trade agreement that deals with gene patents.

Senator HEFFERNAN—Could we decided to say, as did the southern parts of the continent of America, ‘We are not interested if you have got a patent on brachial 1’, just like that with the stroke of a pen?

Mr Noonan—I think the relevant restriction would be that an area of technology could not be excluded because of the provisions in TRIPs, so we would have to assess exactly what was proposed to remove from the—

Senator HEFFERNAN—In, say, Argentina or Brazil or somewhere, there is not the restriction on research. I agree that we need to do something for the people of Westmead Hospital, Peter McCallum and Adelaide et cetera, because they are absolutely restricted by a monopoly. Gene Technologies Australia—

CHAIR—Senator Heffernan, what you are about—

Senator HEFFERNAN—have said that the only reason we are doing these tests in Australia is that they discovered Myriad Genetics breaching one of their patents so they have come to a legal settlement that allows them to do the brachial tests in Australia, otherwise they would have had to be sent, like Japan, back to America. This is all stuff that has never been tested by law; would you agree?

Mr Noonan—Our provisions and the approach of IP Australia are consistent with the approach adopted by other major—

Senator HEFFERNAN—But it has never been tested at law.

Mr Noonan—There has been no Australian case, specifically.

Senator HEFFERNAN—That is right. It has never been tested at law. As you know, in Europe it has been tested. It was a split decision on a technicality. People of dubious extraction over there are paying four or five times the numbers—

CHAIR—We are running late.

Senator HEFFERNAN—I appreciate your indulgence. So we are not restricted by the free trade agreement. If we wanted to, we could actually say, 'Forget about it.'

Mr Noonan—As I mentioned before, you would have to look at exactly what you propose to excise. There are limits on what you can remove from the coverage of the Patents Act. They are imposed by the TRIPs—

Senator HEFFERNAN—Would you agree that under this convention, under this present arrangement—

CHAIR—No, Senator Heffernan.

Senator HEFFERNAN—there is a danger that you absolutely restrict and intimidate public laboratory research into an area where there is patent on a human gene which in good faith the public laboratory wants to investigate?

Mr Noonan—I think the Patents Act is well equipped with its provisions through compulsory licences and through Crown use to deal with any situation if it arose, but as far as we know no such situation has ever arisen in Australia.

CHAIR—Thank you to IP Australia for their assistance today.

[3.38 pm]

CHAIR—Thank you. I now call witnesses from the Department of Innovation, Industry Science and Research for outcome 1.

Senator Carr—Can I just indicate that I am obliged to attend a cabinet meeting at 4.15 today. I advise the members of the committee that, if there are specific questions that they would like me to attend to, I would appreciate it if any matters were put to me directly now. I will be back later this evening but, just as a matter of courtesy, I would like to inform the committee that Senator Conroy will be replacing me at the table.

CHAIR—Thank you. Up until 4.15 pm if any members want to ask questions directly of the minister, can they get them in first? I take it that, if there is a really urgent question, we can go back to it later on.

Senator RONALDSON—I would like to ask some questions in relation to the business enterprise centres? I understand that in the portfolio budget statement last year it said that the BECs are to report twice yearly on the increase and expansion of the services they provide—that is, those services previously provided by the BECs. Are there any BECs which failed to meet the twice yearly reporting requirement?

Mr Peel—No, there are no BECs that have failed to meet the reporting requirements.

Senator RONALDSON—Is the minister provided with a copy of these reports?

Mr Peel—Not usually. We would brief the minister on any issues that arose from them.

Senator RONALDSON—Why would the minister not be provided with a general brief in relation to the performance of these BECs?

Mr Peel—The question you asked me, I think, was whether the minister is provided with a copy of each of the reports, and my answer was: ‘No, not normally. We would brief the minister on any issues that arose from the reports that we thought needed to be drawn to his attention.’

Senator RONALDSON—You have reports from all these BECs pursuant to the twice-yearly requirement?

Mr Peel—Yes.

Senator RONALDSON—That relates to both the increase and expansion of their services over and above what they were performing—

Mr Peel—Yes, we have received reports from the BECs against the contractual arrangements that they have with us to provide additional services.

Senator RONALDSON—Is the contractual arrangement in the terms of the portfolio budget statement from last year that they are to report twice? My understanding is that the portfolio budget statement said:

BECs to report twice yearly on the increase and expansion in the services they provide ... over those services previously provided by the BECs ...

Mr Peel—That is correct.

Senator RONALDSON—Is that the nature of the report?

Mr Peel—That is correct.

Senator RONALDSON—Are you able to table those reports in relation to those BECs?

Mr Peel—I do not have them with me.

Senator RONALDSON—I appreciate that.

Mr Peel—I would have to take that question on notice just to check whether I can do that.

Senator RONALDSON—What would be a situation where you could not?

Mr Peel—I do not know, but there may be some confidential information within those reports, so I can take the question on notice and get back to you on it?

Senator RONALDSON—What are the performance indicators that the department has set to recognise ‘increase and expansion’?

Mr Peel—The contractual arrangements require that the BECs deliver a range of services. They are required to report back to us on what range of services they have provided to how many businesses over and above that which they did previously.

Senator RONALDSON—We might need to take them one at a time. What were the performance indicators that the department has set to recognise ‘increase’?

Mr Peel—As I mentioned, there are a range of services that each BEC has to provide. They include mentoring for new business, planning diagnostics, planning advice and development services, advice on loans and banking products, marketing plan preparation, advice on legal services, accounting services, leasing guidance, regulatory compliance advice and staff training programs.

Senator RONALDSON—How are you benchmarking that as against the services they previously provided?

Mr Peel—As I said, the contractual arrangements indicate that they need to provide these over and above what may have been provided previously and we monitor that. In relation to each report, I have figures here of the amount of services that have been provided overall by the BECs during the first reporting period. We are satisfied from those reports that they are all performing appropriately.

Senator RONALDSON—Could you take that on notice and perhaps provide me with a copy of the criteria upon which they are benchmarked?

Mr Peel—As I said, there are a range of services they have to provide in their reporting to us—

Senator RONALDSON—Perhaps if you could just provide me with that information in due course.

Mr Peel—I have already outlined them to you.

Senator RONALDSON—You just read out some performance criteria; perhaps you could provide me with that information in writing, if you would not mind. What is the difference between ‘increase’ and ‘expansion’ from a definition point of view?

Mr Peel—‘Increase’ would mean that they are actually providing more services and ‘expansion’ would be increasing the range of business and services being provided.

Senator RONALDSON—What are the criteria for an expansion? In light of that \$42 million, have they been required to expand into other areas?

Mr Peel—As I said, each of the contractual arrangements with each of the BECs spells out what they are required to provide during the reporting period. We examine each one of those contracts to make sure that they have done that at the end of the reporting period.

Senator RONALDSON—Under that contract were they required to expand into certain areas or just expand those businesses that they were dealing with prior to the allocation of these funds?

Mr Peel—Normally each BEC would have a particular geographic area that it is responsible for.

Senator RONALDSON—Was the expansion geographic or was the expansion the range of businesses that they were required to provide increased services to?

Mr Peel—Essentially the number and range of businesses.

Senator RONALDSON—As to those performance indicators, if a BEC was providing services to four businesses, did the performance indicators say that they had to double that, treble that or what were the performance indicators?

Mr Peel—I would have to take that on notice and look at each of the contractual arrangements.

Senator RONALDSON—Under those contractual arrangements did you actually look at what the range of services were for each BEC and then provide a separate contract for each of those with different performance indicators?

Mr Peel—We provided a contract to each BEC outlining the range of services we expected them to provide during the period.

Senator RONALDSON—Did you have individual contracts with each of those BECs in relation to what their performance requirements were going to be?

Mr Peel—Yes.

Senator RONALDSON—In that contractual arrangement did you stipulate the increase or the expansion that you required in relation to numbers of small businesses or businesses that were to be contacted or included in their operations?

Mr Peel—There was an expectation of expansion. I would have to take on notice the exact requirement that was specified in the contract.

Senator RONALDSON—If you could take on notice, please, for each particular contract what the performance indicators for an increase and expansion for each of those contracts were? Are there any BECs which have failed to increase or expand their services?

Mr Peel—There are no BECs that we have issues with.

Senator RONALDSON—That might be right, but are there any BECs which have failed to increase or expand their services?

Mr Peel—I do not believe so.

Senator RONALDSON—Do you want to take that on notice, or is that a no?

Mr Peel—I will take it on notice.

Senator RONALDSON—If you are not sure, how could you say earlier on that you were satisfied with the performance of all these BECs against the criteria of the portfolio budget statement?

Mr Peel—We have received reports from all the BECs and we have been happy with their performance to date.

Senator RONALDSON—But you do not know whether they have increased or expanded their services?

Mr Peel—The requirement was that they do that.

Senator RONALDSON—I put to you that you do not know whether they have. You have taken on notice as to whether or not they have increased or expanded their services but you say they have met the criteria; so which one is it?

Mr Peel—I believe they met the criteria. I think you were asking earlier for the precise specification for each BEC.

Senator RONALDSON—You have not reported back to the minister. Presumably you have not reported to the minister because you do not believe there are any issues with any of the BECs?

Mr Peel—We have not reported any concerns to the minister about the BECs meeting their requirements.

Senator RONALDSON—Have you any concerns about any of the BECs meeting their requirements?

Mr Peel—Not at this stage, no.

Senator RONALDSON—Do the BECs record the logs of the number of small businesses they have assisted?

Mr Peel—Yes.

Senator RONALDSON—Can you just take on notice how many small businesses each BEC is assisting today as opposed to what they were doing prior to the \$42 million in last year's budget?

Mr Peel—Yes.

Senator RONALDSON—I presume that was probably a performance criterion anyway for each individual BEC; was it?

Mr Peel—Yes.

Senator RONALDSON—Is the BEC required to display any signage confirming that they are a BEC or that they receive federal government funding?

Mr Peel—I would have to check the contract, but I do not believe so.

Senator ABETZ—There must be a plaque or something.

Senator RONALDSON—Have you been to one of these?

Mr Peel—I have been to a number of BECs over the years, yes.

Senator RONALDSON—Was there any signage confirming they were a BEC or that they receive federal government funding?

Mr Peel—The signage of course confirms that they are BECs. The question that I thought I was responding to was whether there was signage to say they had received federal government funding. I do not believe that is a contractual requirement.

Senator RONALDSON—I did ask you (a) whether they are a BEC and (b) whether they receive federal government funding. Is there any particular amount allocated for signage?

Mr Peel—I would have to check that. I am not aware of that.

Senator RONALDSON—Do you have responsibility for these contracts yourself or is there a departmental officer under you?

Mr Peel—There is a departmental officer under me.

Senator RONALDSON—Do you know what the number of inquiries registered at each BEC has been over the last 12 months, for example, since this increased funding?

Mr Peel—We have figures on the total number of businesses they have assisted since the funding was provided, but I am not sure that we have the actual number of inquiries.

Senator RONALDSON—Can you take that on notice?

Mr Peel—Yes.

Senator RONALDSON—Do you have details on the number of businesses assisted with each BEC and the services that were provided to each assisted business?

Mr Peel—Yes. I have a list of services, which I went through with you before, and I also have a number of businesses that were assisted against each of those services.

Senator RONALDSON—Given that they are individual contracts, that you benchmarked their performance and that benchmarks are in line with what services they were previously providing, for each BEC can you give me details of the number of businesses assisted and the services provided to each of those assisted businesses?

Mr Peel—Yes.

Senator RONALDSON—Thank you. That is all I have on this matter but I have one further matter.

Senator ABETZ—I would like to ask the minister a few questions before he leaves. Minister, when did you become aware of your need to attend a cabinet meeting this afternoon? We had the same difficulty the last time we met and I would just hate to see this develop into a pattern.

Senator CAMERON—Point of order! I do not think it is appropriate for a cross-examination of the minister in terms of when he was advised about a cabinet meeting.

Senator ABETZ—Of course it is.

Senator CAMERON—It is not.

CHAIR—Can you finish the point of order, please.

Senator CAMERON—I do not think it is appropriate to cross-examine the minister about when a cabinet meeting is on.

Senator CORMANN—It is core business of the Senate estimates.

CHAIR—I do not know that it is core business, but the minister might choose to answer the question.

Senator Carr—I take my responsibility at estimates committees seriously and I always have. If I am called away, it is unavoidable. I would not be leaving under any other circumstances.

Senator ABETZ—We were informed at about 3.40 pm this afternoon. If we had known about your departure at a particular time we may have been able to rearrange some of these questions.

Senator Carr—I have been urging you to stick to this timetable since this morning. You have chosen to spend the amount of time that you have on questions that you have and that is entirely a matter for you. I did draw to the chair's attention the timetable and the fact that the committee was not following it.

Senator ABETZ—That was on the understanding that you were here. It just seems passing strange—

Senator Carr—I do not think it would make any difference. It is your lack of discipline.

Senator ABETZ—I happen to agree that having you at the table does not make much difference. Usually it is more orderly when you are absent. I think the committee is entitled to an explanation as to why it was only told at 3.40 pm this afternoon that in 20 minutes time you would need to absent yourself. In answering that, can you also indicate to us an anticipated return time?

Senator Carr—I would anticipate that the matters will be concluded by seven o'clock this evening.

Senator ABETZ—In the time left, can I draw your attention to question Nos 1427 and 1431. In a question on 12 March 2009 I asked: on what date did the minister first become aware that Pacific Brands were considering reducing employment levels in Australia and/or closing any or all of their Australian clothing manufacturing facilities? I am told in response:

The government was aware that Pacific Brands had undertaken a strategic review. The government received formal advice of Pacific Brands' intention on 25 February.

Can we now get an answer as to on what date you as minister—not the government, you as minister—first became aware as opposed to receiving formal advice? I would like an answer to the question put forward by myself.

Senator Carr—The 25th was the date on which I was officially advised of the decisions of Pacific Brands.

Senator ABETZ—That is the formal advice?

Senator Carr—Yes.

Senator ABETZ—When did you first become aware that they were considering reducing employment levels in Australia? What date was that?

Senator Carr—There were rumours that matters were being considered by Pacific Brands.

Senator ABETZ—Were you, for example, told by Pacific Brands to be ready for a formal announcement on 25 February 2009 prior to 25 February 2009?

Senator Carr—There were rumours.

Senator ABETZ—I am not talking about rumours. Did Pacific Brands specifically indicate to you or give you a heads up as to the likelihood of this announcement on 25 February 2009?

Senator Carr—We have been through this before. I have indicated to you that until a company that is listed on the Stock Exchange advises me that there is a formal decision being made then of course no notification has occurred until that point.

Senator ABETZ—I am not asking about official notification.

Senator Carr—It is a very important distinction.

Senator ABETZ—Formal advice is one thing but ‘first become aware’ is a different matter. Indeed, I do know that Minister Garrett, for example, rings people before a government decision is made. They are people who do not have any interest in the shareholdings. I would have thought that the company may well have told you prior to their formal announcement on 25 February that they were going to make such an announcement in a day’s time or—

Senator Carr—We dealt with this at the last Senate estimates.

Senator ABETZ—The answers were most unhelpful. That is why I was reduced to putting questions on notice, and the written answers are just as useless. That is why I have had to revisit it today.

Senator Carr—The formal decision was communicated to—

Senator ABETZ—That is not the question. When did you first become aware that Pacific Brands was considering reducing its employment levels? I am not talking about rumours that you may have picked up around the corridors. I am talking about when you first became aware that this announcement would be made on 25 February 2009.

Senator CAMERON—It was not at the same time the chief executive got that big pay rise, was it?

Senator ABETZ—Be careful; that is no longer the Labor Party’s approach on this issue. They have dropped right off on that one.

Senator Carr—I answered this question at the previous round of estimates. I have answered this question on notice.

Senator ABETZ—No, you have not.

Senator Carr—I do not have anything further to add.

Senator ABETZ—You have not answered it, because most people would agree that first becoming aware of an issue and formal advice are two different things. You have studiously avoided and you still today are studiously avoiding answering the actual question by proffering information that in fact was not sought. Is the Senate going to be favoured with a response to the question of on what date you first became aware that Pacific Brands was considering reducing its employment levels in Australia?

Senator Carr—I have answered that question on numerous occasions.

Senator ABETZ—You have not. I am asking you, yet again, whether we are going to be favoured with a response.

Senator Carr—You already have a response.

Senator ABETZ—I do not. Let us try question 2 in relation to these questions on notice.

CHAIR—I think—

Senator ABETZ—Just before the minister goes, if I may, Madam Chair.

CHAIR—Yes.

Senator ABETZ—It asked: since 1 December 2008, what discussions has the minister, the minister's office or the department had with Pacific Brands chairman, board members, employees or any form of company representative regarding Pacific Brands future operations in Australia, if any? For each instance, please identify by whom, with whom and on what date? I am given about a 12-word answer, that the 'government has had a range of discussions with Pacific Brands on a range of topics since 1 December 2008'. I asked for specific dates, whether by you, by your office, by your department, with whom and on what dates. Are you saying that that is a sufficient answer as well?

Senator Carr—Yes.

Senator ABETZ—Operation Sunlight does not seem to be operating much in this government, does it? I have had similar non-answers from Department of the Prime Minister and Cabinet and from the environment minister. This now makes the trifecta. Minister, if I place this question on notice again asking you as with whom you had any discussions, would you tell us?

Senator Carr—Discussions about what?

Senator ABETZ—The topic of my question. I hope that your performances at cabinet are somewhat better than here. Can I indicate to you that it is in no way, shape or form an answer to the Senate to say in response to the question 'Since 1 December what discussions have you had, your officers had or the department had,' for you only to respond that the 'government has had a range of discussions'. We asked by whom, with whom and on what dates. We are entitled to that information, and we request it. If it does not come that may be something that the whole Senate may need to visit. I would have thought the crossbenchers and the Greens would be singularly unimpressed with this sort of non-answer. Are we going to get a response to the specific questions asked?

Senator Carr—I have indicated to you that I was formally advised on 25 February.

Senator ABETZ—That is not in response to question No. 2 that we have moved on to. Please, Minister!

Senator Carr—I have had a range of conversations with the chairman of the board.

Senator ABETZ—Since 1 December 2008?

Senator Carr—No, since 25 February. I have indicated to you that a formal advice was tendered to me on that date, which is extremely important given the stock exchange obligations for listed companies.

Senator ABETZ—But we want to know about informal advice.

Senator Carr—There was no decision made by the board until that time.

Senator ABETZ—We are not talking about decisions; we are talking about first becoming aware that they were considering it. I am not talking about decisions. When did you first become aware they were considering it?

Senator Carr—You are a former minister.

Senator ABETZ—And I used to be responsive.

Senator Carr—You know the difference and you understand that boards may consider a whole range of issues.

Senator ABETZ—That is right.

Senator Carr—They may contemplate a range of options.

Senator ABETZ—That is right.

Senator Carr—They may consider a multitude of opinions.

Senator ABETZ—That is also right.

Senator Carr—There may be reports in newspapers.

Senator ABETZ—That is also right.

Senator Carr—There may be all sorts of speculation.

Senator ABETZ—That is also right, but it does not answer my question.

Senator Carr—But it is not the job of a minister to comment upon these matters until the board has made a decision. The board is obliged to report that decision to the stock exchange, which occurred.

Senator ABETZ—And now that the board has made the decision and reported it to the stock exchange, I am inquiring as to when you first become aware—because the issue of reporting to the stock exchange is no longer relevant. You can now tell us when you first became aware that the board was considering this issue. Out of your very own mouth and very own explanations you have now indicated to us that you can comment on that, and I am asking you to comment on it.

Senator Carr—Thank you for your advice. I will give the matter some more thought.

Senator ABETZ—That is just outrageous. In relation to question No. 2, are we going to be told what discussions you had or if you had discussions with representatives from Pacific Brands and on what date, since 1 December 2008? Are we going to be favoured with a response to that?

Senator Carr—I have indicated the answer that I have given you.

Senator ABETZ—The answer is that the ‘government has had a range of discussions with Pacific Brands on a range of topics since 1 December 2008’. That is completely non-responsive to the question of whether it was by you with a chair, with board members, with other people of Pacific Brands. Why can’t you tell us with whom you, your office and the department have had discussions? We are not asking, at this stage, about the detail of those discussions, just whether those discussions have taken place and on what date. You are not providing any answers in relation to that.

Senator Carr—I have a range of conversations with a range of firms.

Senator ABETZ—Yes, I know that. I am only asking about Pacific Brands.

Senator Carr—I like to pride my office and the department on the confidentiality of those conversations. We will not secure the advice the government needs if people believe that any conversation they have with the government will be the subject of broader speculation or comment. I repeat: it is important for us to be able to have confidential conversations with companies, which we do on a regular basis.

Senator ABETZ—That is not in dispute. What surely is not in dispute at these estimates is that you are to give an account of whether or not you have had discussions with company representatives and on what dates. What those discussions may relate to, I fully understand that there are sensitivities, but those sensitivities in relation to Pacific Brands are now over. The decision has been made and reported to the stock exchange, so we can therefore easily traverse the discussions between 1 December 2008 and 25 February 2009. Can we not do that? What is the problem with canvassing that? There is no commercial-in-confidence. Everything is out in—

Senator Carr—That is where you are wrong.

Senator ABETZ—Why?

Senator Carr—I am not going to all those—

Senator ABETZ—Why?

Senator Carr—I have indicated to you—

Senator ABETZ—You are wrong and you are not going to explain yourself. That is about as pathetic as a minister can get in these estimate proceedings. Just to say, 'It is wrong, but I am not going to provide you with an explanation as to why you are wrong.' This is indicative of Operation Sunlight at its very best. We can now take an afternoon tea break, if you like.

CHAIR—Yes, certainly. We will have the afternoon tea break and return at 4.25 pm with the Department of Innovation, Industry, Science and Research.

Proceedings suspended from 4.09 pm to 4.25 pm

CHAIR—We will resume. We are continuing to examine outcome 1 with the Department of Innovation, Industry, Science and Research.

Senator ABETZ—I think we are still in the corporate general overview area. Mr Paterson, I want to ask you about answer No. 14271431 that was tabled and presented to the Senate. Without knowing what changes may have been made, is that answer in the exact form it came from the department to the minister's office?

Mr Paterson—I could not answer that question. I do not know the answer to the question.

Senator ABETZ—Please take that on notice.

Mr Paterson—Yes.

Senator ABETZ—I would be most disappointed if the department had provided us with this sort of an answer in relation to question (2), where I asked the department: since 1 December 2008, what discussions did the department have with Pacific Brands chairman et

cetera and on what dates? Mr Paterson, what discussions has the department had with anybody from Pacific Brands since 1 December 2008?

Mr Paterson—That is a question I would have to take on notice. Senator, you have a response to a question on notice. You have asked me whether there is any difference between what we put forward and what was in that answer to the question on notice. I have already said that I will take that on notice.

Senator ABETZ—I know that we do not have any comeback from that, and that is your right. But, unfortunately, it is indicative of a growing trend—I do not blame you for this, Mr Paterson—of the culture within this government of non-answers. Chair, I wonder whether it might be possible to make a phone call to the Chief Scientist to ascertain her availability, let us say, at 6.00 or 6.15 pm this evening. Being largely an independent person, I would imagine that her area of responsibility will not require the presence of Minister Carr or, indeed, a minister—and we are currently lacking a minister, let alone Senator Carr. I just wonder whether some inquiries could be made and the committee advised in due course.

CHAIR—In that case, I think we would need to have a private meeting to rearrange the schedule.

Senator ABETZ—If it could be agreed without any objection. If the Chief Scientist were not available, that answers that, and we can move on without the need for a private hearing. But I also place on notice: when was the absent minister, Kim Carr, first advised of his need to be at a cabinet meeting this afternoon and when did he first advise this committee?

Senator PRATT—I do not think this question is appropriate for these witnesses.

Senator ABETZ—That is why I am putting it on notice, Senator Pratt. You might want to come back this evening when we deal with your Southern Seas issue, which you tried to raise before lunch. I think I know what is happening with the program. I ask that those questions be put on notice as well. For the record, it is completely unacceptable for us now to be without not only the portfolio minister but any minister. Given all the days that cabinet can meet—and it might be a specific issue relating to the minister; I accept that—why such an issue could not be dealt with at lunchtime, dinner break or in the early morning, quite frankly, beggars belief and is indicative yet again of the way that this Senate is being treated by this government. Rather than putting this question to the minister, I will ask you, Mr Paterson: does the minister's chief of staff have an office dedicated to her in the department?

Mr Paterson—No.

Senator ABETZ—Is she a regular visitor to the department?

Mr Paterson—Not an infrequent visitor. We make space available when she attends.

Senator ABETZ—When you make space available, that suggests that she works from there, in the department.

Mr Paterson—There are occasions when there may be a range of meetings with officers of the department and it is more convenient for officers to meet with the chief of staff at the department rather than the reverse.

Senator ABETZ—Does that amount to about one day per week?

Mr Paterson—No, it does not.

Senator ABETZ—Less than, more than?

Mr Paterson—Substantially less than.

Senator ABETZ—Did the minister give a speech at Questacon on the day of the budget?

Mr Paterson—Yes.

Senator ABETZ—Was that after the budget had been delivered?

Mr Paterson—No. It was prior to the budget.

Senator ABETZ—At what time?

Mr Paterson—I do not recall precisely the time, but it was in a period immediately preceding.

Senator ABETZ—What was the criteria on which attendees were selected to attend?

Mr Paterson—I would have to take that on notice. It was a broad spread of portfolio interests. There was a lockup requirement applied to that gathering. All people who attended that event attended on the clear understanding that they had no electronic devices on their person—they were all handed in—and no-one was allowed to leave the lockup until after 7.30 pm on budget night.

Senator ABETZ—Is a transcript of that speech available?

Mr Paterson—No.

Senator ABETZ—The minister is usually pretty anxious to get his speeches up on his website, but I note that this one is missing.

Mr Paterson—It is not something that I would have expected—

Senator ABETZ—Do not worry about what you would or would not have expected. I am making the observation that it is not.

Mr Paterson—I will learn the lesson not to respond to your observations then.

Senator ABETZ—Good; thank you. What would I call this—a forum?

Mr Paterson—No; a briefing.

Senator ABETZ—All right, a briefing. Did that briefing require Questacon to stay open beyond normal working hours?

Mr Paterson—It did not stay open per se. Questacon, as you know, is a science and discovery centre and the vast majority of the people who attend it are schoolchildren. It was not open for public business, but we used it as a venue to host the briefing.

Senator ABETZ—Did the department pay Questacon for that?

Mr Paterson—For it remaining open?

Senator ABETZ—Yes.

Mr Paterson—I do not believe so.

Senator ABETZ—So that would be a cost with security, having staff there et cetera, to ensure that people—

Mr Paterson—I am happy to take on notice the precise details about where the costs were borne in relation to it. I do not believe that we paid Questacon. But Questacon is a division within the department and not a separate legal entity; so it would have been the department paying the department to undertake an activity.

Senator ABETZ—Yes, but Questacon does have a separate budget.

Mr Paterson—Each division within my department has a separate budget, but I still—

Senator ABETZ—I understand that the minister made some highly critical comments about certain elements of, let us call it, the science and research community in his address. Given that he has used a taxpayer funded forum and not provided us with a copy of his speech, we will never know whether that report is true and correct.

Mr Paterson—I was there and I would assert that it is neither true nor correct.

Senator ABETZ—I know other people who were present, whom I am more than willing to believe, who have given me a completely different account of the events on that evening. So we will just have to agree to disagree, I think, at this stage. I do have other questions—

Mr Paterson—I hope there is no other inference there, Senator.

Senator ABETZ—The suggestion, vice versa, is that—

Mr Paterson—I do not think that the people who were—

Senator ABETZ—the inference is that somebody else, whom I know very well, has given me a misreport. That is why both of you will have to accept that we will have to agree to disagree. If you want your honour completely maintained in this, as I can fully understand you would, of course, the other person who gave me a contrary report would also be insisting on their honour being maintained.

Mr Paterson—Mine is on the record and public.

Senator ABETZ—Somebody else does not want to encounter the sort of vindictiveness of this government that is already on the public record in relation to Mr Combet and the ETS—and the list goes on and on. This person, quite cleverly, does not want to be identified, because of the culture that has developed around this government. I am sure I do not need to remind anybody of the finding of the recent poll about a certain mean streak developing in this government.

Senator Conroy—Senator Abetz, I think you are ranging very widely.

Senator ABETZ—You are here, Minister, 12 minutes late.

Senator Joyce interjecting—

Senator Conroy—Senator Joyce, it is always a pleasure.

Senator Joyce interjecting—

CHAIR—Order!

Senator ABETZ—Minister, can you explain why you are not needed at a full cabinet meeting this afternoon?

Senator Conroy—I would always attend a full cabinet meeting, Senator Abetz.

Senator ABETZ—So it is not even a full cabinet meeting; that is interesting. What else can you tell us about this meeting that Senator Carr has been required to attend so urgently?

Senator Conroy—Senator Abetz, you know that is a silly question.

Senator ABETZ—I think it must be a silly question if—

Senator Conroy—Maybe I have been demoted from cabinet and I do not realise it yet.

Senator ABETZ—It is possibly a silly question as to why anybody would want Senator Carr's attendance at a cabinet meeting—I can understand that—but it is not a cabinet meeting. So we are talking about a subcommittee of cabinet, are we?

Senator Conroy—I am not in a position to comment, because I do not know where Senator Carr has gone to other than that he had another commitment and I am filling in.

Senator ABETZ—No. He told us it was a cabinet commitment; we know that much. You are now—

Senator Conroy—Maybe I have been demoted from cabinet and I do not realise it.

Senator JOYCE—He said that he was going to have the book thrown at him and he was very worried about it.

Senator Conroy—Yes, I am sure he was.

Senator ABETZ—So, clearly, it is not a full cabinet meeting; thank you for that, Senator Conroy. I understand that Senator Ronaldson has a few questions.

Senator Conroy—I am pleased to see that you continue to give yourself a serious cross-examination, and you do it very well.

Senator RONALDSON—I am not entirely sure why Minister Carr would tell us that he was required in cabinet, but apparently cabinet is not meeting. So I am a little perplexed as to why he would mislead this committee, particularly given the importance of estimates. He said that he was going to a cabinet meeting and, clearly, he is not in a cabinet meeting. When he gets back, I presume that others will be asking appropriate questions.

CHAIR—That is a very interesting observation, Senator Ronaldson. Do you now have questions?

Senator RONALDSON—Madam Chair, I am not so sure that you are going to ask the minister a question, but he clearly misled this committee.

CHAIR—I will then.

Senator RONALDSON—Minister, I want to refer to an announcement early this year from the minister for small business that a bank complaints clearing house would operate from within his office. Apparently, this clearing house was designed to assist small business operators having difficulty obtaining finance from local bank branches. Complaints were apparently registered with the minister's office and forwarded to the Australian Bankers

Association. Ms Weston, do you have responsibility for this? How many complaints has the clearing house received to date?

Ms Weston—I wrote this earlier on one of my pages here. I think that, as at 27 May or around that date, some 57 complaints had been provided to that clearing house.

Senator RONALDSON—When did the clearing house start?

Ms Weston—It would have been around the time that the minister held the banking roundtable in Melbourne. Bear with me, as I have that here. That was in March. As I recall—if I am wrong, I will correct this later—that was one of the announcements from the communique that was released at that time.

Senator RONALDSON—Was that early March, mid-March or late March?

Ms Weston—I have a vague thinking that it was early March, but I will take that on notice.

Senator RONALDSON—Could you give me a month-by-month breakdown of the number of complaints, please.

Ms Weston—I will have to take that on notice, but certainly.

Senator RONALDSON—What involvement has the department had in the clearing house operation?

Ms Weston—It has been run out of the minister's office, so we have just been kept up to date on what has happened. For instance, in meetings that we have had with the minister, occasionally there has been a discussion about it. But it has been managed largely out of the minister's office.

Senator RONALDSON—What has he told you?

Ms Weston—We have been able to get details of how many inquiries and so on.

Senator RONALDSON—Is that the limit of it?

Ms Weston—That is all we have needed to know at this point.

Senator RONALDSON—You say that is all you have needed to know. This is a bank complaint clearing house, operating out of the minister's office. The department knows nothing about it, except the number of complaints.

Ms Weston—We have had discussions, for instance, about the sorts of complaints there are. I was at a meeting—

Senator RONALDSON—So what are the sorts of complaints?

Ms Weston—Some of them are that people have not been able to get credit when they thought they might have been able to.

Senator RONALDSON—That is actually why it was set up, wasn't it? So I am not surprised that that is the nature of the inquiry.

Ms Weston—Some other people are just generally distressed about the state of their businesses, as I understand it; so there is that sort of avenue as well.

Senator RONALDSON—Of those 57, how many were having difficulty obtaining finance from their local bank branches?

Ms Weston—I will have to take that on notice.

Senator RONALDSON—Does a clearing house operation monitor the outcomes of its referrals to the ABA?

Ms Weston—I understand that aggregate data is coming back to the minister's office on how those referrals to the ABA are going.

Senator RONALDSON—Aggregate data from where?

Ms Weston—From the ABA.

Senator RONALDSON—Have you seen that?

Ms Weston—I have not seen it personally.

Senator RONALDSON—Has the department seen it?

Ms Weston—I would have to take that on notice.

Senator RONALDSON—Mr Paterson, I find it utterly bizarre that we have a clearing house operating out of the minister's office that the department knows virtually nothing about except that there have been 57 complaints. Doesn't it cause you some concern that you are not being briefed or having any involvement in this matter?

Mr Paterson—No, it does not.

Senator RONALDSON—It does not?

Mr Paterson—No. This matter was established by the minister in the minister's office. We do not supervise minister's offices; we never have and never will. We have been informed in discussion with the minister's office. There are regular meetings between Ms Weston, other senior officers of the department and the minister. I am not concerned that we are unaware of the substance of the issues that are being raised, which is—

Senator RONALDSON—You are unaware of a lot more than the substance of the issues. Was this announcement put out by way of press releases?

Ms Weston—There was a communique—I think that is what it was called—that came out after the minister had a banking roundtable with the banking industry and industry associations.

Senator RONALDSON—Who prepared that?

Ms Weston—It was prepared at the time of the meeting with the banks.

Senator RONALDSON—Was the department present at this meeting?

Ms Weston—The department did go to the roundtable, yes.

Senator RONALDSON—Did the communique come out under the name of the department? Were any press releases put out under the name of the department? Does the department website have any reference to the clearing house?

Ms Weston—Yes, it does. The business.gov.au website refers to it and the communique is located on that website.

Senator RONALDSON—So you have been responsible for communiques, press releases, information on the website—

Mr Paterson—No. That is putting words into the mouth of the witness.

Senator RONALDSON—but you are actually not involved in the operations of this.

Mr Paterson—We have not indicated that we have been involved with press releases and the likes of that.

Senator RONALDSON—But the department was present at this roundtable.

Mr Paterson—But it is not a natural extension from being in attendance at the roundtable that the other things flow.

Senator RONALDSON—Did you assist with the preparation of the communique?

Ms Weston—That was largely done with the minister in discussion with banking and COSBOA—

Senator RONALDSON—Was the department involved in the preparation of the communique?

Ms Weston—I think I stood in a conversation where it was discussed. But it was put together by the minister and his office in consultation with the banking sector and, I think, a couple of the industry representatives.

Senator RONALDSON—Do we know who typed the communique up?

Ms Weston—I will have to take that on notice, but I believe that it was the minister's office.

Senator RONALDSON—Did they take that away and prepare it, or did they prepare it wherever this—

Ms Weston—I would have to take that on notice. As I said, it was largely something that the minister's office organised.

Senator RONALDSON—Did you know that the minister was going to make this announcement after the roundtable?

Ms Weston—Yes, I was aware—

Senator RONALDSON—Mr Paterson, would you like to answer the questions? It is a bit hard having a three-way conversation. If you want to answer the questions, please feel free to do so.

Senator Conroy—You are having a one-way conversation at the moment, Senator Ronaldson.

CHAIR—Yes. Senator Ronaldson, people at the table are permitted to confer, just as we have conversations here. Mr Paterson or Ms Weston?

Ms Weston—Can you repeat the question, please?

Senator RONALDSON—I was asking you about the communique and whether you were involved at all in the preparation.

Ms Weston—I was aware that there was likely to be a communique.

Senator RONALDSON—Was that as a result of discussions with the minister's office prior to the roundtable?

Ms Weston—Yes, that would have been from discussions with the minister's office.

Senator RONALDSON—When the minister's office told you what the communique would say, did you have any input into the policy surrounding this clearing house?

Senator Conroy—That goes to advice to government. If you can just rephrase your question fractionally, I am sure that we will be able to get you the information that you are after.

Senator RONALDSON—Were you advised that this would be announced and did you provide any advice to the minister in relation to the clearing house?

Ms Weston—It is hard to recall. The answer is that I possibly could have.

Senator RONALDSON—Possibly could have, or in all likelihood did?

Ms Weston—I just cannot remember the timing about whether there were discussions before or afterwards.

Senator Conroy—I am sure that she is happy to take it on notice and see whether she can—

Ms Weston—I am happy to take it on notice.

Senator RONALDSON—Ms Weston, can you see why I am a little surprised? You were advised that, prior to this roundtable, there would be a communique in relation to a bank clearing house. You have told us that, in all likelihood, you were asked for some advice or you gave some advice in relation to that. You have told us that, after this roundtable, a communique was prepared, you were certainly present when it was being discussed and the department may have had some involvement in its preparation. You have told us that, since then, this has gone onto the website and press releases were put out under the department's name, unless I am—

Mr Paterson—That is not the case. I made the point earlier: you jumped to a proposition that we had put out a press release. We have not put out a press release.

Senator RONALDSON—Was everything right up until then?

Mr Paterson—Yes.

Senator RONALDSON—Are the details of the communique on the department's website?

Ms Weston—It is on the business.gov.au website and it is also on the department's website.

Senator RONALDSON—Have you expressed any concerns to the minister, Mr Paterson, about the way that this matter has been handled?

Senator Conroy—That clearly goes beyond the line of questioning that is permissible at estimates. You are allowed to ask for factual information; you are not allowed to ask about

what the content of advice is. The way that you have described your question would go to the content of the advice.

Senator RONALDSON—All right, I will not ask about the content. Have you lodged a complaint at all with the minister in relation to the conduct of this clearing house out of his office?

Senator Conroy—That is the same question and it goes to policy advice to government, and you know that.

Senator RONALDSON—I just asked whether the matter had been raised by Mr Paterson.

Senator Conroy—No, you did not.

Senator RONALDSON—Then I will ask it again: has the matter been raised with the minister?

Senator Conroy—That goes to the issues around advice to government. We will happily take that on notice and, if the minister has any further information that he would like to share with the committee, we will happily do so.

Senator RONALDSON—Where is his representative?

Senator Conroy—That is me.

Senator RONALDSON—No, Senator Carr is his representative and he is not here. He is off at a non-existent cabinet meeting. That is the contempt that he treats this process with.

Senator Conroy—I am representing Senator Carr. Over the lengthy period that I attended estimates—as you well know, Senator Ronaldson—the minister at the table was called away on many occasions.

Senator RONALDSON—That is right. Also, having been told by one of your colleagues what they were doing or where they were going, you quite rightly would have taken that at face value. That is exactly what we did at 20 to four, when we were advised by Minister Carr that he was going to a cabinet meeting—and there is no cabinet meeting. So I do not think you will be taken aback that we are pretty upset about the fact that we were told something that is not true. I think in these situations we have always been entitled to rely on our colleagues at least being honest with us in relation to what they were doing. Also, I do not think anyone in this room, on this side, would have objected to the minister going to a cabinet meeting. He just has not been—

Senator Conroy—Firstly, I will respond to the clear imputation that you believe that Senator Carr misled the committee. This is not true. I am not going to go into the detailed processes of government and the cabinet process, but I am sure that what Senator Carr has informed you of is correct.

Senator RONALDSON—If there is no cabinet meeting, then he has.

CHAIR—Senator Ronaldson, I think Senator Carr will be back later this evening and you can ask him those questions then.

Senator RONALDSON—But from where?

CHAIR—You can ask him that at the appropriate time. Do you have any more questions on outcome 1?

Senator RONALDSON—Yes, I do. This is a real breach of faith. We are entitled to rely on what our colleagues tell us.

CHAIR—Senator Ronaldson, do you have a question?

Senator RONALDSON—Yes. What success has the clearing house registered in actioning the 57 complaints? Actually, it is not 57 complaints about the reasonable setup, but, in relation to any complaints that have been made, what success has the clearing house had in actioning those 57 complaints?

Ms Weston—The last number I had—and I will certainly take on notice to give you an update—was that 23 reviews had been completed on those issues.

Senator ABETZ—From 9 March?

Ms Weston—From the whole of the 50-odd complaints that have come into the clearing house—that is in aggregate.

Senator RONALDSON—What has happened to the other 34?

Ms Weston—I will chase that up. They may still be in progress or there may be some other reason for why they are not being finalised, but certainly I will provide that for you.

Senator RONALDSON—Do you know how many complaints have not yielded a positive response, or is that all 57 at the moment?

Ms Weston—I understand that some of them have had a positive outcome.

Senator RONALDSON—Will you take all of these on notice?

Ms Weston—Certainly.

Senator RONALDSON—What funds have been allocated to advertising the clearing house facility?

Ms Weston—You will notice that, as part of the government's budget announcements, part of the job for the Small Business Support Line is to take over the running of the complaints clearing house.

Senator JOYCE—Who is the minister here at the moment who is representing the government?

CHAIR—Senator Joyce, we have a line of questioning—

Senator JOYCE—I am just wondering who is the minister here at the moment who is representing the government.

CHAIR—We have been through that, Senator Joyce. If Senator Ronaldson has finished—

Senator RONALDSON—No, I have not finished.

Senator JOYCE—I just want to know what minister is here representing the government.

CHAIR—Senator Joyce, you are out of order, because other people are ahead of you in the list. Senator Ronaldson.

Senator JOYCE—Point of order: I just want to know who the minister is.

CHAIR—Senator Ronaldson is asking questions.

Senator JOYCE—You do not have one, do you? There is no minister from the government here.

Senator ABETZ—He has come back in. Whenever it suits your convenience, Minister—

CHAIR—Senator Pratt, do you have any questions?

Senator RONALDSON—No, I have not finished yet.

Senator PRATT—I do, thank you.

Senator RONALDSON—Madam Chair—

CHAIR—There appears to be total disorder on your side, so I am going to—

Senator Joyce interjecting—

Senator ABETZ—When the minister walks out without excusing himself—

Senator PRATT—Thank you for the call.

Senator RONALDSON—With respect, I think Ms Weston was just about to answer a question for me.

CHAIR—Until Senator Joyce interrupted. Ms Weston, were you about to answer?

Ms Weston—I was, but I have lost my train of thought. Could you repeat that questions, please?

Senator RONALDSON—I am the nice one here, Ms Weston; disregard the rest of them. In relation to the advertising of the clearing house office, are you now saying that that office is being taken over by the department?

Ms Weston—It will be taken over by a program that the department administers, yes.

Senator ABETZ—It will be, or it has?

Ms Weston—It will be, because it is a budget announcement.

Senator RONALDSON—So why has it gone from the minister's office to the department?

Ms Weston—It makes sense, as I see it. If businesses are ringing a support line that is supporting them through the global financial crisis, some of those businesses will have banking issues; so it makes sense to incorporate the two together.

Senator RONALDSON—So why not have it through the department and not through the minister's office in the first instance?

Senator Conroy—It is not for the department to decide the order in which the minister's office chooses to progress a matter.

Senator RONALDSON—They have hardly been run off their feet, have they? There have been 57 complaints since early March. An unknown number of those relate to the reason that this was set up, which is the difficulty in obtaining finance from local bank branches. I think

you told me in evidence that some people rang up because their businesses were not travelling too well. That is very sad, but that was not the—

Senator Conroy—Are you approaching a question?

Senator RONALDSON—I am sorry?

Senator Conroy—Are you approaching a question?

Senator RONALDSON—So you want to be the chair and the absent minister, do you?

Senator Conroy—No. I was just wondering whether you were going to ask a question.

Senator RONALDSON—You stick to your job and I will stick to mine.

Senator CAMERON—I wish you would.

Senator Conroy—Then ask a question.

Senator RONALDSON—I am putting a question to Ms Weston about this. You would acknowledge that not all of those 57 relate to the difficulty of obtaining finance from local bank branches; they are not being run off their feet, are they?

Ms Weston—I have undertaken to take on notice to provide you with information on the exact details of the inquiries.

Senator RONALDSON—Yes. My question was what amount will be spent by the department advertising this clearing house facility.

Ms Weston—We are in the process of working out how the new program will be run, and that will be determined as part of that. I do not have that information right now. It has not been decided.

Senator RONALDSON—So no decision has been made yet about how the transfer from this secretive little group in the minister's office back to the department will occur? How that is going to be done has not been finalised yet. Is that correct?

Ms Weston—The funding for the program becomes available in the new financial year, so we are working on that at the moment.

Senator RONALDSON—So on 1 July will you be taking this over from the small business minister's office?

Mr Peel—In the budget, the government announced a Small Business Support Line. If you look in the portfolio budget statements there is funding of \$10 million over two years for that. As Ms Weston says, we are currently working on the design of that, looking at how it might work. In answer to your question about how much will be spent on advertising, we have indicated a cost at this stage of about \$200,000 a year, but that could change as we go forward with the design. The objective is to roll it out as soon as possible in the new financial year.

Senator RONALDSON—Do you think for \$200,000 you are going to get a wider coverage than apparently is being obtained by the minister's office in relation to these complaints?

Senator Conroy—You are seeking an opinion from the officer at the table. Perhaps you would like to rephrase the question.

Senator RONALDSON—No, I do not want to rephrase the question. It was a quite reasonable question.

Senator Conroy—You have asked an opinion of the officer.

Senator RONALDSON—I am asking the departmental officers whether by spending \$200,000 they expect to get a greater number of complaints than the fairly minimal number we have at the moment.

Mr Peel—The support line will do a range of things, not just the end clearing house operation. Obviously, we need to make it well known so that we get a number of calls to the line. Yes, if we advertise, we would expect to get more queries than if we had not advertised.

Senator RONALDSON—What resources have been allocated to the minister's office since early March to provide this clearing house facility?

Ms Weston—I understand that there have not been any additional resources, but that is something that you will need to take up with the minister.

Senator RONALDSON—Yes, I rather hoped to ask his representative that, if he was here. But I am not asking you for a comment on that. Where is he? Still at cabinet?

Senator JOYCE—Having the book thrown at him.

Senator ABETZ—Possibly there is a question I can ask. When were you first asked to represent Senator Carr here? Today?

Senator Conroy—I am not sure that is relevant to Senate estimates.

Senator ABETZ—It is relevant.

Senator Conroy—No. Just because you say that it is relevant does not make it relevant, Senator Abetz.

Senator ABETZ—Just because you do not think it is—

Senator Conroy—Do you have a question of the officers at the table?

Senator ABETZ—No. I have been told that these are opportunities to ask ministers questions and, if ministers want to, they can answer every question.

Senator Conroy—And I am here representing Senator Carr.

Senator ABETZ—When were you first asked to represent Minister Carr at this Senate estimates?

Senator Conroy—That is not relevant to the Senate estimates program.

Senator ABETZ—When were you first asked to represent Senator Carr at these Senate estimates?

CHAIR—The minister has answered the question.

Senator Conroy—That is not relevant to Senate estimates.

CHAIR—Senator Pratt, do you have a question?

Senator PRATT—Yes.

CHAIR—Senator Pratt.

Senator ABETZ—Chair, I have a point of order.

Senator PRATT—Senator Abetz can ask the same question over and over again for another hour if he would like to.

Senator ABETZ—Are you ruling that the question is not relevant to the estimates process?

CHAIR—No. I merely made the observation that it was—

Senator ABETZ—All right. In that case, can I ask that—

Senator PRATT—I have the call, thank you.

CHAIR—Senator Pratt has the call.

Senator ABETZ—Sorry?

CHAIR—Senator Pratt has the call.

Senator PRATT—The chair gave me the call.

Senator ABETZ—I have had about one minute of questioning—

CHAIR—I will get back to you, Senator Abetz. Senator Pratt.

Senator ABETZ—and when things get embarrassing we pass over to Labor.

Senator PRATT—I have a question that I believe belongs in outcome 1, but please correct me if it belongs in outcome 2; in fact, it cuts across two different portfolios. I want to ask about the health of—

Senator RONALDSON—I have a point of order, Madam Chair.

CHAIR—Sorry, Senator Pratt. A point of order has been raised.

Senator RONALDSON—Before I was interrupted, I was just about to thank Ms Weston for answering my questions.

CHAIR—I do not think that was a point of order, Senator Ronaldson.

Senator RONALDSON—I have put that out of courtesy to Ms Weston, who is still at the table. I had not quite finished but, anyway, I thank Ms Weston for her—

CHAIR—I think it might be a courtesy to Senator Pratt not to interrupt her question halfway through. Senator Pratt.

Senator PRATT—Thank you. My question relates to the health of private investment in research and development and the role of the department in advocating for the recently announced research and development tax credit. As I understand it, there have been some calls from industry for this. I assume that some of those messages must have come through the department.

Mr Paterson—The government undertook a major review of the National Innovation System. That review was led by an expert group chaired by Dr Terry Cutler. If memory serves me correctly, that group reported to the government either at the end of July or the end of August last year. One of the recommendations that was made by that review was to move from the tax concession to a tax credit.

Senator PRATT—What was the problem that was experienced with the tax concession in the last decade?

Mr Paterson—There are a number of challenges in relation to the tax concession. It does not deal easily with people who are in a tax-loss position, so you have to be in a tax-positive position for the tax concession to prevail. It applies to a range of R&D activities. The government, in the announcements in the budget, indicated that it would move from the tax concession to a tax credit. There would be a refundable tax credit for companies with a turnover of under \$20 million and a non-refundable tax credit for companies with a turnover in excess of \$20 million. Consultation will be required in relation to the definition of ‘research and development’ that would be encompassed by the new tax credit regime. A number of other countries have tax credit arrangements to provide support for research and development. A strong view was put to the government, through that review process and a number of other related activities where people commented on the review’s recommendations, to support the move from the concession to the credit.

Senator PRATT—Will this help us to compete for private investment in research and development in Australia?

Mr Paterson—It certainly provides an incentive—and a higher level of incentive—for companies to undertake research and development in Australia. Part of the arrangements in relation to the tax credit provides for foreign domiciled companies undertaking research and development in Australia to participate in the R&D tax credit. They do not get access to the refundable element of the credit, but they certainly can get support under the credit arrangements for R&D undertaken in Australia.

Senator PRATT—As I understand it, the decision also reverses the previous government’s decision, which it made when it came into office, to halve the R&D tax concession. What is the current state of research and development in Australia and what are we trying to achieve with this change?

Mr Paterson—The effect of the credit is to double the benefit to the companies with a turnover of under \$20 million and to apply it under the R&D tax concession. In addition, it increases by a third the concession or the benefit of the credit for those companies with a turnover in excess of \$20 million.

CHAIR—Following on from that, what kind of breakdown is there between those companies? What percentage of R&D is done by companies with a turnover of under \$20 million and by those with a turnover above that?

Mr Weber—Approximately 5,500 firms would be in the breakdown of under \$20 million, and you have around 1,500 firms over that amount currently.

CHAIR—Currently doing R&D—

Mr Weber—Yes, currently doing R&D under the scheme.

Senator EGGLESTON—I have a question that I think comes in outcome 1, which is ‘enhanced opportunities for business innovation and growth’. I understand that, in the 2009-10 budget, the government announced \$10 million of funding over two years for the establishment of a Small Business Support Line and referral service. Is that the case?

Mr Peel—Yes. We were talking about that earlier, when Senator Ronaldson was asking questions. Yes, \$10 million has been allocated—\$5 million over 2009-10 and \$5 million the following year—for a Small Business Support Line.

Senator EGGLESTON—Is that up and running now?

Mr Peel—No, it is not up and running. We are currently designing exactly how the line will work. We are hopeful that it will be introduced very early next financial year.

Senator EGGLESTON—So it is still a potential service. For what reason did you decide that this service was necessary?

Mr Peel—It was a decision of the government in the budget. It was to provide advice to small business owners and to put them in touch with specialist advisers in relation to financial issues, business diagnostic services and counselling in relation to all sorts of issues associated with making their businesses successful. It is particularly relevant in the current economic climate with the global financial crisis. The government thought that businesses require more assistance during this time.

Senator EGGLESTON—Was it based on any sort of research through the Chamber of Commerce and Industry or any other business body identifying problems and the need for it, or was it just that you decided it would be a good idea?

Ms Weston—It was a budget announcement. I am not aware of other considerations that the government took into consideration. But, in my own experience, some industry association mentioned something along similar lines to me.

Senator EGGLESTON—This was planned to be introduced in 2009, which was pre the global financial crisis.

Mr Peel—No. It is an announcement in the current budget and it is to commence in 2009.

Senator EGGLESTON—But I presume that it was planned last year. You do not suddenly decide on an idea three weeks before the budget, do you?

Mr Peel—It was part of the budget's considerations. The government announced it on budget night and we are now in the process of implementing the service, which we hope to run out as close as possible to 1 July next year.

Senator EGGLESTON—I understand that. I was looking for when you started to develop the idea as a concept, which presumably must have been in 2008 or earlier. I wonder upon what basis this was developed—whether it was related to information, as I said, from the CCI or some other body. But we do not seem to be proceeding there. How many staff does the department anticipate will be working in the call centre when it is established?

Mr Peel—As I said, we are currently working on the design of the system, but there will not be any departmental staff working on the call centre; that is likely to be an outsourced service. Our departmental staff numbers overseeing the service would be around two or so and probably no more than that.

Senator EGGLESTON—How many people do you think will work in the call centre? What do you anticipate will be the demand?

Mr Peel—As I have said, we are looking at that in the design. There are a number of options in the design with how it would work. We have not yet reached the point of having an exact costing.

Senator EGGLESTON—What kinds of qualifications will you be looking for in the people who man the call centre?

Mr Peel—We will be looking for people who have an empathy with small business and who understand where it is that small businesses can obtain advice to improve their situation. There will also be situations where particular small businesses may be distressed over their circumstances, so we would be looking for people who have experience in counselling or who can refer people to appropriate counselling services.

Senator EGGLESTON—Will you be looking specifically for people who have had experience in small business rather than, say, academics?

Mr Peel—Preferably in the call centre. But, where they have issues, the role of the call centre will be more to refer them to specialist advisers rather than to give that specialist advice themselves.

Senator EGGLESTON—Out of your budget allocation of \$10 million, what amount has been allocated to salaries and wages of staff employed in the call centres?

Mr Peel—The budget, as I have said, is \$10 million over two years: \$5 million in 2009-10 and \$5 million in 2010-11. As I mentioned to Senator Ronaldson earlier, we have allocated \$200,000 for general marketing activities to make people aware of the call centre; a small amount of money, \$10,000, for legal costs to get the system up and running; and for departmental expenses—which, as I have mentioned, would be about two staff—\$268,000. The balance of \$4.7 million would be available to pay for the actual call centre operations. But, as I said earlier, we have not determined yet exactly what that cost would be; but there is \$4.7 million available.

Senator EGGLESTON—Thank you.

Senator ABETZ—I put on notice: when did Senator Carr's office or Senator Carr himself—

Senator Conroy—We will take that on notice.

Senator ABETZ—personally request the attendance of Senator Conroy at these estimates? I think it is fairly obvious where he is. Is there available a transcript of the speech that the minister gave at Questacon on budget night?

Mr Paterson—You have already asked that question.

Senator ABETZ—I know that it is not on the website.

Mr Paterson—No. You asked the question as to whether there was a transcript and I think the record will show that I—

Senator ABETZ—I asked that as well, did I?

Mr Paterson—You asked whether there was a transcript and I said no.

Senator ABETZ—I thought I had, unfortunately, limited the question to 'on the website'.

Mr Paterson—No.

Senator ABETZ—I think we are agreed that the speech is not on the website.

Mr Paterson—We are agreed.

Senator ABETZ—I thought I had limited my question to just the website, but you are now advising that there was no transcript.

Mr Paterson—No. I indicated that there was no transcript of it. It was of the nature of a briefing in the lead-up to the budget. The normal lockup rules in relation to that briefing applied. No public speech was being given and, to the best of my knowledge, nothing is recorded on either the department's website or the minister's website.

Senator ABETZ—Thank you for that. Who is responsible for the document entitled *Powering ideas: an innovation agenda for the 21st century*?

Mr Paterson—You ask, 'Who is responsible?' It was released on budget night by the minister. It is the government that takes responsibility for the documents. We have worked with the government on that document's preparation.

Senator ABETZ—There is a foreword by the minister but, in effect, the ownership of every word is the minister's as opposed to the department's. Is that correct?

Mr Paterson—The document was released by the minister as the government's statement on these issues. We were active participants in its preparation, but it is the government's—

Senator Conroy—It is the minister's document, yes.

Senator ABETZ—It is the government's document; right. I do want to know who wrote the document, given some of the highly politically charged—

Senator Conroy—I think the indication has been given to you, Senator Abetz, that it is a government document.

Senator ABETZ—Yes; and I just hope that the department was not associated with some of the highly charged comments that I would have thought potentially even Mr Hawke and Mr Keating could take offence at.

Senator Conroy—I think we have established that now, Senator Abetz.

Senator ABETZ—For example, on page 11, under 'productivity agenda', it says:

The Australian economy grew strongly between 1992 and 2007, thanks mainly to reforms made in the 1980s and a boom in demand for our resources.

There is no talk about the 1990 reforms of both the Hawke-Keating and the Howard eras—just whitewashed out of any sensible policy debate on innovation. Possibly I need to take that up with the minister after dinner, when he returns. People who are interested in innovation generally are serious about the issue, and these sorts of political statements that seek to deny—

Senator Conroy—We have agreed that it was the minister's and the government's document.

Senator ABETZ—a very important element of Australian history of both Labor and Liberal governments, frankly, do the concept of innovation no justice other than the

innovative rewriting of history. However, we will revisit that. Can you provide the total media monitoring bill for the financial year to date? While that is being presented to us, can I ask whether we monitor blog sites?

Senator Conroy—As I said in a previous estimates hearing, I hope so.

Mr Paterson—I am sorry to hear that, because the answer is no.

Senator ABETZ—Confusion reigns yet again.

Senator Conroy—The digital economy will hopefully continue to grow.

Senator ABETZ—This is the man who cannot tell us when he was asked to appear here and then he mucks up one of his very first answers.

CHAIR—Thanks, Senator Abetz. Are there questions here?

Senator ABETZ—All right, so you do not monitor blogs. Thank you for that.

Mr Paterson—As part of our media monitoring service, we do not monitor blogs. You asked the question in relation to media monitoring services and then you asked whether we monitor blogs.

Senator ABETZ—So you do monitor some blogs. Can you tell us which ones, please?

Mr Paterson—No, I did not say that we monitor some blogs; I said that we do not monitor blogs as part of our media monitoring service.

Senator ABETZ—That is right. Now I am asking: do you monitor blogs?

Mr Paterson—Do you want us to answer the question in relation to media monitoring, or are we moving on to—

Senator ABETZ—We are on to blogs now, and I want to ask the questions in the order that I want to ask them in. I am now asking: do we monitor blogs?

Mr Paterson—I will take the question on notice.

Senator PRATT—I am sure that the people within the office take an active interest in what people are saying.

Senator ABETZ—You do not know whether or not your department monitors blogs? Can I ask for the budget?

Senator Conroy—Are you defining Crikey as a blog, when you use the term ‘blogs’?

Senator ABETZ—Mr Paterson had no difficulty in telling us that they do not monitor blogs. You had no difficulty the other day in saying that you hoped blogs were monitored. Now all of a sudden you are trying to hide behind a desperate definition of ‘blogs’. Really, this is disingenuous at its worst.

Senator Conroy—No. I am seeking to assist you, Senator Abetz.

Senator ABETZ—Mr Paterson—

Senator Conroy—I would say that Crikey is a blog.

Senator ABETZ—Ms Butler, what is our budget for media monitoring, in which I would not include monitoring blogs, whatever that might mean?

Senator Conroy—The answer would be that Crikey is a blog. I am sure that—

CHAIR—Minister, I am having trouble hearing the question.

Senator Conroy—I am sorry; my apologies, Madam Chair.

Mrs Butler—The 2008-09 financial year spend to 30 April 2009 is \$265,877, GST exclusive.

Senator ABETZ—Thank you very much for that. I am told that your general media monitoring does not include blogs, and we are having blogs generally taken on notice by Mr Paterson.

Mrs Butler—Yes.

Senator ABETZ—I turn to the return to order dated 18 May. This is a letter by Senator Carr to the President of the Senate. Are you aware of that return to order? It is pursuant to the orders of the Senate agreed to on 24 June, relating to departmental and agency appointments, vacancy and grants. It states, ‘Please find attached the Innovation, Industry, Science and Research portfolio’s list for tabling for the period 20 January 2009 to 4 May 2009.’

Mr Paterson—Yes.

Senator ABETZ—Yes, it is a link; thank you. I wonder whether you could provide us with an explanation in relation to page 9 of that document: the money made available to the Australian Trade Commission, the \$20,000 for NICTA—National ICT Australia—and the \$46,500 for Australian Sustainable Built Environment Council. That just seems to come out of departmental funds, with no specific program.

Mr Paterson—Just bear with me for a moment please, Senator.

Mr Lawson—The NICTA sponsor was its sponsoring of the AusInnovation Conference. NICTA sponsored that at the CeBIT event in Sydney.

Senator ABETZ—Minister, can I congratulate you? I think you have taken over as the senior minister in the area of NICTA.

Senator Conroy—No. We have joint responsibility.

Senator ABETZ—You have joint responsibility, and you are saying that with a straight face.

Senator Conroy—We are a very cooperative government. I am not sure if I worked in your—

Senator ABETZ—You are a very gracious victim, Minister. What about the others?

Mr Lawson—With the Australian Trade Commission, there was some sponsoring of some business-matching exercises. I think that was at the CeBIT event as well. I will correct that, if necessary.

Senator ABETZ—The Australian Sustainable Built Environment Council?

Dr Green—This is a project by the Australian Built Environment Council that we have supported pursuant to our interest in a sustainable built environment under the Built Environment Innovation Council.

Senator ABETZ—But what does this money actually buy the taxpayer?

Dr Green—They are doing a project on the future sustainability of Australian cities, and we have contributed funds towards that project to help them to undertake it.

Senator ABETZ—When that project is finalised, will its findings be made publicly available?

Dr Green—Yes.

Senator ABETZ—I will have a few other questions under specific areas at a later stage. Other than questions I want to ask the minister after dinner—I dare say my saying this is not very helpful, Chair—I can now move on to outcome 1 with my questions. However, there are still some corporate issues hanging over, given the minister's absence at what I assume is the Prime Minister's behest. Can I ask about the ASEAN free trade agreement? As I understand it, whilst I accept that is in foreign affairs and trade et cetera, I understand that this portfolio does have an input into those free trade discussions. Specifically for Malaysia, is there currently a 25 per cent customs duty on imported manufactured ferrous products and a 10 per cent sales tax? In the discussions, have these matters been targeted for removal from the ASEAN free trade agreement as it relates to Malaysia? Do you have that specific detail or not?

Mr Miley—I simply do not have that detail.

Senator ABETZ—Please take that on notice, if it is available to the department. If it is not available to the department, please be kind enough to move it to the relevant department that might be able to assist us with it. Thank you very much for that. There are a lot of questions that really require the minister's presence. Allow me to ask you, Mr Paterson: what are the job losses in the manufacturing sector since Senator Carr became the minister?

Mr Payne—I think your question was about job losses since Minister Carr became the minister and I do not have those statistics with me. I do have with me statistics for other periods dating back to 1999, but they are just not arranged in a way that I can answer in connection with the date that the minister assumed this portfolio.

Senator ABETZ—I would ask you to provide that to me because I did invite the minister, given the campaign that he ran before the last election, to benchmark himself on the number of manufacturing jobs that would grow under his stewardship—and, of course, to use that terrible term, the growth has been 'negative'. But, if you can take that on notice, I would be much obliged. I take you to page 25 of the PBS. The heading there is 'Transition from outcomes and outputs to outcomes and programs'. What was all that about? We have a transition from outcomes and outputs to outcomes and programs. What material difference does that make to the way the world goes around?

Mr Miley—My colleague can answer that for you.

Ms McClusky—The transition table is provided there so that you can do a reconciliation between the department's previous outcome structure and our new outcome structure. Under the Operation Sunlight initiatives, we have reviewed our outcome structure as well as our output structure and we now report under outcomes and programs. That table is provided so that you can reference last year's structures to the current year's structures.

Senator ABETZ—Very good. Somebody undoubtedly put a lot of thought into changing the Scottsdale Industry and Community Development Fund into the North East Tasmania Innovation and Investment Fund. That is one of the changes. What other changes do we have there?

Ms McClusky—One of the most significant changes is that the department has gone from having three outcomes to two outcomes.

Senator ABETZ—But, in output group 1.1, it just seems to be very similar to that which appeared before. Is that correct?

Ms McClusky—Yes.

Senator ABETZ—In relation to outcome 1, I will ask what undoubtedly may be a policy decision—and I note that the replacement minister is dunking his biscuit and enjoying what should be his well-earned coffee; I would have said that it was well earned, if he could tell us when he was asked to appear here this afternoon. But, that aside—

Senator Conroy—I have always admired your persistence, Senator Abetz.

Senator ABETZ—why was the term ‘manufacturing’ deleted from outcome 1 in the description? It is a very, very significant deletion. The government ran an election campaign on—

Senator JOYCE—Making things different—

Senator ABETZ—You have got it in one, Senator Joyce—and defending the manufacturing sector. Senator Cameron is not here; I was wondering what the Australian Manufacturing Workers Union might think of the deletion. I thought that was why Senator Cameron had been here all day.

Senator Conroy—That is a serious misleading of the Senate: you have never cared what the Australian Manufacturing Workers Union think about anything.

Senator ABETZ—Senator Conroy, since becoming shadow minister, I have, in fact, had meaningful discussions with members of that union about industry and other matters. Can we have an explanation as to why the word ‘manufacturing’ has been deleted, other than because of the huge job losses that are now being experienced under Minister Carr’s watch? What was the thinking, the reasoning or the rationale? Why don’t we want to talk about manufacturing anymore?

Mr Paterson—That is demonstrably not the case. But, in terms of the—

Senator ABETZ—But he has deleted the words. I am sorry; you have said that it is demonstrably not the case.

Mr Paterson—It was demonstrably not the case—

Senator ABETZ—Can we go back to basics? The word ‘manufacturing’ has been deleted from the transition table.

Mr Paterson—It has not been deleted from the transition table, but it certainly no longer appears in the description of outcome 1 under the new framework.

Senator ABETZ—All right, in the description of outcome 1.

Mr Paterson—We moved from an earlier outcome framework from three outcomes down to two and we have new descriptors of those two outcomes. I accept that ‘manufacturing’ does not appear in that. It is not about hiding something and it is not that we do not talk about manufacturing. We still have a manufacturing division within the department; that has not changed.

Senator ABETZ—But this is a very important description and it is indicative of the thinking behind all the administered items, the programs, et cetera—

Senator Conroy—No. That is simply an assertion by you, Senator Abetz; it is not true. We utterly reject that.

Senator ABETZ—So why do we have this description if it does not tell us what is behind the thinking for these programs; can you tell us?

Senator Conroy—We utterly reject your assertion, Senator Abetz.

Senator ABETZ—I did not make an assertion just then.

Senator Conroy—You did make an assertion.

Senator ABETZ—I asked the question: what is the description for, if it does not describe all the administered programs in outcome 1?

Mr Paterson—We list the administered items—

Senator ABETZ—That is right.

Mr Paterson—in relation to both of those outcomes.

Senator ABETZ—That is right; you do.

Mr Paterson—The wording of outcome 1 has been recast. So it is not just deleting ‘manufacturing’ from a description of outcome 1 and then replacing that as the new outcome 1; it is a fundamentally recast outcome.

Senator ABETZ—Absolutely fundamentally recast.

Mr Paterson—But it embraces:

Enhanced opportunities for business innovation and growth through national leadership in converting knowledge and ideas into new processes, services, products and marketable devices ...

So it is talking about a whole range of business activity, including manufacturing, because you do not get new products, services and marketable devices without manufacturing participating in that process. The range of administered items are listed in detail in the PBS.

Senator ABETZ—Can you tell me where in this descriptor I come across the words ‘Australian industry’, or can you confirm that they do not appear either?

Mr Paterson—They talk about ‘enhanced opportunities for business innovation and growth’.

Senator ABETZ—So ‘Australian industry’ has been deleted.

Mr Paterson—So we have chosen a different form of words to convey a similar message.

Senator ABETZ—So reference to ‘Australian industry’ and reference to ‘manufacturing’ have been deleted. There is also a third one in this, which deletes reference to:

Improve the economic viability and competitive advantage of Australian industry ...

That has been deleted also. So the government's description last year of:

Improve the economic viability and competitive advantage of Australian industry, including the manufacturing ...

et cetera has now been altered and dumbed down to:

Enhanced opportunities for business innovation and growth through national leadership—

whatever that might mean—

in converting knowledge and ideas into new processes, services ...

That is all about the new, which is an important emphasis. But reference to the established 'viability and competitive advantage being improved of Australian industry and manufacturing' has been deleted from this description, hasn't it?

Mr Paterson—As I said earlier, these are modifications as a result of the changed framework. If you look at page 25 and the subsequent pages in the PBS, there is a description of the outcome. There are now a number of programs. Industry development and investment is the suite of administered items under program 1.1. Program 1.2 is about innovative industry and there a series there. So there is a different architecture around this—

Senator ABETZ—Of course.

Mr Paterson—and a different language.

Senator ABETZ—Yes; a different architecture that has dropped the terminology 'Australian industry' and 'manufacturing' and 'improving the economic viability and competitive advantage of Australian industry, including manufacturing'.

Senator Conroy—Perhaps I could clarify something with you, Madam Chair. We are in the portfolio budget estimates for Innovation, Industry, Science and Research, aren't we? 'Industry' is still in that title?

Senator ABETZ—Yes, and that is my question. Thank you for that helpful intervention.

Senator Conroy—It is in the title of the portfolio.

Senator ABETZ—Given that we are in the Innovation, Industry, Science and Research portfolio why has the word 'Australian industry' been deleted from the description? You make my case exceptionally well.

Senator Conroy—It is in the title of the portfolio—Innovation, Industry, Science and Research.

Senator ABETZ—So, why would you delete it from the description?

Senator Conroy—Mr Paterson has just taken you through all the relevant areas.

Senator ABETZ—It is clearly indicative of the government's changing agenda in relation to these matters.

Senator Conroy—I utterly refute your suggestion.

Senator ABETZ—Let us wait and see what others have to say about that.

Mr Paterson—You asked a question earlier about the possible attendance of the Chief Scientist. I am not sure whether the committee resolved that you wanted the Chief Scientist here earlier. My recollection was that the question you asked was for an attendance at 6.00 pm. Can I have your confirmation that that is what you want to do now, and then we will arrange it, but I have to be able to get her here. If you say that now, then I am pretty sure we can have her here by six o'clock.

Senator ABETZ—If she were available, that would assist the workings of the committee.

Mr Paterson—We will make that call now.

Senator ABETZ—Thank you very much. I appreciate that. Mr Paterson, can you confirm for us that in relation to the textile, clothing and footwear sector in this budget \$10 million has been provided over the forward estimates for Australia's TCF sector? Am I reading that correctly?

Mr Paterson—That is an additional \$10 million. It is in addition to the other elements of the program that are outlined.

Senator ABETZ—You are quite right to have made that clarification. It is an extra \$10 million. Is that the sum total of the government's response to Professor Green's review?

Mr Paterson—The package, in total, was an innovation package of \$401 million from 2009-10 to 2015-16, which was a redirection of existing resources and the \$10 million in new resources. There is a new TCF innovation package worth \$401 million from 2009-10 to 2015-16.

Senator ABETZ—Where do I find that in the papers? As I understood it, Professor Green was only recommending about \$250 million extra for the TCF sector. I would find it surprising if the government responded with even more money, but I may well have misread the documentation.

Mr Paterson—If you go to page 18 of the PBS, you will see the money for 2009-10 and 2010-11—the administered items and the expenses items appear at the bottom of the page.

Senator ABETZ—That is right. How much was in those forward estimates in the last budget?

Mr Paterson—\$391 million.

Senator ABETZ—\$391 million in which column? For 2009-10?

Mr Paterson—From 2009-10 to 2015-16 is \$391 million in the forward estimates, and it is now \$401 million, which includes the \$10 million.

Senator ABETZ—Yes. We are agreed that it is \$10 million extra to that which had previously been budgeted for.

Mr Paterson—Over that period to 2015. It goes a bit beyond the forward estimates.

Senator ABETZ—Yes.

Mr Paterson—For the duration of the TCF package it was \$391 million, which has been recast over that same period to \$401 million with a number of measures that have been modified in that process.

Senator ABETZ—An extra \$10 million over that period. And, of course, that was after Professor Green's report was released. When was that? Was it February of this year? It was delayed from last year, if I recall correctly.

Mr Paterson—My recollection was that his report was received by the government on 31 July and was released in September of last year. I will stand corrected on that, but that is my recollection.

Senator ABETZ—Was there a government response to it prior to the budget?

Mr Paterson—There were a number of fact sheets in relation to our portfolio released on budget night which indicated the package of responses in relation to the TCF measures, and there was a response in that fact sheet to each of the recommendations. We can table that fact sheet, if that is of help to you.

Senator ABETZ—It may well be. If you could, I would be obliged. How much did the TCF review cost in total?

Mr Paterson—We did deal with that at the last estimates.

Senator ABETZ—We did and my memory has failed me. I am hoping that one of these officials is as good as IP Australia, who could refer back to something in 1991 or 1992.

Mr Payne—The total cost for Professor Green's review was \$964,691.

Senator ABETZ—In very rough terms, amongst friends, we might even call that \$1 million, and the result of that review is that we find an extra \$10 million spent in the forward estimates for the TCF sector. I suppose, in fairness, that is more an observation than a question.

Mr Paterson—I ran a risk earlier of responding to your observations, so I am reluctant to do so now.

Senator ABETZ—Good. I am glad we are agreed on that. Undoubtedly you would be aware of the combined industry letter of 19 February 2009.

Mr Paterson—That is another assertion.

Senator ABETZ—Mr Lawson, are you aware of it?

Mr Lawson—Yes, I think I am aware of it.

Senator ABETZ—There was a request from a substantial number of organisations—which I will not bother going through—that said that the TCF package requires a global funding allocation of at least \$150 million a year. Of course, if that package were to operate for at least a five-year period, that would be \$750 million, which in anybody's language may have been a bit of an ambit claim, and I accept that. This is really more a question for the minister, which we should put on notice—as to whether the minister actually believes this to be a fair and reasonable response to Professor Green's report, which cost nearly \$1 million to put together and we had only an extra \$10 million spent over the forward estimates.

Mr Paterson—I clearly cannot speak for the minister in this context, but the fact sheet that we mentioned in relation to the TCF response is issued in the minister's name and provides a

response to all of the recommendations. Whilst there was \$10 million in additional resources, it is a package of \$401 million over the period.

Senator ABETZ—We agreed that the \$391 million was there already. That could have been taken off them, but after having \$1 million spent on a review as to how to look after the textile, clothing and footwear sector, and all the promises made by the minister to this particular sector in the lead-up to the 2007 election, I think the minister may well be aware of the sector's concern at the lack of support. Once again, Mr Paterson, you might assess that as an observation of mine and you would be correct. I would like to move on to the automotive sector. Whilst that is happening, Mr Paterson, I can ask you another question. Was the department contacted at all to have input into the announcement that BlueScope Steel in Wollongong would provide \$20 million in steel for three new air warfare destroyers the government had commissioned? Was the industry portfolio consulted at all in relation to that government announcement? I accept that how it all happened is a matter for the Defence estimates; I am just wondering if this department had any input.

Mr Paterson—I am not aware that we were consulted in relation to that specific announcement. It was a procurement issue for Defence.

Senator ABETZ—Absolutely. I understand that. I do know that the steel sector has been doing it exceptionally tough of late and I am sure you would be aware of that. I am just wondering whether there had been any cross-pollination of ideas between the departments. You say you are not aware of it.

Mr Paterson—You asked a question as to whether we had been consulted in relation to a particular announcement.

Senator ABETZ—That is right.

Mr Paterson—You then broadened it out to cross-pollination of ideas between departments—active engagement between officers of my department and the defence department in relation to procurement and related issues. There is active work done in relation to industry participation plans and the like in collaboration between our department and the defence department.

Senator ABETZ—Can you take on notice whether this \$20 million deal was part of that collaboration, discussion and so on between your department and Defence?

Mr Paterson—As I said, my understanding is that that particular announcement that you are talking about was in response to a particular procurement decision that had been taken.

Senator ABETZ—That is right.

Mr Paterson—Actual procurement decisions are not something that they consult with us on, and nor would you expect them to.

Senator ABETZ—In relation to the issue of whether Australian steel and Australian industry might be assisted and so on, whilst I fully accept it is a matter for Defence, all I want to know is whether there was any discussion between the industry portfolio and the Defence portfolio? Not much rides on it. I am more than happy for you to take it on notice.

Mr Paterson—The procurement decision was taken by an alliance that has been established as part of the development of the air warfare destroyers. That is an alliance that involves the Submarine Corporation, Raytheon and DMO. It was an alliance decision. We were involved in the establishment of the alliance and advice in relation to the establishment of the alliance, but the decision in relation to that procurement was a decision taken by the alliance that is managing that overall project.

Senator ABETZ—Of course. I assume that any procurement issue would be solely within the province of Defence. I was just wondering whether any discussions had taken place about that particular procurement issue. I accept that I am not necessarily allowed to know what those discussions entailed, but I believe I am entitled to know whether discussions did centre around this particular procurement.

Mr Paterson—I think I have answered that question to the best of my ability at this stage.

Senator ABETZ—You can take it on notice in the event that there is further information that might be available. I would like to ask about ACL Bearings. Do I find any money for ACL Bearings in the portfolio budget statement?

Mr Paterson—There is nothing in the PBS.

Senator ABETZ—Where would I find ACL Bearings's moneys and related grants in the PBS?

Mr Paterson—There was money recorded in the PBS for last year. It is on page 22 of last year's portfolio budget statement. ACL Bearings had an appropriation of \$2 million for 2007-08.

Senator ABETZ—Is there anything for this year?

Mr Paterson—There is nothing in the PBS.

Senator ABETZ—I am sorry—in this coming year?

Mr Paterson—Nothing provided for in the PBS explicitly. I just need to clarify one point. There was a decision taken to grant \$4 million to ACL under the Automotive Industry Structural Adjustment Program.

Senator ABETZ—That is where that came from.

Mr Paterson—It comes out of AISAP, which was a program announced as part of the new car plan.

Senator ABETZ—Is that part of the green car plan?

Mr Paterson—It is called *A new car plan for a greener future*. That is the name of the plan. This is not out of the green car fund. There is a component piece of that broader automotive plan called the Automotive Industry Structural Adjustment Program.

Senator ABETZ—For a greener—

Mr Paterson—No. The overall program was called *A new car plan for a greener future*. That was the description of the overall program. In that there is AISAP, the green car fund, the Supplier Capability Development Fund and a variety—

Senator ABETZ—That was the overarching description—'for a greener future'.

Mr Paterson—That was the overarching description and then, as a component piece of that, there was the Automotive Industry Structural Adjustment Program, and ACL has been granted \$4 million under that AISAP program.

Senator ABETZ—Can you tell me how this ACL Bearings grant helps for a greener future?

Mr Paterson—As I said, there was an overarching description of the program and then there were some component pieces.

Senator ABETZ—That is right.

Mr Paterson—There was the supplier development component, the structural adjustment component, the Green Car Fund and the Automotive Transformation scheme, which is the other major fund.

Senator ABETZ—That is right. The government, for its overall descriptor, has said ‘for a greener future’ or words to that effect, which suggests that the totality of the funds under that umbrella have ‘a green component’ to them and, of course, there are numerous areas of funding that do not necessarily have a green ‘element’ to them.

Mr Paterson—I do not necessarily accept the proposition that you put: that, because of the overarching title, every single element and every dollar associated with it would necessarily be tied into the green elements of it.

Senator ABETZ—But why call it ‘for a greener future’ if it does not cover the whole gamut?

Mr Paterson—Part of it is talking about the future for the industry and ensuring that there is a viable, ongoing industry into the future with a greener future attached to it.

Senator ABETZ—‘Greener’ as in a nice, growing future as opposed to green on an environmental basis?

Mr Paterson—No, ‘greener’ in the same way as you are interpreting it. As I have said, it was a package of reforms in relation to the automotive industry. One component piece of that was the green car fund and one component piece was AISAP.

Senator ABETZ—I understand all of that. There is, firstly, confusion in the marketplace and, secondly, a misdescription of this by referring to it as being part of a greener future, when in fact a number of the payments—

Mr Paterson—I do not think there is any confusion in relation to the focus of AISAP.

Senator ABETZ—Thank you for that market research that you have been able to provide to the committee. That has been most helpful.

Mr Paterson—Happy to be of service.

Senator ABETZ—I note that the minister has returned. Minister, can I ask you how the cabinet committee on climate change, water and heritage was?

Senator Carr—You can ask me what you like.

Senator ABETZ—I just have. Is that where you have just been?

Senator Carr—I am not in the business of discussing with you the meetings that I attend.

Senator ABETZ—Don't worry about me. This is a Senate committee and I am asking you as a senator to take the personality out of it. I know you do not like me. That is fine.

Senator Carr—You should not run yourself down so quickly.

Senator ABETZ—Can I ask you whether that was the meeting that you have just attended?

Senator Carr—I have advised the chair of the reason for my absence, which was unavoidable, and I have nothing further to add.

Senator ABETZ—You were not going to a cabinet meeting, were you?

Senator Carr—I have given my—

Senator ABETZ—You were not going to a cabinet meeting, were you, as you asserted to the committee at about 3.40 pm this afternoon?

Senator Carr—I have no reason or intention to change the advice I provided to this committee.

Senator ABETZ—Why don't you just tell us that it was a subcommittee of cabinet at least?

Senator Carr—It is a profound disappointment to you, I know. But you were a minister. You would have known, however, if you had been in the cabinet, how the cabinet functions.

Senator ABETZ—I am asking you, Minister, whether you attended a cabinet meeting, and clearly you did not. What you did attend was a subcommittee or a committee of cabinet. It does not take much guessing when Senator Conroy comes in to replace you; you serve on two subcommittees of cabinet, and one of them you serve on with Senator Conroy. It left it pretty well clear as to where you were, and the fact that you are not willing to deny it indicates to us that you were at a subcommittee.

Senator Carr—We are not in the habit of discussing—

Senator ABETZ—When did you or your office ask Senator Conroy to replace you at these hearings?

Senator Carr—Your logic is flawed, and I have nothing further to add to what I have already said to the committee.

Senator ABETZ—I am sure that my logic is flawed, but can you simply answer the question, without the personal insults, as to when you or your office asked Senator Conroy to represent you at these estimates.

CHAIR—The minister answered that question.

Senator ABETZ—He did not. He responded by saying that I have flawed logic. Whilst that is all part and parcel we actually do want an answer to the question.

Senator PRATT—The minister did provide an appropriate answer. Are there other—

CHAIR—Yes. I think we have the Office of the Chief Scientist.

Senator ABETZ—The minister can try to think of an answer as to what time he asked Senator Conroy. No government secrets there.

CHAIR—We will ask for the Office of the Chief Scientist to come to the table and then we will resume with the Department of Innovation, Industry, Science and Research.

[6.01 pm]

Office of the Chief Scientist

CHAIR—Professor Sackett, do you have an opening statement that you would like to make about your office?

Prof. Sackett—No, I do not have an opening statement.

CHAIR—Thank you. We will go straight to questions.

Senator ABETZ—Welcome, Professor Sackett, and thank you for rearranging your schedule. That was of convenience to the committee, is appreciated and hopefully it suits you as well because it means that the rest of the evening is off for you. In relation to your contract, I would like to thank the minister and the department for providing me with some details of the contract and the reporting and accountability section in paragraph 2(a), which states reporting and accountability includes:

... appearing before the Senate Estimates hearings as requested by the portfolio Minister ...

Minister, does this put Professor Sackett into a different category from other agencies and other areas of the department, which I understand do not appear simply at your request? Or does the whole department appear at your request?

Mr Paterson—I could endeavour to answer the question. On the last occasion we had a conversation about the nature of the appointment of the Chief Scientist, I indicated to you that the Chief Scientist was not appointed under the Public Service Act.

Senator ABETZ—That is right.

Mr Paterson—The Chief Scientist traditionally has not appeared before Senate estimates. They are not an officer.

Senator ABETZ—That is right.

Mr Paterson—They are appointed under a deed. There are many people appointed under deeds that do not appear at Senate estimates in any capacity, but the minister made it quite clear in the deed that appearing before Senate estimate hearings, as requested by the portfolio minister, was a special category and that is reflected in the material that I supplied to you in response to your question that I took on notice last time.

Senator Carr—I can add to that. The history of this matter is that there was a Senate inquiry into the role of the Chief Scientist in the previous parliament by a committee that I chaired. There was a dispute with the government of the day that we refused to allow the Chief Scientist to appear. There were other occasions when various bodies that had been established by the government of the day would not allow them to appear before Senate estimates. We made a policy commitment that we would not adopt that same approach in government with regard to the Chief Scientist, and that is the basis on which I have acted.

Senator ABETZ—I have already congratulated you on previous occasions with the previous Chief Scientist on that initiative. I think that is a proper one and good one. I have said that on a number of occasions. What I was seeking to determine was whether the Chief Scientist's appearance at Senate estimates will continue to be, and so it seems, at the whim of the portfolio minister, although I understand your position, Minister, that you believe that the Chief Scientist should be made available on every occasion. In the contract or schedule of roles and responsibilities it tells us that it is still at the request of the minister. There is no criticism of the Chief Scientist in this at all. I just want to get an understanding that basically it is going to be the same as under the previous government, other than you will exercise your discretion to make the Chief Scientist available, but of course that discretion can potentially be withdrawn at any time. Is that correct?

Senator Carr—I have no intention of changing the policy position.

Senator ABETZ—Excellent. Thank you for that. How are you going with the monthly written reports to the minister? It sounds like an assignment once a month that has to be handed in. It takes us all back to our undergraduate days of having to provide these sorts of reports. Are these being provided on a timely basis and are you finding any difficulty in maintaining that sort of reporting regime?

Prof. Sackett—Not at all. Certainly in a role such as this I would expect some form of accountability. It was noted in my contract. I have supplied a monthly report every month except for January and December where we combined them into one report.

Senator ABETZ—What sort of wriggle room have you got, if I can use that terminology, in the event that you were overseas, on leave or whatever that the importance of getting a report in monthly can be overcome with a report every two months, depending on the circumstances; is that correct?

Prof. Sackett—Certainly in the case of the December-January report we asked the minister's office if the minister would be happy to accept a report over the two-month period and we received the answer that he was.

Senator ABETZ—Can I ask you about your duties as the Chief Scientist. They are enumerated for us from (a) to (i). Is there one specific area of those duties that you would see as being the most compelling or the most important duty that you have as Chief Scientist?

Prof. Sackett—All of them are listed as a matter of my contract, which also says that I am not limited to those duties. Certainly providing advice to the Prime Minister, the portfolio minister and other Australian government ministers on matters affecting science, engineering and innovation as the Prime Minister, the portfolio minister and other ministers request would have to be—I do not mean to denigrate the importance of any of the others—clearly at the top of the list, for good reason. I also take the second in the list, drawing to the portfolio's minister's attention emerging issues and opportunities in science, engineering and innovation—

Senator ABETZ—If I may interrupt, I am sure you take them all seriously, but I just have a funny feeling that subparagraph (d) may be the one that you are actually passionate about. That is my sense, having seen you in public, et cetera. That subparagraph is: acting as an advocate for science and promoting science and education skills. If that were your top

priority, or one that you feel passionately about, I would not be in any way critical of you for that because I think it is a very important role. In your duties under subparagraph (d) has there been an actual development of a structure or an action plan to assist you in acting as an advocate or promoting science, education skills, development et cetera or are you doing this—and I do not mean this in a derogatory way—on an ad hoc basis when opportunities arise and you proactively also look for those opportunities? Or do we have a definite plan that you will visit so many schools every six months, or something of that nature?

Prof. Sackett—I think both of those are true. Certainly wherever I can and my schedule permits I try to take advantage of ad hoc opportunities. I make it a special point to speak at high-profile events like the National Youth Science Forum and the Extreme Science Experience event which I recently spoke at in Sydney where there are large groups of young people gathered together. Those of course have my special attention. In addition, on occasions I can provide useful advice working with other chief scientists on these matters; it is certainly a matter that state chief scientists take very seriously as well. We have met and discussed that issue, thinking about how we can add more to our individual duties by working together. Of course, the Prime Minister's Science, Engineering and Innovation Council also particularly considers this as part of its remit.

Senator ABETZ—As to section 4 of your contract, which deals with terms of engagement, I cannot recall the correct terminology but we know what document we are talking about. Item 4 is headed: 'Areas of Government Interest for the Chief Scientist'. We are told that section 4 is intended as an initial guide for the Chief Scientist on what is expected. Has anything been added to this initial guide at this stage?

Prof. Sackett—No.

Senator ABETZ—There are no further areas of interest. I must say looking through the listings I think, with great respect to yourself, it would be clearly beyond the capacity of any Chief Scientist, no matter how qualified, to personally provide advice in the areas enumerated. Do you have a body of scientists on whom you can call to provide some assistance and guidance on, for example, things as diverse as nanotechnology to marine science to Indigenous scientific knowledge?

Prof. Sackett—Indeed. In fact, almost all of the work of the Chief Scientist is done in consultation with other scientists, whether it be as simple as an email or a phone call or convening an expert working group to work on a particular topic.

Senator ABETZ—Do you have a support staff who then assist you in determining of whom you should be seeking views and opinions? I am going to take a stab in the dark here that possibly you are not fully across the issue of, let us say, marine science; would that be fair? I only suggest that one because that is at the bottom of the list. I could have chosen any one other than I think astrophysics, or something, or space science. As to those areas in which you might not have specific personal expertise, how do you determine whom you should be emailing or from whom you should seek advice which then of course gets passed onto government?

Prof. Sackett—It would depend on the detailed circumstance but there are many people I might go to, maybe from one of the academies; I may ask colleagues at the ARC or the

NHMRC. If it were a case of marine science, I may talk to somebody in AIMS, solicit opinions from a variety of sectors. The Federation of Australian Science and Technology Societies is another body that I often make queries around to ask the ideal people on particular individual topics.

Senator ABETZ—Who would guide you in relation to that? Do you just make that decision yourself from your general knowledge of the broad scientific community, or are there advisers within your section of the department that would suggest to you that these might be appropriate people or bodies to discuss the issue with?

Prof. Sackett—The peak bodies in Australia and the top governmental labs are well known to everyone. Certainly I do take advice on occasion from people who are in my office or elsewhere, but in the end the decision is mine.

Senator ABETZ—I fully accept that. I wanted to know whether you were provided with a benefit of advice as to whom you might seek to consult in relation to various issues.

Prof. Sackett—Certainly the people in my staff who have been there for some time would know, for example. There are others who may have served as expert advisers in the past and that all goes into a mix.

Senator ABETZ—Have you been provided with a car by the department?

Prof. Sackett—On any matter of remuneration, I would defer to the secretary.

Senator ABETZ—Clause 5, departmental support, provides for ‘an office appropriately equipped’ et cetera and then, ‘the department will at the Commonwealth’s expense provide’—if I might say quite reasonably—‘a departmental phone and fax facilities, mobile and Blackberry phones and IT services, including remote access to email for business purposes’. That is all perfectly reasonable. I wondered whether a car was included in that.

Mr Paterson—I am hesitant to comment in relation to particular personal remuneration arrangements. There is nothing sinister or hidden in this process. The Chief Scientist does have a car as part of her salary arrangements. I do not want to go into the details of that, given that it is part of an overall salary—

Senator ABETZ—That is all I needed to know. I assume that the department, in providing a departmental telephone and fax facilities, mobile and Blackberry, are also allowed to be used for private purposes. Can you confirm that that is the case?

Mr Paterson—Reasonable private use is acceptable.

Senator ABETZ—I fully support that. There is no criticism of it but—

Mr Paterson—I think I gave this advice on the last occasion, but the remuneration arrangements are all set by the Remuneration Tribunal. So the determination of the rates and the conditions in relation to the employment of the Chief Scientist were determined by the Remuneration Tribunal.

Senator ABETZ—As to the monthly reports that you provide and the advice you provide to government, I assume that is advice to government which you would not seek to share with me and the Senate estimates committee; is that correct?

Prof. Sackett—Certainly, any advice that I give directly to government is something that it is not clear to me that these proceedings cover.

Senator ABETZ—It begs the question for me, in relation to an interview that you gave on Monday, 20 April, to Sabra Lane—I think it was on the *PM* program—about what our emissions targets ought to be. In the introduction—I stress this is the introduction, so it was not actually personally spoken by you, as I understand it—it was said that you had shared a target in private discussions with the government but that you were reluctant to reveal publicly. Have you suggested a target to the government in relation to its climate change policies?

Prof. Sackett—If I had, that would be a matter for the government. Of course, I cannot take responsibility for the words that are said by others.

Senator ABETZ—That is the difficulty. Lisa Millar asserts:

The Chief Scientist says Australia should set the steepest possible target now, a target she's shared in private discussions with the Government but is reluctant to reveal publicly.

I am wondering how Lisa Millar got to find out that you are of the view that Australia should set the steepest possible target now. Was that by you, your office, the minister's office, or is it a fabrication by Lisa Millar that this is your view?

Prof. Sackett—If I could be very clear about this, I have gone on record saying that Australia should set the steepest possible target, and that occurred in a speech that I gave at Science meets Parliament. I have had no other discussion with anyone in the public domain about what the specifics of those targets might be.

Senator ABETZ—Did you seek the minister's permission to make that statement prior to your giving that speech?

Prof. Sackett—No, I did not.

Senator ABETZ—Potentially, for us as opposition senators, can you understand the difficulty—and I accept you are new in the job, so I do not want to be overly critical—that there will undoubtedly be occasions when we will ask what your advice to government was in a certain area, and you will respond, 'Sorry. Can't tell you. Because that is advice to government.' But we then hear it broadcast, courtesy of the ABC on this occasion, as to what your advice to government was. It seems that from time to time you can then choose what you are to tell the public, what you have told government, and on other occasions decline. I would have thought it may have been beneficial to have the one overarching rule: I do not comment on what I have told government.

Prof. Sackett—I did not comment to any reporter or anyone in the public sphere what I had told government on this matter.

Senator ABETZ—But your comment, 'we should set the steepest possible target now', was shared in your speech; is that right?

Prof. Sackett—Yes.

Senator ABETZ—A target that you have shared in private discussions with the government.

Prof. Sackett—As I tried to indicate, I cannot take responsibility for the words of others. What I can tell you is that I have not shared in the public domain any specific target with anyone that I may or may not have shared with the government. Nor to my memory have I even said that I have shared a specific target with the government. What I have quite publicly said is that I believe both sides of government need to work together to set the steepest possible targets.

Senator ABETZ—In this interview you told us that we have six years to reverse the trend from increasing CO₂ emissions to decreasing CO₂ emissions; is that correct?

Prof. Sackett—Correct.

Senator ABETZ—Is that six-year time frame in relation to the world or in relation to Australia specifically?

Prof. Sackett—I believe I made it clear that that is in the context of world emissions because climate change, of course, responds to world emissions. It was also made in the context of the two-degree target that many scientists feel that to go above would risk dangerous climate change.

Senator ABETZ—Without telling me what the advice was, were you asked by the government to provide any advice on delaying the implementation of the Carbon Pollution Reduction Scheme by 12 months?

Prof. Sackett—Sorry, could you restate the question for me, please?

Senator ABETZ—When I used to earn my keep wearing different apparel, that was the question that you always feared the most coming from a witness because your mind is going ahead of you. I think the question was along the lines of: did the government seek your advice about the delay of the implementation of an emissions trading scheme by a period of 12 months—without divulging what you may have said to them?

Prof. Sackett—No, I was not.

Senator ABETZ—You were not asked or consulted. Were you asked or consulted in relation to the Prime Ministerial statement made, I think, on 4 May 2009 in relation to the opportunity to reduce the world's CO₂ levels to stabilise at 450 parts per million by the year 2020?

Prof. Sackett—No.

Senator ABETZ—To your scientific knowledge is the stabilisation of CO₂ emissions at 450 parts per million by the year 2020 doable given the current circumstances and current action that is being taken? That was a clumsily worded question. Do you want me to rephrase it?

Prof. Sackett—Yes.

Senator ABETZ—On 4 May the Prime Minister said that the government was working towards a target within the world community of stabilising CO₂ emissions at 450 parts per million by the year 2020. Did you have any input into that statement of 4 May 2009?

Prof. Sackett—Certainly not directly.

Senator ABETZ—In relation to the target of 450 parts per million CO₂ in the atmosphere, were you asked about that figure that got put into the public arena?

Prof. Sackett—No.

Senator ABETZ—It has since been corrected to 2050. I am assured that you did not have any input into that decision. Have you been consulted at all in relation to the emissions trading scheme mark II, as tabled in the parliament on 4 May 2009?

Prof. Sackett—No.

Senator ABETZ—But you have been advising the government on what kind of target it should have? Is that right?

Prof. Sackett—I did not say that.

Senator ABETZ—I have a transcript of an interview. It reads:

SABRA LANE: Have you been advising the Government on what kind of a target it should have?

PENNY SACKETT: Yes.

It was not designed to be a trick question. Possibly I can leave that with you on notice. I do not want to cause any eruptions here. My follow-up question was: have you been advocating a steeper target? According to the transcript, which may be wrong, you went on to say:

I have indicated, as you may know from a speech that I gave at Science meets Parliament, which I gave to both scientists and parliamentarians, that we need to set the steepest possible target we can.

Basically what I am asking is: are you willing to share with us, given that it was an address to both scientists and parliamentarians, what parameters or numbers you would look at for that steepest possible target? Do you have figures in mind?

Prof. Sackett—I am certainly willing to share it in this forum, as I did in Science Meets Parliament. In fact, the exact transcript of the speech I gave is on my website. I will have to paraphrase, so forgive me if I do not state it in precisely the same way that I did at the time, but what I said at that time was that what we needed to do most importantly was reverse the trend from increasing CO₂ global emissions every year that goes by to decreasing CO₂ emissions and that that turnaround needed to happen within six years if we were going to have a chance—and I should say there is not even a guarantee of that—of keeping below a two degree change in temperature from preindustrial times. I went on to say in my speech:

- The weaker the targets we set in the near term, the more difficulty we will have to meet the 2 degree emission targets later. And the more risk we take of pushing the earth beyond a tipping point that forces the warming much higher.
- Perhaps most importantly, to meet the 2 degree C warming goal, global CO₂ emissions must not grow after 2015.
- That gives us 6 years to go from increasing global emissions every year, to decreasing them every year.

Senator ABETZ—Thank you for that. I am sure that you would agree with me that science is often about questioning the status quo.

Prof. Sackett—I guess I would ask what the status quo is. Science is about questioning the world around us, yes.

Senator ABETZ—The status quo at one stage was that the world was flat. The accepted status quo is that the world is round, and that status quo was changed by scientists pursuing certain activities and convincing their fellow colleagues. In the same interview you indicated:

I'm very surprised that there's still a debate about the science, although I'm pleased people are talking about science.

It is in the opinion of the experts, who have devoted frankly their lives to studying the climate, that it is unequivocal that the climate is changing.

Do you accept that there are scientifically qualified people who have devoted their lives to the issue of climate change that would respectfully disagree with your description?

Prof. Sackett—I would be happy to answer your question. I would like to start back with the premise of comparing status quo to science. Status quo is a description that might appear in the media, in discussions that are had over the breakfast table, but the way I defined science was describing the world around us. The fact of the matter is that to my knowledge the world has never been flat; it has always been round, regardless of what some may have thought at a given point in time. It would be remarkable if every single scientist on the face of the globe agreed on every single point, but it is true that the overwhelming majority of people who spend their lives on and whose expertise is in studying the climate, and who submit their work to peer review, will tell you that the climate is changing.

Senator ABETZ—I accept that as a proposition. I just happen to know somebody who resides in Tasmania who was the foundation professor of the Antarctic and Climate Change Cooperative Research Centre who, with respect, happens to have a differing view. It just seemed to me that potentially that statement was to diminish somebody's standing who had, to use your terminology, 'devoted frankly their lives to studying the climate'. I just wanted to ensure that there was still an openness in acknowledging that there were academics who have devoted their lives and, for whatever reason, come to a different conclusion, albeit not in the 'overwhelming majority' camp, as I think you may have described it. I do not want to go into a debate as to who is right or who is wrong, but a recognition that highly qualified individuals who have devoted their time have come to a differing conclusion, for whatever reason. Are you accepting that there are people who have devoted their lives to studying this issue and who have come to different conclusions, albeit not of the majority point of view.

Prof. Sackett—In every field of human endeavour—and science is no different—there are people who exercise their right to disagree.

Senator ABETZ—Thank you for that. The largest portion of the change in the CO₂ levels is due to human action. Are you able to assist the committee as to what the body of scientific knowledge is? You may need to take that on notice. I could accept that you would not necessarily have this figure in your back pocket, but if you do it would be great. You say that the largest portion of the change is due to human action. What proportion would you say is due to human action? Would you put it at 51 per cent or 80 per cent? Can we quantify it in any way?

Prof. Sackett—It can be quantified. As in most good science, it has a range. In fact, what science does is not only tell one a best estimate but give some uncertainty around that, or

rather a degree of certainty around the range in which those numbers are believed to lie. I would not like to state that in a forum such as this. I would like to take that on notice.

Senator ABETZ—Yes, of course.

Prof. Sackett—I am happy to do that. There is a body of scientific evidence, yes.

Senator ABETZ—Thank you for that. That finishes my questions for the Chief Scientist.

CHAIR—Senator Cameron.

Senator CAMERON—Now you know how Galileo felt in 1633. I want to go back to a speech you made titled Engaging in a Changing Climate. You gave that speech at Parliament House on Tuesday, 17 March. You indicated that scientists had a unique role to play by talking across boundaries. It seems to me you have had some cross-examination by Senator Abetz about your perhaps not doing that. Do you still stand by that statement that scientists should talk across boundaries and not just stick to their narrow field?

Prof. Sackett—I would like to refer to my speech just to make sure I understand the context in which I said that. Can you point me to the direct place?

Senator CAMERON—Yes, I will find it for you. You state:

Regardless of the science or technical area in which you are trained, the portfolio of government you help to manage or the constituency you represent, you have a unique role to play by talking across boundaries to forge good policy, deliver economic and social benefits, and increase understanding and preparedness in today's increasingly technical and global world.

Prof. Sackett—Yes, thank you. I do see it now. It was near the beginning of that speech.

Senator CAMERON—Yes.

Prof. Sackett—And your question is?

Senator CAMERON—Given the veiled criticism about talking outside your portfolio, do you still stand by this speech and that part of it?

Prof. Sackett—I do stand by the speech. I was speaking to scientists. Obviously there are matters in my special role as Chief Scientist where I am guided by my contract not to speak about detailed matters on which I advise government, that is, the specific advice that may lie in a policy arena. However, I do believe that scientists should engage parliamentarians on these matters and I would add that I believe parliamentarians should engage scientists.

Senator CAMERON—I certainly think we have had some of that and that you have not been disappointed here today. The other issue you raised in that speech is that you went to Copenhagen in December and you came back with some very strong views in relation to the need to take action. Has anything taken place recently that would make you change that opinion?

Prof. Sackett—I am not aware of anything that would change my opinion. I should say that it is not really so much a matter of my opinion as listening to work that had gone through the peer review process, or had been submitted to the peer review process at the time of the meeting. Indeed, that work which provides a four to five year update on the science that was input to the 2007 IPCC report I found quite compelling.

Senator CAMERON—I cannot remember the scientist that Senator Abetz made some comment about, but if that scientist is right and everyone else is wrong, then it would take some time to prove that scientist right in his minority opinion. Is it appropriate for us to not take some scientific action to try to remediate against what the general view is? Can we take the chance that that scientist is right and the bulk of scientists are wrong?

Prof. Sackett—In the end these are societal decisions. What science does, as best it can, is try to tell the public and policy makers what is happening, why it is happening and the consequences if the current trends are extrapolated into the future. Whether or not we can afford to wait is a decision that society, as a whole, needs to make. If we have been clear in articulating some of the consequences of not taking action soon then it would be perceived by most to be an extraordinarily high risk to take.

Senator CAMERON—I must congratulate you. It was a very good speech. You also counsel people not to be despondent about the challenge of climate change and you say that every area of science can contribute. You go further out of science and into engineering and you list a whole range of areas that can make a contribution where maybe new jobs can be gleaned from this whole approach. Do you have any further comment on that part of your speech?

Prof. Sackett—The message I was trying to convey was that, firstly, although science cannot be the complete solution to climate change, because it is a matter of societal choice and involves people in other sectors, including political sectors, nevertheless there are many things that science has to offer. In nearly all areas of science that I can think about scientists, engineers and technologists can contribute to helping human kind mitigate against climate change and adapt to that which is already underway.

The second point that I wanted to stress in the speech was that in mitigating against climate change—and this is my opinion—the world will be going to a low carbon economy. Although I am not an economist, I believe that adapting to a low carbon economy will place us in good stead to flourish in that global economy.

Senator CAMERON—That leads me to the four points that you make right at the end of your speech. You state:

A raft of benefits emanate from dealing with a low carbon economy. The four points are the immediate generation of new green jobs; better preparedness for climate change, which will reduce health and economic costs; the restoration of ecosystems, and the industries and human wellbeing that depends upon them, and the ability to lead a foundation for international competitiveness and leadership in the low carbon economy of our future, the only real future a baby born today has.

Do you want to expand on those four points at all?

Prof. Sackett—I have no need to expand upon them. If you would like to address a particular question then I am happy to take it.

Senator CAMERON—Do you stand by those four points in your speech?

Prof. Sackett—I do.

Senator CAMERON—At the conclusion of your speech you state that ‘we will not be alone’. What brings you to the view that we will not be alone in dealing with these issues?

Prof. Sackett—Since being Chief Scientist I have travelled to the United States, Europe, the UK and later this year will travel to Japan and China. I have met some of the very top leaders in science from the Chinese, US, European and UK governments. I believe that scientists are in the main all of the same view that to tackle this challenge we will need to reduce our carbon emissions globally. Indeed, many countries are already doing so. We can take the example of Denmark, which I have quoted before, which has grown its economy at the same time it has shrunk its carbon emissions. It has gone from being an energy importer to an energy exporter. We can take the case of California and the rapid increase in renewable energy technologies that we see there. There are individual energy companies in the United States that have moved swiftly over an eight-year period from reducing their dependence in their total fleet of energy generation, drastically reducing their dependence on coal, and diversifying into many other areas, including renewable. All these things lead me to believe that we will not be alone.

Senator CAMERON—Thank you very much. You will be very pleased to know that you will not have 18 days of interrogation as Galileo did. Thank you for your evidence here.

CHAIR—Thank you, Professor Sackett. If there are no more questions for the Office of the Chief Scientist I suggest that we go to the dinner break now.

Mr Paterson—If you are going to the dinner break now, can I check to see what elements of the portfolio we will be dealing with after the dinner break? If there are officers that I can let go then I will do so.

CHAIR—I think there are still questions on outcome 1.

Senator ABETZ—Yes. I have one and also some in the corporate area, unfortunately, because of the minister's absence.

Mr Paterson—Outcome 2?

Senator ABETZ—Yes, there will be questions on outcome 2 as well.

Mr Paterson—So I cannot let anybody go.

CHAIR—I am afraid not.

Proceedings suspended from 6.48 pm to 7.50 pm

Senator ABETZ—Minister, over dinner have you had time to reflect as to where you actually were at 4.15 pm this afternoon?

Senator Carr—I have nothing further to add.

Senator ABETZ—You cannot tell us whether you were at cabinet, as you did prior to your departure?

Senator Carr—I have no reason to change the advice I have provided to the committee.

Senator ABETZ—Give us your advice in relation to the document titled *Powering ideas: an innovation agenda for the 21st century*. Did the department help to put that together and, if so, did editing take place in your office?

Senator Carr—The department provided advice as an interdepartmental committee. There was a range of inputs to the document.

Senator ABETZ—Including from your ministerial office?

Senator Carr—Yes, make no bones about that.

Senator ABETZ—Why is it that the Department of Innovation and Industry, Science and Research and your office—and I am not sure who is responsible for this—believes that there were no reforms undertaken during the 1990s?

Senator Carr—What is the problem?

Senator ABETZ—You do not understand your own document?

Senator Carr—No, I am wondering what the problem—

Senator ABETZ—You wrote the foreword to it. You tell us the Australian economy grew strongly between 1992 and 2007 thanks mainly to the reforms made in the 1980s and a boom in demand for our resources. I would have thought as a proud member of a Labor government right up to 1996, the majority of the 1990s, you would at least lay claim to some reforms of the 1990s being an essential ingredient of the nation's productivity agenda. Or are you saying Paul Keating went to sleep in the 1990s?

Senator Carr—I suggest that you actually read the document. Let me be clear about this. What it says is:

... the Commonwealth's commitment to economic reform and investment in education, innovation and infrastructure stalled after 1996 ...

Senator Carr—Did you neglect that little point?

Senator ABETZ—No, I am talking about the reforms made, as you say in that document, in the 1980s. There were no reforms referred to in the 1990s.

Senator Carr—I suggest you read the whole paragraph and do not try to take things out of context.

Senator ABETZ—I have read the document, and the innovation sector is singularly unimpressed by the political partisan nature of this document, which has political references to it that are quite frankly in the context of trying to build on previous successes in innovation from the Hawke-Keating era, through the Howard era and continuing, I am willing to admit, in the Rudd era. To have these nearly primary school type political comments scattered throughout has meant that a lot of people who are serious about the issues of innovation have just walked away from this document thinking, 'This minister and this government are all about politics and not about getting on with business.' Allow me to make a few references. On page 2 it says:

A decade of policy neglect has hurt Australia's innovation performance ...

I can understand the partisanship. When we were in the parliament debating it I could understand those sorts of comments. But this is a document which has, what, the status of a white paper? What is the status of this document?

Senator Carr—This is the government's response to the green paper. I have referred to it as a white paper.

Senator ABETZ—That is right.

Senator Carr—It outlines the government's 10-year strategy. You disagree with some of the intent of it, but then what is new?

Senator ABETZ—I have already referred to pages 2 and 11. Page 12 reads:

... the toll of political complacency and policy neglect on Australia's productivity can no longer be ignored.

Senator Carr—That is true. What is wrong with that?

Senator ABETZ—People in the innovation space who are serious—

Senator Carr—You know what happened to the productivity statistics under your government.

Senator ABETZ—I know exactly what happened to Commercial Ready in your very first budget and I know what that has done to the innovation sector. But we have had these debates before and I am saying to you that for these matters, whilst they are clearly matters for partisan debate, to appear in a white paper, where the government is inviting everybody to treat it seriously, really undermines its own credibility and the opportunity that we have in the innovation space courtesy of your incapacity to desist from making cheap political commentary.

Senator Carr—That is your political view.

Senator ABETZ—As a result, you are prejudicing the innovation sector in this country and the innovation agenda that you are asserting you are seeking to pursue, because it does the government no credit when it produces such a partisan document.

Senator Carr—We had the biggest increase in 30 years. You had an opportunity to match that report and you failed.

Senator ABETZ—It is very good to have an increase after you have cut \$700 million out the year before. It is very easy to have a 30 per cent increase when the previous year you chopped out \$700 million. Let us have a look at the base from which you are starting. In last week's *Financial Review* there was a position advertised in your office for assistance adviser—is that correct?

Senator Carr—Yes.

Senator ABETZ—Is that a new position?

Senator Carr—Yes.

Senator ABETZ—Can you please update the committee on your staff breakdown?

Senator Carr—I will take that on notice.

Senator ABETZ—That is fine. You are entitled to, but most people would assume that the minister might have an understanding of his staff allocation. I refer to the John Button prize for political and public policy writing and ask whether that had any money contributed to it from your department.

Senator Carr—No.

Senator ABETZ—In relation to the government's skills council decision, the Victorian Automobile Chamber of Commerce has expressed its regret that placing the automotive

industry with a manufacturing skills council is wrong. Without going into the rights and wrongs about it, I want to know what consultation took place with the automotive sector prior to that decision being made.

Senator Carr—There was quite extensive consultation. You will recall this matter was canvassed in the Bracks report.

Senator ABETZ—The VACC has, as you know, denounced this decision. And just because it was referred to in the Bracks report does not necessarily mean it is a good idea. Since the Bracks report did you consult with the Victorian Automobile Chamber of Commerce, for example, about this change?

Senator Carr—I think you should go to the appropriate committee. The education and training estimates will deal with that matter.

Senator ABETZ—Yes, but did you have any input into that decision?

Senator Carr—We provided advice.

Senator ABETZ—So you did provide some advice. You either would have provided advice to ignore the concerns of the automotive sector or you yourself were ignored in relation to the advice that you may have—

Senator Carr—I cannot comment further.

Senator ABETZ—I assumed you would say that. I take you to AI-40 from Senate estimates last time, when I asked questions about the Holden announcement? Can you confirm to me that you can tell me what matters are considered by cabinet?

Senator Carr—I have nothing further to add.

Senator ABETZ—To what?

Senator Carr—To the answer.

Senator ABETZ—What was the question?

Senator Carr—‘What matters were considered by cabinet?’ I have nothing further to add.

Senator ABETZ—Can I ask whether matters are considered by cabinet or not?

Senator Carr—The answer you have before you is the answer that I have given.

Senator ABETZ—Can I ask as a general question whether I can ask questions as to whether a matter was considered by cabinet?

Senator Carr—You can ask whether or not there is a cabinet decision on such a matter. This is standard operating procedure here, as you well know.

Senator ABETZ—In relation to this portfolio I can ask, then, what matters go before cabinet. Thank you for that.

Senator Carr—No. That is not what I said. It has been standard practice through the Senate to ask whether or not there is a cabinet decision, not when matters go to cabinet, which is what you just put to me.

Senator ABETZ—No, whether matters are considered by cabinet. We are not allowed to tell whether cabinet actually considered an issue, but we are told that cabinet made a decision.

One would hope that prior to the decision being made there was some consideration of the matter, but if we cannot make this leap of logic I am willing to accept that this government makes cabinet decisions without considering them beforehand. Why even after the event can we not be told when a matter was decided by cabinet?

Senator Carr—I repeat that the answer to A1-40 is clear and I do not see that there is any need to add to it.

Senator ABETZ—I am asking questions surrounding it. I can understand your embarrassment at not wanting to answer questions surrounding it, but we are entitled to ask them and you in fact have a responsibility to respond to them. Are we going to get any further explanation as to the question that I have just asked as to what the reason is that we cannot be told when cabinet considers an issue but we can be told that cabinet did make a decision on a particular matter? What is the reasoning? What is the rationale?

Senator Carr—I have nothing further to add to the answers that have been given.

Senator ABETZ—The answer is:

Information on when matters are considered by Cabinet is not provided.

We are not given any explanation for that. It is just like before dinner when you said I was wrong, and when I asked for an explanation for why you were asserting I was wrong you were unable to provide any explanation. This is in the same category, is it?

Senator Carr—It is the process of government, as you well know.

Senator ABETZ—Is this question going to be treated in the same category—that no explanation is going to be provided for your answer?

Senator Carr—When it comes to the cabinet processes I will not be commenting before this committee.

Senator ABETZ—It is a funny thing you should say that, because before this committee you said it was a cabinet decision, so you have commented on a cabinet matter before this committee, and you did so on 26 February 2009. You will be commenting when it suits you and, when it does not suit you, you will not be. Is that the standard?

Senator Carr—I have nothing further to add.

Senator ABETZ—This is just embarrassingly appalling, but let us move on. The question was asked as to what the explanation was—

Senator CAMERON—You are becoming embarrassing. That is the problem.

CHAIR—Let us move on. We do not need this happening at the table.

Senator ABETZ—Can I ask you whether a report in the weekend *Australian Financial Review* of 14-15 March 2009 on page 6 is correct when it talks about elements of the stimulus package being available to individual firms, in particular the investment subsidies for plant and equipment?

Senator Carr—I do not have the article in front of me, but I think it would be fair to say that the investment depreciation allowances and the other stimulus measures would invariably be available to firms.

Senator ABETZ—Yes, which as I understood it was open to every firm to apply without fear or favour across the whole range of businesses and business enterprises. I found it passing strange that you should say: ‘We want to talk to individual firms. I am prepared to engage with companies but they have to be prepared to put money on the table themselves.’ This was in the context of what you quite rightly identify—so undoubtedly you are aware of this report by Peter Roberts—as the stimulus package. Why would you want to talk to individual firms about accessing this ‘accelerated depreciation entitlement’?

Senator Carr—There is a whole range of matters on which we talk to firms. We want to make firms aware of the opportunities that are presented by the government’s stimulus package, a package which I am reminded you oppose. We want to ensure that people take up those opportunities, because we believe that they are extremely important for the economic development of this country. At a time of global economic recession they are needed and required, and it is unfortunate that the Liberal Party feels that they are not.

Senator ABETZ—Why did you say you had plans to use stimulus funds to help create high-wage, high-skill jobs in pharmaceuticals? How would you be able to do that with a stimulus package?

Senator Carr—I do not know what you are talking about. You will have to produce the article.

Senator ABETZ—I have already identified it. Possibly you can provide an explanation to us on notice of this article, because it seemed passing strange that you should comment on the stimulus package as being of particular interest—in an area where it was open to all companies and they did not have to apply; it was just something that they did in their tax returns. I now move on to another answer to a question on notice from the last estimates, AI-41. I asked:

Have we made any extra money, loan or deal available to General Motors at all, other than the \$149 million?

The answer is:

The Department does not comment on whether or not any company has approached the Government for assistance.

Once again—sorry, I know I am obtuse—but I do not understand the answer. This is not about an approach. This is about had we made—as in the past tense—any extra money, loan or deal available to General Motors? Surely you are going to grace us with an answer to that question. Or are we going to shut down on every single question that is asked?

Senator Carr—The answer is very clear. I am sorry that you are so obtuse that you cannot follow it.

Senator ABETZ—I am not asking whether or not any company has approached the government for assistance. The question is: have we made any payments, loans or deals available to General Motors? And guess what? We were all told about the \$149 million deal, weren’t we? Why wasn’t that kept secret? Why did you comment on that one? Why did you comment on the Toyota deal as well? Why did you comment on the money made available to ACL Bearing? The list goes on. Clearly, this is not a standard answer—or I hope it isn’t,

because you have broken it yourself in that case. Can I have an answer to the question: have we made any extra money, loan or deal available to General Motors other than the \$149 million?

Senator Carr—I am not in a position to comment on whether or not a company has approached the government for a loan.

Senator ABETZ—That is not the question. Have we made money available? I am not asking whether they approached you; I am asking you whether you have made taxpayers' money available to this company? Senate estimates is entitled to know whether this government and this department have made taxpayers' money available to companies.

Senator Carr—This department announces payments to companies at the time at which we make them. They are declared in accordance with the guidelines for the programs.

Senator ABETZ—So we are able to comment on them? Thank you very much. Have we made any extra payments to GM other than the \$149 million which was referred to on 26 February 2009?

Senator Carr—I have nothing further to add on that matter.

Senator ABETZ—This is just treating this committee with absolute contempt, or it is based on the ignorance of the minister. This is completely and utterly unacceptable. You provide a nonanswer and then pretend that you do not have to tell this committee and the Senate what you are spending taxpayers' money on. Surely the answer is 'yes' or 'no'. Have any extra monies been made available other than the \$149 million? Aren't we going to be given an answer to that one either?

Senator Carr—I cannot add any further to the answer that we have already given you.

Senator ABETZ—It is a nonanswer to say that you do not comment on whether a company has approached the government. I am not asking whether GM has approached; I am asking whether money has actually been loaned or paid out to General Motors.

CHAIR—I think you have asked that same question a number of times.

Senator ABETZ—I think you are right, and the record will disclose that once again we do not have an answer. Let us move on to ACL Bearing. You are very happy to fly down to the marginal seat of Bass to tell the people of Bass: 'Yes, we are making money available to this company—

Senator Carr—If I recall correctly, you supported that. Do I recall a press release from you supporting that?

Senator ABETZ—because they have approached us.' From General Motors:

The department does not comment on whether or not any company has approached the government for assistance.

Yet here we are, travelling down to the marginal seat of Bass, saying: 'Yes, we were approached and aren't we good? We're making millions of dollars available.'

Senator Carr—Senator Abetz, let us be very clear about this. If you want to be cute about this, you and a number of other Liberal senators approached me about the fate of this company. It is my recollection that this company chose to make its approach public and did so

in glorious technicolour. We have made a grant to the company and that was announced, as is done with all the grants that this department issues.

Senator ABETZ—Were you approached by ACL Bearing for assistance?

Senator Carr—I have already indicated to you the answer to that question. I was approached by ACL Bearing, who made that approach very public. But you and a number of your colleagues also chose to make that public and chose to publicly lobby the government to support this company.

Senator ABETZ—That is right.

Senator Carr—You chose to put their business into the public arena.

Senator ABETZ—No, I did not at all. That is absolute nonsense. You have just admitted that they called for assistance publicly. It was already in the public arena at the time that I joined their call. It is interesting that you can find your way clear to comment on a company's request for assistance when it just happens to be in a marginal seat.

Senator Carr—No. You are missing the point here. Commercial-in-confidence arrangements are what we follow. If companies choose to make their business known to their competitors and to the world, that is a different matter.

Senator ABETZ—Can you tell us what the aggregate sum is of monies paid by your department to companies that have chosen not to make those payments public?

Senator Carr—We will take it on notice.

Senator ABETZ—And, if they do not choose to make it public, it will never be disclosed to the Australian people what they have received by way of funding. Minister, that is preposterous!

Senator Carr—No, you are being puerile. What we have is a situation where grants made by this department are made public in the normal reporting requirements of this department. We do not discuss approaches that are made to us by companies. We do not discuss the affairs of companies in terms of that dialogue that we have with individual firms on a day-by-day basis.

Senator ABETZ—Do we say how much money we have made available to them?

Senator Carr—When a grant is made by this department it is made public in the normal course of our reporting requirements.

Senator ABETZ—Have you made any extra money available to General Motors other than the \$149 million?

Senator Carr—I have nothing further to add to the answer I have already given you.

Senator ABETZ—It must either be on the public record or not.

Mr Paterson—As you know, we are obligated to publish, within seven days of a funding agreement being reached, details of discretionary grants issued. There is a Senate order and a finance minister's direction in relation to that. We are required to publish them on our website within seven days of the funding agreement being entered into, and we do publish them.

Senator ABETZ—That includes the provision of extra money, a loan facility or another similar type facility.

Mr Paterson—It is an order in relation to discretionary grants.

Senator ABETZ—Only discretionary grants, not discretionary loans?

Mr Paterson—Discretionary grants is what the Senate order requires of us, and that is what we meet.

Senator ABETZ—I am aware of that. Are there any discretionary loans that have not been publicly disclosed that have been made by the department?

Mr Paterson—None that I am aware of.

Senator ABETZ—It is easy, isn't it—when you ask the officials who know whether or not such loans have been made. It is now very easy. Thank you for that, Mr Paterson and the officer that was behind you, in providing that. I would like to go back to the ACL Bearing loan. Have the terms of the loan or the grant—

Mr Paterson—They are very different concepts.

Senator ABETZ—Yes. With the \$4 million that has been made available by state and federal governments—do you know what I am referring to there?

Mr Paterson—Yes. I made reference to it prior to the dinner adjournment.

Senator ABETZ—That is right. That is the one. You know the concept that I am talking about.

Mr Paterson—It is a grant under the Automotive Industry Structural Adjustment Program.

Senator ABETZ—Can you remind me again what the bases are, under AISAP, for those grants? Was AISAP \$116.3 million to facilitate consolidation in two ways? First:

By helping firms with legal, relocation and other merger costs. The program will neither prop up failing firms nor pay them to exit the industry. It will only support transactions that make the industry stronger. The level of assistance will be determined by the minister, but in no case will merger costs be met in full.

Can you advise us how the ACL Bearing funding fits into the AISAP description?

Mr Payne—The ACL grant decision was made in accordance with the public guidelines for the AISAP program.

Senator ABETZ—Did it help a firm with legal, relocation or merger costs?

Mr Payne—It was made under the exceptional circumstances provisions of the AISAP program.

Senator ABETZ—Right, and the exceptional circumstances provision basically gives the minister full discretion?

Mr Payne—Yes. The circumstances in which such a grant can be paid are set out in the guidelines.

Senator ABETZ—Have we been able to establish the arrangements with ACL Bearing as yet?

Mr Payne—They are still being negotiated.

Senator ABETZ—Are there any sticking points from the Australian government's point of view in relation to the deal? I understand it is a joint one with the state government and the state government is requiring certain directors' guarantees and so on.

Mr Payne—It is not a joint deed between the Tasmanian and Australian governments and ACL. There is a separate deed between each government and the company. Negotiations are proceeding between the department and ACL.

Senator ABETZ—Do the negotiations include requiring ACL directors to give personal finance guarantees?

Mr Payne—The terms of the deeds are commercial-in-confidence between the department and the company in question.

Senator ABETZ—How long do you anticipate this matter to continue to be negotiated prior to resolution? Do we have any indication? Are we close to resolution, or as far away as we were in March?

Mr Payne—I cannot really predict a finishing time. We are actively negotiating it with the company.

Senator ABETZ—This money has not been paid out to ACL as yet?

Mr Payne—That is correct.

Senator ABETZ—I find that in last year's budget papers?

Mr Paterson—No. I mentioned before the break that last year's budget papers had a grant of \$2 million. I also indicated before the break that there was a further \$4 million grant under AISAP.

Senator ABETZ—That is right.

Mr Paterson—That is the one to which Mr Payne is referring. The \$2 million grant and the \$4 million grant are separate.

Senator ABETZ—The \$4 million is in the total sum under AISAP?

Mr Paterson—Yes.

Senator ABETZ—There will then be a breakdown of that to the various grant recipients that you tell us about on a regular basis.

Mr Paterson—We tell you. We publish the details once the funding agreement is settled. Within seven days of doing that we put that on our website.

Senator ABETZ—Are you able to tell us how much money has been paid out under the category of exceptional circumstance? If you do not have it, you can take it on notice.

Mr Paterson—It is the precision with which you asked the question about being actually paid. I am not 100 per cent sure whether we have actually paid. We will take it on notice.

Senator ABETZ—All right. How much have you budgeted for this year? Is the AISAP budget in your internal working document split up into the various categories? How much are you anticipating may be spent under exceptional circumstances?

Mr Payne—Are you referring to 2008-09 in your question? Which financial year are you asking about?

Senator ABETZ—That is a very good question. Let us start with 2008-09 and then I will ask about this year's budget, 2009-10.

Mr Payne—The allocation for 2008-09 was \$7.88 million and for 2009-10 the figure is \$18.24 million.

Senator ABETZ—I assume when it has got a \$0.24 million after it, that is with some precision. You must have certain grants in mind for that figure.

Mr Payne—No.

Senator ABETZ—Is that a percentage? How do we calculate it with such precision of \$18.24 million?

Mr Payne—That is just a representation of the decisions that the government made to fund this program when they made their decisions on *A new car plan for a greener future*.

Mr Paterson—It is just the funding profile between years.

Senator ABETZ—I was going to say that the figures are rubbery, but you would jump at me. Are they interchangeable? Moneys can go between the various sections, so if there were not a full call on the discretionary fund or the exceptional circumstance fund of \$18.24 million, would the rest of it then fall into the general AISAP fund?

Mr Payne—The figure I have given you is for the whole of AISAP, so it is for both types of grants. It is for, firstly, the merger and acquisition activity and, secondly, the exceptional circumstances provisions.

Senator ABETZ—With the exceptional circumstance—

Mr Payne—There is no notional division between the two types of grants. Of the \$7.8 million, there was not an amount set aside for, if you like, the normal provisions and another amount for the exceptional circumstances. It is one amount.

Senator ABETZ—I am sorry, I misunderstood. I thought you were telling me that \$18.24 million had been set aside from the \$116.3 million for exceptional circumstance funding.

Mr Payne—No.

Senator ABETZ—I will have to re-read the *Hansard* to see what you told me. I am willing to accept that. Minister, can you tell us whether you have had any discussions with the Melba company?

Senator Carr—We have just spent some considerable time here on the issue of commercial-in-confidence and whether or not we have conversations with individual companies. You have named a company and asked me whether or not I have had conversations with them. I am not going to change the position I put to you. It is not our place to go to those issues.

Senator ABETZ—All right. Can you tell me why you told me on notice that the minister had not had discussions with this company? That is a very principled stand you have taken. Can I draw your attention to question AI_31?

Senator Carr—What was the date of that question on notice?

Senator ABETZ—It was asked during the estimates hearing on 26 February 2009. Has the principle changed since 26 February 2009?

Senator Carr—No. Circumstances might have, but I am not saying any more.

Senator ABETZ—You can tell us the minister has not had discussions with this company. You are at liberty to tell us when you do not have discussions with a company, but when you are reluctant to tell us whether you have had discussions with a company, there is only really one conclusion to draw, isn't there? If there were a general rule I could possibly understand it, but it is quite clear there is no general rule. When you want to, you tell us; when you do not want to, you do not tell us. That seems to be the principle.

Senator Carr—I understand there have been some public statements by the companies concerned. What I can say to you is that in terms of Melba Industries, since the government did recognise the importance of firms like Melba and the fact that they were facing considerable economic difficulties as a result of the global recession, the department has been in contact with the company through the administrators and the liquidators—the administrator is Grant Thornton—to discuss what were the avenues for government assistance that might be available to assist the administrators and liquidators in dealing with the company.

The creditors of Melba Industries voted to liquidate the company, so those conversations came to an end. The liquidator has accepted an offer from Bruck Textiles and the final sales contract was signed on 11 May. I understand that Bruck has indicated they intend to continue to operate from the Melba sites in Thomastown and Geelong for a limited period of time in order to facilitate a smooth transfer of the assets to their existing facilities in Wangaratta. We will continue to monitor the situation closely and to work to ensure that the impact on workers and their families is kept to a minimum.

Senator ABETZ—Thank you for all that, but that does not deal with the in-principle issue as to whether or not you tell us and whether you comment on whether you have had discussions with a particular company or not. On notice, in your own writing, you did tell us that you did not have discussions, but now it seems that since then you are freely telling us that you have had discussions.

Senator Carr—I suggest you check the *Hansard* record, because it is quite clear that you have a serious hearing problem.

Senator ABETZ—Keep your daytime job. I am more than willing to accept when I misunderstand something. I had a discussion with Mr Payne just before about that, and I am more than willing to accept that I might have something wrong. Instead of just telling me that I have got something wrong, an explanation might sometimes be helpful if you are to be believed in that. Have you seen the article in the *Business Spectator* commenting on Melba Industries and what was described as 'Kim Carr's Melba mistake' which 'could cost the government many millions' of dollars because moneys may need to be paid out under the GEERS scheme?

Senator Carr—I am familiar with Robert Gottliebsen's assertions. I am also familiar with his retractions in subsequent editions. I trust you will quote from them as well.

Senator ABETZ—I was not aware that he has retracted that.

Senator Carr—Perhaps you should get your office to read the whole file, not just part of it.

Senator ABETZ—On what date was that retracted?

Senator Carr—I saw it in a subsequent issue. I do not have the date in front of me.

Senator ABETZ—I do have a subsequent issue where there is further talk about the job destruction spiral.

Senator Carr—There were three chops at it. That is right. In the third chop there was a retraction from Robert Gottliebsen as to his claims in the previous two.

Senator ABETZ—That is fair enough.

Senator Carr—I think it is a matter of principle.

Senator ABETZ—I do not have the third one.

Senator Carr—You want to be clear about a few things. As far as I and this department are concerned, we will draw to people's attention the responsibilities at law of directors. When it comes to maintaining the solvency of a company, particularly in circumstances where expenses and accounts have to be paid when they fall due, it is not the responsibility of government to fund the day-to-day activities of companies for which it is properly the responsibility of directors to ensure there are funds available and met.

Senator ABETZ—I am sure that is all very responsive.

Senator Carr—There are obviously quite serious policy implications for any proposition to the contrary. When it comes to workers' entitlements and when it comes to meeting wages and other expenses of a business, I take the view that directors do have responsibilities.

Senator ABETZ—That is all very interesting, but in no way responsive to the question.

Senator Carr—Do you not agree? Do you think directors do not have that responsibility?

Senator ABETZ—You are desperate to wind down the clock after your embarrassment with the Melba answer. I put to you the proposition of the *Business Spectator*. You have responded to that indicating a withdrawal. I did not even indicate whether I agreed or disagreed with Robert Gottliebsen's thesis. I asked whether you were aware of it and whether you agreed with it. Clearly you did not and it got a retraction. That is the end of the story. Why all this commentary about company directors' responsibilities? It is completely irrelevant to the issue asked about.

Senator Carr—That is the point. If you had read the articles you would know that it was absolutely at the centre of the claims made.

Senator ABETZ—Was Carl Zeiss Vision granted any money from the federal government's innovation funding and, if so, under what program? As I understand it, the money actually did not go out the door. If you cannot locate it, that is fine. Can you please take on notice whether Carl Zeiss was granted \$1 million from state and federal government innovation funding? If we do not have an answer now, I am more than happy for this to be taken on notice. I refer to the *Adelaide Advertiser* of 6 March 2009, page 19, with the heading

'Optical company slashes jobs'. I want to know whether the assertions in that article about money being provided and so on are correct or not. Have you still not found it?

Mr Jones—I am sorry, I do not have the details of that individual grant offer with me. I will have to take that on notice.

Senator ABETZ—That is fine. Minister, in relation to mandatory vehicle fuel emissions—

Senator Carr—That is a matter for the transport department.

Senator ABETZ—Yes, but it might have certain industry implications.

Senator Carr—It is a transport department matter.

Senator ABETZ—So mandatory vehicle fuel emissions will not have any impact on car manufacturing in Australia—is that what I am being told?

Senator Carr—No. The administration of the program is with the transport department.

Senator ABETZ—I know that much. That is why I am asking whether you support mandatory vehicle fuel emissions in Australia. He has to be given advice as to whether he supports it or not.

Senator Carr—No. Again, it is late at night and you find it necessary to be as silly as this. The process is currently before COAG. The transport ministers met on Friday two weeks ago.

Senator ABETZ—You told us that the administration of this is not in your department. I am not suggesting it is, so do not tell us about the administration of it and what is happening at COAG, because that is not responsive to the question I asked. I am asking: Minister, do you support mandatory vehicle fuel emissions in Australia? You either do or do not, or you have not determined a position.

Senator Carr—I have indicated to you the process that the government has agreed to. The department of innovation is involved in an interdepartmental working group on these issues.

Senator ABETZ—So it is involved. Thank you.

Senator Carr—We are obviously concerned to ensure that the fuel efficiency of the automotive fleet in this country is improved and we are taking steps to improve that quite quickly. Our regulatory impact statement is being prepared as part of the COAG processes, which is the appropriate manner for this to be handled in.

Senator ABETZ—So the department is involved in this. They are making submissions and are actively involved. Is that correct, Mr Paterson or Mr Payne? You do not need to go into the detail, because I accept you cannot tell me that.

Mr Payne—The department was involved in an interagency working group set up to provide some advice to the transport and environment ministers councils under COAG.

Senator ABETZ—I will move on to the LPG vehicle fund. I am sure somebody can assist me with its correct name? Is anybody going to offer that?

Mr Payne—LPG Vehicle Scheme.

Senator ABETZ—What were the policy considerations to reduce the amount that is paid when a used car is retrofitted with LPG but not if it was put into a new car? What was the

thinking behind that? Everybody in the industry sector tells me that it is a lot more expensive to retrofit a car with LPG than to put it into a car when you are making it during the assembly plant operations.

Senator Carr—Mr Bracks, in his report, made recommendations in regard to factory fitting of LPG vehicles. It is a position the government supports. We have had no cap on it and, as a consequence, the cost of the program for other vehicles was growing very quickly. The government has put in place a series of demand management measures with a bid to keeping it within the budgetary framework.

Senator ABETZ—This was designed to limit the uptake of the scheme.

Senator Carr—No. What is happening here is that hundreds of millions of dollars extra are required every year to meet the cost of the conversions and in the period it was difficult to sustain that level of increase in expenditure.

Senator ABETZ—What are the environmental benefits of changing a car from petrol to LPG?

Senator Carr—It depends on a range of factors.

Senator ABETZ—In general terms, there is an environmental benefit to this, isn't there?

Senator Carr—In some cases.

Mr Paterson—It depends on the nature of the technology and the quality of the retrofitting exercise that is undertaken. It is not a uniform position that in all cases there are environmental benefits.

Senator ABETZ—What about in new cars?

Senator Carr—We are seeking to promote the newer technologies. We are seeking to encourage the industry to adapt, provide this alternative and ensure the quality of any technologies that are placed in new vehicles.

Senator ABETZ—What about new vehicles? Are the environmental benefits in new vehicles having an LPG system uniform?

Mr Paterson—There are two dominant technologies in the factory fit: vapour injection and liquid injection. The liquid injection is the way forward and that is where the focus of attention has gone. The vapour injection has fewer environmental benefits than the liquid injection.

Senator ABETZ—That is the difference in the technology and the environmental benefits?

Mr Paterson—Correct.

Senator ABETZ—You are saying all new cars are only going to be fitted with which one—the vapour or the liquid?

Mr Paterson—Liquid is expected to be coming on stream.

Senator ABETZ—So the new vehicles are still being fitted, as we speak, with the vapour, and the liquid is about to come on stream.

Mr Paterson—Yes.

Senator ABETZ—The current technology is the vapour.

Mr Paterson—It is.

Senator ABETZ—New cars today are still being fitted with the vapour technology.

Mr Paterson—Yes.

Senator ABETZ—When the liquid technology comes on board, can that be retrofitted into older cars as well?

Mr Paterson—It can.

Senator ABETZ—I can understand there would be a difference between the vapour and liquid technologies in relation to the environment benefits, but apart from that are there any other environmental benefits that would not accrue to the existing car market?

Mr Payne—The environmental outcomes are better from fitting LPG to a new engine than an older one, simply because of the factors of where on an older engine—

Senator ABETZ—As I understood it, in general terms older cars are usually less fuel efficient than newer cars. Therefore, to be able to convert an older car would, in fact, reduce the environmental footprint of that older car so much more than a new car. That is what the industry is telling me.

Mr Payne—I am not sure that it is that clear cut. The improvement is not as marked, depending on the state of the engine of the older car, the number of kilometres it has travelled and so on.

Senator ABETZ—Are there any particular cut-off points that you can refer to, such that the retrofit cannot apply to an engine that has done, let us say, more than 200,000 kilometres?

Mr Payne—No. That is not part of the government's policy on the scheme.

Senator ABETZ—Has this simply been to try to contain costs, so we have shunted the benefits in favour of those people that can buy a brand-new car, as opposed to those that might be locked into having to maintain their existing car?

Mr Payne—The retrofits to older vehicles are outnumbering the factory fitting to new vehicles by an enormous amount. I think you are looking at over 200,000 retrofits and perhaps 2,000 fits to new vehicles.

Senator ABETZ—The retrofits have the wonderful benefit of being environmentally beneficial and those that are willing to make that investment are reducing their fuel bill. Of course, those that are in the new car market anyway, in general terms, may not be as conscious of the price of fuel each week as they fill up their tank as those that are locked into their existing cars. I am trying to get a handle on this. Was it a social justice issue or was it an environmental carbon footprint issue that made you favour existing cars over new cars? All the arguments would suggest that existing cars, if anything, should be benefited rather than new cars.

Senator Carr—In general terms, we are trying to encourage the renewing of the Australian fleet. We are seeking to encourage people to take up newer technologies which are fuel efficient. The government is providing \$423 million for this program between 1 July 2009 and

30 June 2014. That is a very large sum of money. The \$2,000 grant for new cars is to encourage fleet sales, and you would be aware that 60 per cent of the Australian market is taken up from fleet sales. It is to encourage other people to purchase new cars and to take up this particular incentive.

Senator ABETZ—Those people who cannot afford new cars but do want the benefit of a more environmentally friendly fuel and a cheaper fuel bill—that is one of the reasons, undoubtedly, that they are locked into their existing car—will receive a reduced benefit under these changes; is that correct?

Senator Carr—Three hundred and ten thousand motorists will get the benefit of this scheme from the period 1 July through to the scheme's end in 2014. We are phasing down the subsidies through that period.

Senator ABETZ—Is it capped or is that the estimated number?

Senator Carr—It is a capped amount. I will correct the record there. It is an estimate.

Senator ABETZ—It is nice to know others can make mistakes as well.

Senator Carr—I have already indicated to you that in previous years we have had to find additional supplementation to the tune of hundreds of millions of dollars for the program.

Senator ABETZ—That is a great environmental outcome and reducing the cost burden on those families that retrofit their cars because they have a reduced fuel bill. It is a win-win.

Senator Carr—There is a range of policy objectives here and considerable discussion about the environmental impacts on older cars. You are restating a series of prejudice that may not be borne out by the facts.

Senator ABETZ—The facts are pretty clear. I am wondering if any official is aware of the Simon Muntz case?

Senator Carr—What would you like to know?

Senator ABETZ—I was going to ask, firstly, if you are aware of it. It looks as though Mr Peel is aware of it.

Mr Peel—Yes.

Senator ABETZ—Undoubtedly you have received correspondence from this person. Are you able to give us AusIndustry's perspective on this?

Mr Peel—Yes. It is important, first of all, to put Mr Muntz's claim into context. When the previous government introduced the LPG scheme it was essentially focused on helping families with the cost of fuel. Petrol prices were high at that time. Mr Muntz is, in fact, modifying a 1948 Ford truck and turning it into a hot rod. That was not the intention of the program and remains not the intention of the program.

Senator ABETZ—Were there any restrictions in relation to making other changes to the vehicle? When was that a consideration? You could change your car to LPG, get the subsidy and then turn it into a hot rod, so you would then be the beneficiary of it, whereas if you disclose upfront that you are doing a whole lot of stuff to this vehicle and you are making it into a hot rod, you will be denied?

Mr Peel—As I said, the focus of the program is to assist families with high petrol costs. It was focused on passenger motor vehicles, vehicles of less than 3.5 tonnes in weight. It is also a requirement of the scheme that the vehicle be registered at the time that it is converted. Mr Muntz's vehicle is not registered. He fails to meet a number of the requirements of the program. AusIndustry has spoken to him on at least 13 occasions since 2006. In 2006 he was provided with a copy of the customer guidelines for the program, which clearly indicated that the subsidy is not payable for unregistered vehicles. His vehicle is still not registered.

Senator ABETZ—The fact that it was unregistered was one of the issues. An unregistered farm vehicle would be a commercial vehicle and therefore would not qualify, either; is that correct?

Mr Peel—That is correct.

Senator Carr—Since you have raised this case, I would like to table some pictures of the said vehicle. I think you will find that it does not meet the normal descriptions of a car.

Senator ABETZ—I do not have the benefit of pictures.

Senator Carr—I do.

Senator ABETZ—I have received one letter from the gentlemen.

Senator Carr—I will take the opportunity to table the pictures.

Senator ABETZ—Are they in colour?

Senator Carr—They are in colour, but I am sure you will be able to follow it, nonetheless.

CHAIR—Members have been patiently waiting.

Senator ABETZ—All right.

CHAIR—Senator Pratt has an LPG question.

Senator PRATT—I think Senator Cameron also has one.

Senator CAMERON—I have some general questions.

CHAIR—Go ahead.

Senator CAMERON—On this LPG question, I have just been to Simon Muntz's website. It is called 'Simon Muntz Street Rods and Accessories'. I have looked at 'About Us', which shows what it does. I have looked right through the site and I do not see any ad or program for changing petrol cars to LPG. Is that your understanding?

Senator Carr—The officers have been dealing with the application. We have not dealt with it directly.

Mr Peel—I have not seen the website that you are referring to.

Senator PRATT—It does look like a company that creates hot rods.

Senator CAMERON—It is hot rods.

Mr Peel—It would not surprise me if it is not mentioned there because, as I said, it is for family cars, for passenger motor vehicles.

Senator Carr—Not trucks.

Senator CAMERON—No, or hot rods.

Senator PRATT—Senator Abetz's questioning seemed to imply that there was some kind of unreasonable closure on this scheme in terms of the number of motorists in the future that it was looking to assist. As I understand it, the scheme has currently assisted 216,000 motorists. Can you tell me how many motorists it is anticipated in the future will be supported by this scheme?

Mr Peel—As at 22 May we had assisted 219,328. As the minister mentioned earlier, the estimate is another 310,000 by the time the program finishes in 2014-15.

Senator PRATT—That is more than double.

Mr Peel—Yes. That is over 500,000.

Senator CAMERON—I would like to ask you some questions on a range of issues. I am not sure whether it is to the minister or to the secretary. Senator Abetz has raised the Howard government's record on innovation. I would like to ask you questions on some ABS and OECD statistics, so you may need to take some of this on notice.

When I was secretary of the AMWU we did some calculations on ABS data over the period of the Howard government from 1996 to 2006 and our analysis was that business was reinvesting less than two-thirds of its profits. In 1996 it was just over 70 per cent and it went down to 65 per cent, so a five per cent decline in business reinvestment. What do you think that does for innovation?

Senator Carr—The approach that we have outlined in this document is to change the culture of business innovation and public sector innovation. We establish here a series of innovation priorities which we believe we should strive towards and have this whole country strive towards in order to turn around the sorts of figures that you have highlighted there. I will need to take on notice the specifics of your question in regard to the previous government's record, but I can indicate to you that on page 4 of the document *Powering Ideas* there is a list of seven national innovation priorities which, if implemented, should transform the practice that you have highlighted in that question.

Senator CAMERON—Research and development is very important for innovation. Would you agree?

Senator Carr—Yes.

Senator CAMERON—Could you comment on the Howard government's record on research and development? Could you confirm that the Howard government was continually below the OECD average and ended up fourth bottom out of the 18 countries of the OECD?

Senator Carr—In fact, the thesis that is advanced in this document is that Australia is falling behind its competitors and that desperate action is required to turn that around. What we have seen over the last decade is that our position vis-a-vis our competitors has deteriorated. That is in the case of not just R&D spend but a whole series of other measures, such as collaborations and the share of high-technology sectors in terms of venture capital. There is a range of other indicators canvassed in this paper which highlight that argument. What we are arguing here is a need to actually rebuild the innovation system. That is what the government's new investment is aimed to do—to start that process. We will need to work with

the private sector and the public sector to transform the relationships to produce that transformation.

The key element will be around the issue of the changes to the R&D tax credit. That is probably the most significant reform we have seen to business innovation since 1996. This measure actually restores, in terms of value, the equivalent of 150 per cent. However, it is designed to provide very significant improvements in incentive payments through the taxation system. For small and medium sized enterprises it doubles the level of support, and for larger enterprises it is an increase of a third. It opens up much stronger opportunities for international capital through the changes in the beneficial ownership test and puts us in a much more competitive position with countries around the world. As I say, what we are seeking to do is to reform the relationships that currently exist in this country, with a view to making us more productive and more competitive for the longer term.

Senator CAMERON—One of the other areas that was looked at in this report was the issue of productivity. Based on OECD data, Australia ranked 13th out of 17 OECD countries in terms of productivity. Isn't this a clear sign that the Howard government did not have its act together on innovation, on research and development and on investment?

Senator Carr—The whole question about the productivity agenda is one that we want to revamp. It is not just a question of productivity; it is the skills agenda more broadly. The fact is we need to lift the level of competitiveness for businesses. Productivity improvement is one way of doing it. The approach that we are adopting is that we want to encourage new investment in high-skilled, high-wage jobs, and that is what this program is about.

Senator CAMERON—So despite getting the fundamentals right, as was the war cry from the Howard government and Work Choices, which was about disadvantaging workers, we are still at the lower end of productivity, and innovation is the way that we need to go? Is that your analysis?

Senator Carr—I take the view that we have got to go the top, not the bottom, when it comes to competition. That means that in terms of a country like this one, we need to maintain living standards. We have got to develop a highly skilled workforce, provide business opportunities that actually employ those people and provide new business opportunities in the international market so that this country is able to compete with the best in the world.

Senator CAMERON—I take you now to the issue of the elaborately transformed manufactures. In the period 1996 to 2006 Australia's share of elaborately transformed manufactures, as a share of merchandise export, declined from about 23.5 per cent in 1996 to about 17.5 per cent in 2006, and the deficit of ETMs as a share of GDP increased from just under eight per cent to about 9.5 per cent. Isn't that another example of the failure of the Howard government's so-called innovation policies?

Senator Carr—I take it it is. We have to look at the issues of transforming established industries while also looking at building new industries. Page 12 of the paper identifies some of these issues more clearly and highlights the decline in terms of our position with regard to multifactor productivity, which has been a major source of our lack of competitiveness in this area. I think that there is an opportunity here. I trust the opposition will see some merit in this

approach. Frankly, if they do not they will be left behind, as they have been in so many other areas.

Senator CAMERON—Another key factor in modern economies is in investment in public facilities and infrastructure. During the period of the Howard government, that declined from about 4½ per cent of GDP to under four per cent of GDP. Is that another area that the government is trying to deal with in the face of the global economic crisis and in making sure that we are sustainable for the long-term future?

Senator ABETZ—You do not have to ask these questions.

Senator CAMERON—I can ask whatever I like.

Senator ABETZ—Of course you can. You just do not have to humiliate yourself.

Senator CAMERON—I am just highlighting the failures of the Howard government when they failed in investment.

Senator JOYCE—The purpose of estimates is to query the executive—

Senator CAMERON—I am querying them. I am just following directly on from Senator Abetz.

CHAIR—Does Senator Carr have a response?

Senator Carr—This budget invests very heavily in public sector infrastructure. It provides for very significant improvements in terms of our university research program and it is a very significant turnaround in what we have seen in recent years.

Senator ABETZ—As is the debt and the deficit.

Senator Carr—Which of these measures don't you support?

Senator ABETZ—\$188 billion.

Senator JOYCE—That works on the premise, Senator Carr, of: if you were as silly as I, what would you do next? It is a ridiculous place to start from. We are not as stupid as you. We would never have got the nation into this much debt.

Senator CAMERON—You have not been here. I do not know who woke you up and brought you here, but you were not involved in this, so you do not know what is going on.

CHAIR—That is enough. Senator Cameron, if you have any more questions, please ask them. Senator Joyce, you will get your turn later.

Senator CAMERON—There were issues raised about the government's intervention Melba Industries and there was some discussion about a Robert Gottliebsen article. I just had a quick look at Robert Gottliebsen's last article on Melba and its headline is 'Carr's hands were tied'. It talks about how he was prompted to recheck the facts after correspondence from you. He says:

I was too tough on Kim Carr.

... ..

... it was unfair of me to blame Kim Carr.

In the last paragraph he says, quoting from your correspondence to him:

In regard to Melba Industries, I am unable to go into detail on discussions the government may have had with the ... administrator, due to commercial confidentiality. However, your readers can be assured that the government is doing everything it reasonably can to ensure that [the company's] capabilities and skills are retained in Australia, even if Melba itself ceases to exist.

He finishes saying:

That's great news.

Are you satisfied that that outline levels up the attacks that were made on you by Senator Abetz in relation to this, where he did not go into full details of the correspondence and the publications in this website?

Senator Carr—I do not think there is much more I can add to that.

CHAIR—I might just ask a few questions in the five minutes before we go to a break. This committee did a report on space science and industry. I was pleased to see in a media release dated 12 May that the government will now invest \$160.5 million in space and astronomy research and this will have benefits to astronomy, but also in the earth space research innovation and skills development area, and it is that that I particularly want to concentrate on, particularly the \$8.6 million to establish a space policy unit. I was wondering if I could get some advice on when that is planned to be underway and how that will be proceeded with in the coming year.

Senator Carr—Thank you, Senator. The government is spending \$1.1 billion on a Super Science Initiative, which will be concentrated on three broad areas to provide assistance to cutting edge research infrastructure in areas of existing research strength, including astronomy, climate change, marine life sciences, biotechnology and nanotechnology, and space and astronomy is one of those specific areas. We are very concerned to develop the strategic road map for Australian research infrastructure, which of course was developed as part of the interest process over a number of years, so quite extensive consultation occurred right across the research community. That is the nature of these things, Senator Abetz, that there was quite extensive consultation. The strategic road map was announced in 2008, and this was referred to in the review of the national innovation system and of course in terms of your report, and we have responded to those in that groundwork by supplying the \$160.5 million investment for space and astronomy research and to boost our opportunities in regard to the SKA, the Square Kilometre Array. We are keen to be able to develop measures around the facilities to actually take into account the changes that occur with the Anglo-Australian Observatory, and to provide support for state-of-the-art instrumentation and data acquisition capabilities, and that is to store, process and analyse information captured by the next generation telescopes that are now being built. There is \$40 million for a new Australian space research program to support space research innovations and skills development in areas of national significance. There is \$8.6 million provided to support the establishment of a space policy unit, which will provide a whole lot of government advice on space and industry development. Dr Green is here. Perhaps he can outline the processes that have been underway to actually implement the specifics of that particular measure.

CHAIR—Sorry, Senator Joyce, we have not got much time before the break and I specifically want to ask about the policy unit.

Dr Green—Thank you, Senator Hurley. The space policy unit is currently planning to be established; obviously the funding starts in the new financial year. You may have noticed that the manager of the policy unit is currently open for recruitment in the gazette and has been advertised in newspapers last weekend and again this weekend. So, we have begun the recruitment process. I have a couple of officers on temporary assignment to help establish the program and get the activities under way as well. Exactly how it will operate in terms of its coordination role is yet to be finally established, and will be subject to advice from the department to the minister which has yet to come forward. A range of other areas around it are touched on in your report—for example, I think the Senate's report referred to the role of industry in the policy direction on space, and we have yet to finalise with the government exactly how that will operate but we certainly are considering how we can best bring that forward.

CHAIR—Will that policy unit continue alongside the current space forum or will there be another structure developed?

Dr Green—The space forum we anticipate will continue. In fact, the policy unit will need to coordinate the whole-of-government's space policy among other things. The forum contains the key government players in that space. In a meeting of the forum the week before, we discussed this and thought there was a continuing role for the forum here. In fact, they felt it was probably appropriate for it to meet more often than it has been, so we think there will be a continuing role for the forum as well as the policy unit.

CHAIR—That will be alongside the industry that you are developing?

Dr Green—Yes. As I said, this is all a work in progress that is yet to be formally provided to the minister and so on. But, as came up in the Senate inquiry, it is difficult to have a whole-of-government space policy, including aspects of military and national security space consideration, in a public forum involving academia and industry. So, we think there will be a role for both a government advisory or coordination process and an industry and other stakeholder process as well. We are working on how they will work together, the extent of overlapping membership and those kinds of things, and that will come forward in the near future to the minister.

CHAIR—Thank you. In the report given by this committee, we were looking at this policy unit being one step and then a decision being made as to whether Australia was going to actually have a fully-fledged space agency in some form. Is that still part of the thinking or is this just a stand-alone step?

Senator Carr—An interim measure. We are still developing the detailed arrangements here. We want to get the very best results we can. We are going to drive the resources that are available as far as we can. It does not necessarily follow that we will take it to other levels, but this is our initial framework and we will need to make sure that that works very well. Given some of the constraints that Dr Green has highlighted, we need to work out the balance between what is public and what is private in terms of the relationship between government and the matters that are in fact in the public domain and those national security questions that need to be examined as well. They are issues that still need to be resolved.

CHAIR—Thank you. Did you want a quick question?

Senator JOYCE—Regarding the telescope, it is an astronomical object that looks back in time. If we can actually get back to the dawn of time, will it give us capacity to look into the future as well, as a form of model?

Senator Carr—We are talking about SKA now?

Senator JOYCE—Yes.

Senator Carr—I think it looks back rather than forward, is the answer to the question.

Senator JOYCE—But, it sees a long way out. Can it see where we pay off our debt?

Senator Carr—It can look at the black holes inside the coalition as well. There are many aspects.

CHAIR—We will go now for a short break. We will do outcome 1 after the break, but we are expecting to wrap up that about 10.15 pm.

Proceedings suspended from 9.20 pm to 9.35 pm

Senator CAMERON—Minister, given some of the questions you have been receiving about involvement with companies, when Senator Abetz was raising this it drew my mind back to February 2000 and the National Textiles company that went belly up and had an involvement with the Prime Minister's brother in that company. The *Australian* editorial at the time spoke about favouritism, policy on the run and lack of probity in relation to the government's involvement. What have we learned since then in relation to proper dealings with companies who are under some financial stress?

Senator Carr—Senator Campbell—

CHAIR—Senator Cameron.

Senator Carr—Apologies, I was thinking of the year 2000, Senator Cameron. The matter you raise is actually very serious.

Senator ABETZ—So it seems.

Senator Carr—I would like to take that on notice and give the matter some thought.

Senator CAMERON—That is okay. I will get you to have a look at my face and my name too next.

Senator ABETZ—Mate, the idea of a Dorothy Dixier is to actually have an answer for it.

CHAIR—More questions, Senator Cameron?

Senator CAMERON—No, that is it, thank you.

Senator ABETZ—Minister, when will Holden's new car commence production?

Senator Carr—It is anticipated that the Delta platform would be in the showrooms in the third or fourth quarter of next year.

Senator ABETZ—The question was: when will Holden's new car commence production?

Senator Carr—Presumably shortly before that time.

Senator ABETZ—How shortly before that time?

Senator Carr—The third quarter of 2009 is the anticipated production. I have had a look at the designs—

Senator ABETZ—I am not concerned about the designs at this stage; I am seeking to establish timeline.

Senator Carr—Given the importance of this vehicle, perhaps the committee would be interested to know that the company is meeting the milestones. The design work is well advanced. The engineering work being undertaken at the Elizabeth plant is progressing very well. It is our expectation that the production schedules will be on track to meet the schedule of the third quarter of 2010, so we expect it will be in the showrooms shortly thereafter and I trust it will be very successful.

Senator ABETZ—That is a timeline suggesting production commencing in 2010?

Senator Carr—That is right.

Senator ABETZ—If somebody were to say, ‘As a direct result of the government’s assistance and working with the company, we will see a new car come into production from the end of this year,’ that would not be quite right, would it?

Senator Carr—Who would have said that?

Senator ABETZ—The federal industry minister, Kim Carr.

Senator Carr—Where are you quoting from?

Senator ABETZ—*ABC News*, posted on Tuesday 28 April 2009 at 6.11 pm, Australian Eastern Standard Time, and that is a quote:

... and it will be in the showrooms by September next year.

That aspect is sort of right, but the issue of production as starting—

Senator Carr—I see. We are being cute again, are we? You’re just an amazingly clever fellow!

Senator ABETZ—What? Senator, I put a proposition to you and you wanted to know who said it.

Senator Carr—Yes.

Senator ABETZ—I know that another famous minister used to say, ‘Who said it?’ but I was not playing that game.

Senator Carr—What I could do is draw your attention to the media release that I published on 22 December 2008, where I indicated that the new front-wheel drive, four-cylinder car will be manufactured from the third quarter of 2010 at GM Holden’s Elizabeth plant in South Australia.

Senator ABETZ—Manufactured from the third quarter in 2010—and so it would be in the marketplace in the fourth quarter?

Senator Carr—The end of the third quarter or the beginning of the fourth quarter; that is the expectation.

Senator ABETZ—Yes, so production from the end of this year is not actually going to occur, is it?

Senator Carr—What is your point?

Senator ABETZ—That your statement on 28 April 2009 was wrong.

Senator Carr—I have made the position clear, Senator. You want to once again pursue this line of inquiry when you know what I have been saying. You know what has been publicly stated on numerous occasions.

Senator ABETZ—I know what has been publicly stated courtesy of the ABC. You see, a lot of people are still employed by GM, as I understand it, on the basis of GM keeping as many workers as possible until this new production facility or vehicle comes online. A lot of workers are doing it very tough on half pay, living off their annual leave, RDOs and long service leave to top up the half-pay days. Of course, a number of the workers are now leaving and, as a result, forgoing any redundancy entitlements because they simply cannot manage on the half pay.

Senator Carr—Sorry, Senator; did you say half pay? Where do you get that figure?

Senator ABETZ—‘Since late last year the company has been encouraging employees to use up their annual leave, any RDOs and long-service leave to top up their half-pay days.’

Senator Carr—Half-pay day?

Senator ABETZ—Yes.

Senator Carr—I think you will find that is a different concept.

Senator ABETZ—What is the difference?

Senator Carr—You are the expert. But you want to be clever about quoting the difference—

Senator ABETZ—What is the difference, Minister? What is the difference?

Senator Carr—That is for down days, Senator.

Senator ABETZ—No, what is the difference?

Senator CAMERON—Work Choices—that is what it is.

Senator ABETZ—What is the difference, Minister?

Senator Carr—You would know, Senator, that Work Choices was the difference. But I will indicate to you—

Senator ABETZ—Really! Holden workers are doing it tough and they expect to be—

Senator Carr—Senator, you should be aware of what is actually going on, rather than mouthing these platitudes. This is an incredibly serious situation and I find it amazing that you can seek to play these silly games.

Senator ABETZ—Have you finished? Does your liver feel better for it? Have you finished?

Senator Carr—What is your question?

Senator ABETZ—If you had not interrupted my question, you would have found out what it was going to be. But in your typical, arrogant, aggressive approach you had to interrupt me.

CHAIR—Senator Abetz, I—

Senator ABETZ—I have got a statement here from a worker at General Motors who is telling us exactly what I just read out before, and he has no difficulty in understanding what half-pay days are. Also, he is wondering whether gross underemployment is better than unemployment for a month or two before people find work. Basically, the thesis of what he was putting to us is that they are doing it particularly tough. I was wondering, Minister, whether in your discussions or considerations of the issues with the Holden workforce, you have approached the Treasurer to ascertain whether, if people were to get a separate part-time job, they would not be taxed at the top rate. That was the question I was leading up to before you interrupted, and I got the benefit of your—

Senator Carr—No. You made a statement that people were on half pay, which is not true.

Senator ABETZ—Half-pay days, yes.

Senator Carr—No, you have now changed that to half-pay days.

Senator ABETZ—Because you would not let me finish.

CHAIR—Rather than trading insults, could we just on with the substance of the question, please.

Senator ABETZ—Did you make any representations to the Treasurer about allowing these workers to be exempted from being taxed at the top rate?

Senator Carr—No.

Senator ABETZ—I would have thought it would be a pretty basic request to make, but you did not make it. How many workers will Holden be required to keep on in relation to the payment of \$149 million? Part of the deal was, as I understand it, that they would maintain the workforce?

Senator Carr—There is no condition, no. That is not the way in which the grant operates, Senator. What the company has indicated is that there will be no redundancies at the Elizabeth plant.

Senator ABETZ—Yes, and of course that helps GM considerably if people, due to their low income, are forced to leave GM and go elsewhere to find employment, or if they are using up all their entitlements prior to them leaving because as a result, their redundancy payments will be substantially less. Can I ask in relation to this facility how many vehicles will need to come off the production line for it to break even?

Senator Carr—We will have to take that on notice.

Senator ABETZ—Is there a \$2.7 million amount—sorry?

Mr Paterson—I think we will take that on notice, Senator; we would not have the information.

Senator ABETZ—Do you have a business plan from GM, even in general terms, as to whether this is an economic proposition that stacks up?

Senator Carr—Yes.

Senator ABETZ—Does the issue of whether it is an economic proposition and stacks up not take into account the number of cars that need to be produced to break even?

Mr Paterson—I do not believe we have that information, Senator.

Senator ABETZ—But you have the business plan. Can you tell us what is in that business plan? No, that is commercial-in-confidence, no doubt. But you could tell us what was not in it. Is that right?

Mr Paterson—Senator, you are asking a question and I am answering the question to the best of my ability. I have said I did not believe that we will be able to provide you with the break-even position for a commercial operation. Yes, we have an indicative business plan. We do not yet have a contract signed with the company. I do not believe we can provide the answer to your question in relation to the break-even point. I am not making it up. I am telling you it as I understand it.

Senator ABETZ—In due course, having promised the money, will you be getting a business plan which will include the number of cars that are likely to be produced?

Mr Paterson—I cannot answer that question, Senator.

Senator ABETZ—Was that a request that was made of GM by the department before money was made available as to how many cars might be produced for this \$149 million taxpayer investment?

Mr Paterson—In our negotiations to the present time I am not aware of there being any precondition in relation to a defined number of vehicles being produced. The grant was to produce the vehicle for the market in Australia. No-one can sit here and tell you what the market will absorb.

Senator ABETZ—Are there any requirements then? We are agreed that there is no requirement as to the number of cars to be produced. Is there a requirement on the number of people to be employed for this grant?

Mr Paterson—There are ongoing negotiations with the company. As I indicated to you, Senator, we have not reached final agreement in relation to a contract at this stage.

Senator ABETZ—But would the number of jobs, for example, be a consideration, and would the number of vehicles produced be a consideration?

Mr Paterson—The precise terms and conditions of the contract will no doubt be commercial-in-confidence, Senator, as you would expect them to be in a vehicle platform that is operating in a competitive marketplace.

Senator ABETZ—So we do not even have the assurance that the Delta vehicle proposal has to be profitable?

Mr Paterson—I have answered your question, Senator.

Senator ABETZ—Sorry.

Mr Paterson—I have answered your question. You are postulating terms that may or not be in there when I have indicated that we have not resolved the contract details with the company, and they are likely to be commercial-in-confidence in any event.

Senator ABETZ—But surely you will not be suggesting to us that GM is to receive \$149 million and it does not matter if it runs at a loss, only makes three cars and only employs two people?

Mr Paterson—No, I am not asserting that at all. The record will clearly show that I am not asserting that.

Senator ABETZ—You must have some considerations then, in relation to what will be required for the Australian taxpayer to get value for money from this investment?

Mr Paterson—I do not think you will find that General Motors Holden would bring to the marketplace a new vehicle, manufactured in Australia, that was likely from day one or any point in time to be anticipated to run at a loss, nor do we expect that to be the case.

Senator ABETZ—Tell us what is happening tonight with GM in the United States. What are we anticipating there?

Senator Carr—I think you can wait a few hours and find out, can you not, Senator?

Senator ABETZ—What are we anticipating there and what contingencies, if any, have we made?

Senator Carr—Senator, I understand you have been peddling this line right around the country. I have had a number of press requests based on your briefings to them which were inaccurate—in fact, fallacious.

Senator ABETZ—Tell us who? Tell us who?

Senator Carr—I think you know precisely who, Senator.

Senator ABETZ—No, I do not.

Senator Carr—You have been peddling hysteria. You have been peddling inaccurate information.

Senator CAMERON—Fearmongering, it is called. That is what—

Senator Carr—I think that is a fair description.

Senator ABETZ—With nothing to point to, you make that assertion.

Senator Carr—No, I have actually spoken to a number of journalists and I know precisely what you have been saying, and you are wrong.

Senator ABETZ—You do not because I have not spoken to them about these matters. So I have got no idea—

CHAIR—I think that is a question for the department?

Senator ABETZ—Yes I think that is a good idea, Madam Chair, and thank you for that. Have we made any contingency plans in the event that GM goes in Chapter 11, and what does that do, potentially, for the Australian market and situation?

Senator Carr—Senator Abetz, you will know in about four hours.

Senator ABETZ—I will know in four hours whether you have had the foresight to put in place a contingency plan. By then it is all over. I want to know: have you put in place a contingency plan for GM going into Chapter 11 or indeed—

Senator Carr—We have had very detailed conversations with the company over a considerable period of time.

Senator ABETZ—That is all very interesting, but it does not tell me whether you have got a contingency plan or not.

Senator Carr—We will be making some comments tomorrow about these matters.

Senator PRATT—It would be premature to press the point further now.

Senator Carr—Senator Pratt, you know contingency plans are usually announced prior to something happening; after the event it is no longer a contingency plan.

Senator CAMERON—You had no contingency plan for the 100,000 manufacturing jobs lost under the Howard government.

CHAIR—Thank you, Senator Cameron. Senator Abetz, please finish your question.

Senator ABETZ—I do not think you want to go into the area of manufacturing jobs lost, Senator Cameron.

Senator CAMERON—Yes, the coalition—

Senator ABETZ—I would have thought this government has a record second to none in that regard.

CHAIR—Are we waiting for an answer? Thank you.

Senator ABETZ—Can I ask you—

Senator Carr—Senator, there will be an announcement in four hours. We believe that we are very well prepared for that announcement and we will be making statements tomorrow.

Senator ABETZ—You believe you are well prepared, which would suggest that if you are well prepared for an announcement that you may have made a contingency plan. What was difficult about that?

CHAIR—Do you have more questions, Senator Abetz?

Senator ABETZ—Yes. What was difficult about telling us whether or not there is a contingency plan?

CHAIR—Senator Abetz, really!

Senator ABETZ—I asked whether or not there was a contingency plan. We got taken all around the garden except to the one issue, which was whether or not there was a contingency plan. We are now told that we have prepared well for a possible announcement.

CHAIR—Well, you know.

Senator ABETZ—Isn't that a contingency plan? I cannot see what the obfuscation is about. I turn to the continuing order and the list to which I referred earlier—that is, the letter of Minister Carr dated 18 May 2009. In relation to that continuing order on pages 5 and 6, can you explain the grants that were made under the Automotive Industry Structural Adjustment

Program to AI Automotive, Venture Industries, Automotive Components Limited and Dare Industries? I do not want full detail on each one. All I want to know, given that time is limited, is which of these companies has merged with other companies with these funds—if any of the money was, indeed, made available for the purposes of merger.

Mr Payne—All four of the grants to which you refer were made under the exceptional circumstances provisions of AISAP.

Senator ABETZ—So these also were not the done for a merger and other reasons. Has any money been expended in relation to the AISAP fund for mergers?

Mr Payne—Yes. The only expense of money has been for AI Automotive. The other three are commitments but the money has not been spent.

Senator ABETZ—But all of them under exceptional circumstances?

Mr Payne—Yes.

Senator ABETZ—Can I take you back to what AISAP was set up—for mergers, et cetera. Apart from exceptional circumstances, has any money been spent yet in pursuit of the other objectives of AISAP?

Mr Payne—Not spent, no.

Senator ABETZ—Committed?

Mr Payne—No.

Senator ABETZ—So neither spent nor committed?

Mr Payne—Sorry, Senator, I have been corrected on that last answer. There is commitment in one case for a non-exceptional circumstances grant.

Senator ABETZ—There is one application, did you say?

Mr Payne—No, a commitment in one case.

Senator ABETZ—To describe it as a non-exceptional circumstance, how many applications do we have?

Mr Payne—There are 15 applications. Nine have been under the exceptional circumstances provisions and six under the standard or normal provisions.

Senator ABETZ—So we are getting more applications under the exceptional circumstances provisions than under the general provisions of the scheme?

Mr Payne—So far, yes.

Senator ABETZ—That is in numerical terms. What about in dollar terms? Are the figures generally reflective of that?

Mr Payne—We would have to do some addition to give you the answer to that. Would you mind if we take that on notice?

Senator ABETZ—No, of course. I fully understand.

Senator Carr—I think it would be fair to say, Senator Abetz, that the circumstances we are now in, particularly with the automotive industry, are truly exceptional.

Senator ABETZ—So why wasn't it called the exceptional fund rather than the AISAP?

Senator CAMERON—Because we are not stupid—as you seem to be tonight.

CHAIR—Thank you, Senator Cameron, we do not need comments like that.

Senator ABETZ—That was a very helpful contribution. A total of \$116.3 million has been made available under AISAP. There is a get-out clause for exceptional circumstances, and the majority of applications and the majority of commitments have been made under the exceptional circumstances category as opposed to the broad category, for which AISAP was set up. It is starting to sound as though it is really a ministerial discretionary fund. I will not use any other term but it sounds as though there is a lot of discretion in this funding and that the actual purpose for which it was set up has not been entertained by the industry but rather exceptional circumstances prevail. Is that a fair summary?

Senator Carr—Senator, exceptional circumstances were provided in the guidelines. The program is being administered in accordance with the guidelines.

Senator ABETZ—How is that responsive to the matter I raised?

Senator Carr—You are trying to make some smart alec comments about the nature of the program. I am indicating to you that it meets—

Senator ABETZ—That might be your interpretation of it, Minister, but I am just trying to find out. Usually—

Senator Carr—I wish you would take this industry a bit more seriously. There are 200,000 people employed in this industry. All we get from you is attempts to undermine the industry.

Senator ABETZ—Have you finished?

Senator Carr—I think it should be understood precisely what—

Senator ABETZ—Does your liver need a bit more therapy?

Senator Carr—game you play.

Senator ABETZ—Just keep on till it is all expunged, just get rid of it.

CHAIR—Do you have more questions, Senator Abetz?

Senator ABETZ—I have, but I cannot ask questions, Chair, whilst the minister is going on these frolics of relieving his liver.

CHAIR—We have other questions.

Senator ABETZ—When do we anticipate that the other few applications under AISAP which are not exceptional circumstances will be finalised? Can you tell me in what states they are? Or if that might indicate too much, if there are market sensitivities, I might have to accept that for the time being. I would have thought if it were Victoria, where there is a plethora of these companies in particular, there would not be too much commercial sensitivity.

Mr Payne—Senator, if you were willing then we could take on notice that question and give you an answer to characterise the state of progress with the other applications.

Senator ABETZ—And also if you could tell us the state base of the applications.

Mr Payne—Yes.

Senator ABETZ—Thank you for that. I would appreciate that. In relation to the Green Building Fund, am I right in reading that there is a reduction of \$12.5 million for this fund this year and the next?

Mr Peel—There has not been any reduction in the total funding for the Green Building Fund. We have rephased some money between the years but the actual amount of \$90 million is still available to the program.

Senator ABETZ—Over its full life?

Mr Peel—Yes, Senator.

Senator ABETZ—You have rephased it so there is less money available in the coming year as opposed to the further out years? Is that correct?

Mr Peel—There is \$10 million available this year, in 2008-09; \$25 million in 2009-10; \$30 million in 2010-11; \$15 million in 2011-12; and \$10 million in 2012-13, which still maintains the \$90million.

Senator ABETZ—Right, but it has been pushed out further; is that correct?

Mr Peel—It is over the same number of years; it is just different amounts in each year.

Senator ABETZ—I thought we needed to take some urgent action in relation to some of these matters and I would have thought that this was an area that we could take immediate action on without needing any international agreements or anything—that we could move domestically on something like this.

Mr Peel—We had industry consultations in the development of the detailed arrangements for the program. Through those consultations industry advised us that it would be better if the program was back-end loaded rather than front-end loaded, which it was in the original profile. So we have reacted to those industry comments and the grant payments are now back-end loaded. So the greater proportion of the grants are paid at the end of the project rather than at the beginning of the project. We have rephased the money.

Senator ABETZ—So by popular demand of industry this was done?

Mr Peel—Through our consultations with industry.

Senator ABETZ—That is very interesting. That is not what has been reported to us, but I am willing to accept what you tell us. Which is the lead agency in NICTA?

Mr Paterson—It is 50-50 funded between the broadband portfolio and the Australian Research Council, with joint responsibility between two ministers.

Senator ABETZ—You cannot tell us the lead agency?

Mr Paterson—It is a joint responsibility.

Senator ABETZ—In table 1.2 on page 166 of the portfolio budget statement we are told of a National ICT Australia funding extension of program 1.2. Is that correct? It has a footnote, which tells me the lead agency for the NICTA measure is the Department of Broadband, Communications and the Digital Economy. Is that only for that particular measure? Is that how I am supposed to read it? Or is it for the total NICTA measure of \$25 million? That is

how I read it—that is the Department of Broadband, Communications and the Digital Economy.

Senator Carr—This is a question that should have been directed to the Australian Research Council.

Senator ABETZ—NICTA is, as I understood it, a separate area.

Senator Carr—But it is funded through the Australian Research Council. It is 50 per cent funded through the Australian Research Council.

Mr Paterson—I think the answer to the question is that, for the purposes of this measure—that is, the measure reflected in these budget papers, which was the funding extension—the lead agency was broadband. However, the answer I gave you earlier continues to be the case, and that is that it is a joint responsibility between the broadband department and the ARC, and the two ministers have joint responsibility. The ongoing nature of the program is joint decisions by ministers.

Senator ABETZ—Would the Commonwealth Commercialisation Institute be under outcome 2?

Senator Carr—Have we finished with outcome 1?

Senator ABETZ—No. I am asking where I should be asking this question about the Commonwealth Commercialisation Institute. Is that outcome 1 or 2?

Mr Paterson—Outcome 1.

Senator ABETZ—How much of the \$196.1 million that has been made available to this institute will go out to support innovations and how much will be spent on the administration of the institute?

Mr Paterson—On page 21 of our portfolio budget statement you will find the breakdown between administered expenses and departmental expenses for the Commercialisation Institute, but the final detail as to how the Commercialisation Institute will operate has not been resolved. I think the government in making this announcement described it as a radical new approach to commercialisation of research and development, particularly from publicly funded research and development—and we are expected to consult on the design elements in relation to the Commercialisation Institute. When they are settled we can answer the question in relation to what the nature of the allocation profile might look like. At the moment we have an indicative profile in the PBS, but the final detail of it has not yet been resolved, so we cannot answer the precise question that you have asked.

Senator ABETZ—When do you anticipate that the money will be finalised?

Mr Paterson—My expectation is that we would have the final detail of this resolved with government by the end of calendar year 2009. I would expect that we would have the Commercialisation Institute operating from 2010.

Senator ABETZ—All right. Will it be a CAC Act body?

Mr Paterson—There is no resolution yet.

Senator ABETZ—How many staff will be employed? That has not been resolved as yet?

Mr Paterson—We only have indicative profiles in the budget at the present time, to ensure that there was an appropriation for the Commercialisation Institute. We know what the total expenditure over the forward estimates period is likely to be. We are to design a program that fits within that forward estimates profile, but the precise nature of it—how it will be staffed, where it will be located, its legal architecture—is not yet resolved.

Senator ABETZ—In relation to the location, I was going to ask whether every capital city, for example, would have a presence. That has not been determined yet?

Mr Paterson—Not at this stage.

Senator ABETZ—Will it be run separately to AusIndustry?

Mr Paterson—Not yet resolved.

Senator ABETZ—When did this idea first come up? It seems as though it was put into the budget with some money attached to it, but not much developmental thought had been put into how it might operate—in which areas, in which states, whether it is a CAC Act body et cetera. There seem to be a lot of unanswered questions.

Mr Paterson—There are matters that are unresolved as yet. As I indicated to you, the government has announced an intention to have a radical new approach to the commercialisation of research and development and wanted us to actively consult in relation to the design element of that. It has made a commitment to the objectives of the Commercialisation Institute. We have an indicative profile in relation to this funding and certainly a forward estimates commitment for the institute, but the final detail has not been resolved—and it will be subject to consultation.

Senator ABETZ—Is this being seen as a bit of a replacement for the Commercial Ready program?

Mr Paterson—It has been described by government as a radical new approach to supporting public research and development.

Senator ABETZ—That is very good, Mr Paterson. I like that. Reading Dr Cutler's report, I think it might have been easier for the minister—not you, Mr Paterson, but the minister—to say that axing Commercial Ready was a mistake and it is simply being re-tweaked a bit and reinstated with the bureaucracy already in place. Minister, has your office had any discussions with Ventracor?

Senator Carr—It is unfortunate that Ventracor Limited has been placed into voluntary administration. The government has been very supportive of this company over many years and has provided more than \$8.3 million in financial assistance through innovation grant programs.

Senator ABETZ—The question was—

Senator Carr—Would you let me answer it. In the context of the global recession, the company has faced acute difficulties over the past couple of months. The government has had discussions with the company throughout that period to ascertain whether any assistance could be provided, but the government could not provide additional assistance in the terms

that the company was seeking. I understand that there has been a correspondence with a number of senators on this matter.

Senator ABETZ—But you can tell us that you had discussions with the company, and I appreciate that. Have you also had discussions with the administrator?

Senator Carr—I have not had discussions with the administrator. The department has, and I understand that a meeting of final creditors will be held on 19 June.

Senator ABETZ—Is the government a creditor?

Ms Zielke—The department is a creditor—but an unsecured creditor—in relation to Ventracor.

Senator ABETZ—I dare say that the amount for which you are an unsecured creditor has been made public?

Ms Zielke—I do not think that the administrator has issued a list of all creditors at this stage, Senator.

Senator ABETZ—Take it on notice.

Mr Peel—Perhaps I could add that AusIndustry is a creditor, because the company received grant funding of \$2.8 million in December 2006. It has completed the project but has reporting obligations to us for three years after the awarding of the grant.

Senator ABETZ—It has acquitted the money and just has to provide a report?

Mr Peel—Yes.

Ms Zielke—The company has contractual obligations to continue to achieve national benefits as a result of the project, Senator. It is a standard contractual requirement under the Commercial Ready program.

Senator ABETZ—If the company goes bust, it has to keep providing these reports?

Ms Zielke—It is about continuing to achieve the national benefits that were expected as a result of the project and, as such, any company that takes over the obligations of Ventracor would also need to continue to maintain those national benefits.

Senator ABETZ—That would be the discussions that you are having with the administrator as opposed to any funds that are unsecured?

Ms Zielke—That is correct.

Senator ABETZ—It would be incorrect to say that any money is owing?

Mr Peel—The company does not owe any money at the present time, Senator. It needs to fulfil its grant obligations. If it fails to do that, then the situation may, and I stress may, arise.

Senator ABETZ—If it goes belly-up it will be a pretty brief report that it will be able to provide to abide by the contractual arrangements?

Mr Peel—As Ms Zielke is saying, Senator, if the company was, in fact, taken over by another company those obligations would carry forward.

Senator ABETZ—Yes, would continue. The time is up for this section, so I will place some other questions on notice.

CHAIR—Thank you. That concludes Outcome 1 and we will move on to Outcome 2.

Mr Paterson—Can we just be clear, Chair, that the only officers who need to remain are those dealing with Outcome 2?

CHAIR—That is right.

Mr Paterson—Thank you.

[10.20 pm]

CHAIR—Senator Pratt, would you like to start?

Senator PRATT—Thank you, Chair. I have a question about university reform and the government's policy in relation to mission based compacts. I notice that there have been a number of references to the government's intention to introduce mission based compacts with universities as part of its reform agenda on higher education. I would like to begin with asking for some advice on these compacts and the manner in which they are being introduced.

Senator Carr—Sorry, can you repeat the question, Senator Pratt?

Senator PRATT—To begin with, I would like some advice on the compacts themselves and how you see them being created.

Senator Carr—The government has indicated it will introduce mission based compacts with universities to provide a framework for jointly achieving the government's reform objectives. We will work with each of the universities to develop a compact that identifies the university's particular missions and describes how it will fulfil that mission and meet the government's policy needs.

Mission based compacts are designed to promote excellence and build capacity and international competitiveness throughout the university sector. They will enhance institutional autonomy and encourage greater collaboration and sectoral diversity and encourage increased participation in higher education by underrepresented groups. They will help universities achieve the highest standard of research and research training by enabling all researchers to work in first-class conditions and in first-class company. We want to use the compacts to facilitate the distribution of performance-based funding and the alignment of institutional activity with national priorities. Rather than seeking to micromanage universities or tie them up in red tape, the government will work in partnership with the sector to find clear and consistent targets for improvement, and the reform will trigger reward payments.

Compacts will be compatible with existing formula based grant activities and processes and will give individual universities the chance to capitalise on their strengths and articulate the unique role they play in the higher education system, the innovation system, their regions and the communities. The process will be that the government will work cooperatively with the education department, and officers from the department of innovation will take responsibility for the research components of compacts. I expect that process will start quite quickly with a view to being able to meet the requirements for budgetary allocations in January 2010.

Senator PRATT—Minister, that sounds like it will require some consultation to implement. What kind of consultation will you be undertaking?

Senator Carr—It will be individually and collectively. Jessie, do you have anything further to add to that?

Ms Borthwick—Senator, as the minister has indicated, we look to consult with the sector shortly. The precise nature of those consultations is yet to be agreed between ourselves and the Department of Education but certainly from our point of view we will be looking to have discussions with individual universities about those arrangements.

Senator PRATT—You will be discussing those with universities and you will be talking to them about the structure of the compacts and what they will contain?

Ms Borthwick—That is right.

Senator PRATT—When will this process begin? What is the timetable for introduction?

Senator Carr—We expect it to begin quite quickly. Minister Gillard and I are discussing these issues in terms of aligning the priorities of both the departments to ensure that the reform agenda that we are pursuing is implemented quickly.

Senator PRATT—Thank you.

CHAIR—Senator Eggleston.

Senator EGGLESTON—I would like to ask some questions about CRCs and in particular about the biosecurity CRC, which I understand has done a lot of research into—

Mr Paterson—Senator, CRCs are under Outcome 1 and we have sent all those officers home.

Senator EGGLESTON—I was told it was Outcome 2.

Mr Paterson—Not by me you were not.

Senator EGGLESTON—No, I know. I will put these questions on notice then for Outcome 1.

Mr Paterson—I am happy to respond. It is just that I have sent the officers home.

Senator EGGLESTON—I waited because—

Mr Paterson—If they saw me running down the corridor after them, I doubt they would return.

CHAIR—Your chances would be slim.

Senator CAMERON—You would never catch them.

Senator Carr—If there is something we can help with, we will try to answer it.

Senator EGGLESTON—That is all right. I will put the questions on notice.

Senator ABETZ—In relation to the Australian Stem Cell Centre, the report that is—

Mr Paterson—That is outcome 1.

Senator Carr—Sorry, we have the wrong officers here.

Senator ABETZ—It was just a general question. We were kindly supplied with the review of the ASCC last time, and I am wondering in general terms if I could be given a one- or two-page brief or summary update into what—

Senator Carr—We will give you an update. There have been some changes with the Stem Cell Centre boards and various other things. We will give you an update.

Senator ABETZ—Thank you very much for that. Is the National Research Infrastructure Committee in this outcome?

Mr Paterson—Yes, it is.

Senator ABETZ—What does this committee do?

Ms Lansdown—The National Research Infrastructure Committee was recommended as part of the Cutler review. We have previously had, as a governance mechanism for the NCRIS program, the NCRIS committee. The Cutler review identified perhaps a broader range of issues that a committee might consider. Given the large injection of funding that has gone into research infrastructure, it was decided that we would change the nature of the activities of the committee to look at a more strategic focus in research infrastructure. That includes helping to manage some of the old NCRIS projects, providing advice on investments in the Super Science area and providing advice to the Education Investment Fund board.

Senator ABETZ—They are giving advice on Super Science as well.

Ms Lansdown—Yes.

Senator ABETZ—Do they have a job description?

Ms Lansdown—There are draft terms of reference. When they have their first meeting we will have a discussion on the draft terms of reference and send them back to the minister and have them agreed.

Senator ABETZ—Are these draft terms of reference able to be made public so that there can be consultation about them and consideration and input by learned people that might be able to assist and advise?

Mr Paterson—Are you asking if we are prepared to table them?

Senator ABETZ—Yes.

Mr Paterson—We have not got them with us, but we are happy to provide them on notice.

Ms Lansdown—They really just formed the basis of advice to the minister about the types of activities that we thought that the committee would undertake.

Senator ABETZ—Are you consulting in relation to those draft terms of reference, job description or whatever we describe it as?

Ms Lansdown—We had not expected to consult on the terms of reference. The membership of the committee might arguably present a very broad spectrum of views in the research infrastructure space.

Senator ABETZ—Has that been settled yet?

Ms Lansdown—Yes, that was announced in a press release last week.

Senator ABETZ—Can you do me a favour and provide me with a copy of that?

Ms Lansdown—Yes.

Senator ABETZ—That seems to have slid by me in the other Senate estimates that I have been involved in. Will that press release tell me the number of members and who they are?

Ms Lansdown—Yes.

Senator ABETZ—Does it tell us what their remuneration is?

Ms Lansdown—No.

Senator ABETZ—Can we be informed as to their remuneration and the basis on which they are remunerated? Would you like to take that on notice?

Ms Lansdown—We can tell you now. The contract with the chair has already been signed. We are able discuss that.

Senator ABETZ—Who is the chair?

Ms Lansdown—John Ryan. On advice, we might provide this on notice.

Senator ABETZ—Yes, provide it all to me on notice. I think that would be the best way to proceed. Thank you for that. On what basis are projects identified for the Super Science investment fund?

Ms Lansdown—The projects were identified on the basis of the revised research infrastructure road map that was developed in 2008. There was previously a road map developed in 2006. In the context of the innovation review we thought it would be worth while looking at what the research priorities might be going forward and thinking about, therefore, what infrastructure might be required.

Senator ABETZ—Research priorities will undoubtedly change from time to time, and it makes good sense to review that on a regular basis. Were these projects assessed by an independent panel?

Ms Lansdown—The proposed investments were reviewed by the Education Investment Fund board.

Senator ABETZ—The National Research Infrastructure Committee, of course, have not yet met to consider anything, so it clearly could not go to them. It did not go to Infrastructure Australia for some independent analysis, for example?

Senator Carr—Why would it?

Senator ABETZ—I am the one asking the questions, minister. I know you loved opposition a lot and I wish you were there as well, but it is the role of opposition to ask the questions.

Senator Carr—These are research infrastructure projects. NCRIS was established, undertook extensive consultations, a road map was prepared and released publicly for consultation throughout the system and these projects have been funded through the EIF process. It went to the EIF board and it has been assessed through that process. Why would it go to Infrastructure Australia?

Senator ABETZ—I remind you again, you can wind down the clock as much as you like but I am the one asking the questions. You said there was an extensive consultation process.

That is good to hear. I am wondering whether the extensive consultation process included Infrastructure Australia. Either it did or it did not, Ms Lansdown.

Ms Lansdown—It did not.

Senator ABETZ—Thank you very much.

Ms Lansdown—And we did not think that was relevant, actually.

Senator ABETZ—That is fine. You did not because you did not think it was relevant—very easy answer, Minister. Can we move on to the centre for climate change research? Is that a CRC or is it under—

Ms Lansdown—That is an EIF institutional project.

Senator ABETZ—Does that mean it is under this outcome or the last one?

Ms Lansdown—Yes, it is.

Senator ABETZ—Excellent.

Ms Lansdown—EIF institutional funding rounds called for applications from eligible institutions. Those were assessed and taken to the EIF board, which provided advice to the minister. One of the successful projects in round 2 was the Centre for Climate Change and Energy Research.

Senator ABETZ—And that will just be a one-off \$40 million, with no allocated departmental expenditure. Is that correct?

Ms Lansdown—That is correct.

Senator ABETZ—You might have to give me a tutorial here. How does this body then continue in the future?

Ms Lansdown—It is actually attached to the University of Western Sydney. The funding is to build infrastructure for the Centre for Climate Change and Energy Research.

Senator ABETZ—This is basically for bricks and mortar.

Ms Lansdown—Bricks and mortar or research infrastructure within a building.

Senator ABETZ—Does ‘research infrastructure within a building’ mean capital plant and equipment, as in instruments and things of that nature?

Ms Lansdown—It would be things of that nature, yes.

Senator ABETZ—What sort of scoping study was made such that we have this lovely round figure of \$40 million for it? Was a full-detail analysis undertaken as to how big the building might need to be and what sort of equipment was needed? How did we arrive at a figure of \$40 million, as opposed to \$39 million or \$41 million?

Ms Lansdown—The EIF process was based on submissions from institutions seeking funding for infrastructure. Each of those required a fairly detailed proposal of their expenditure. The proposals not only were assessed by government but were also assessed independently for their veracity when it came to costings for building, floor space and those types of expenditures.

Senator ABETZ—I know that the ARC is undertaking that but how much has the department expended on developing the ERA?

Mr Paterson—It is not administered within the department.

Senator ABETZ—There no officers within the department who worked on the ERA?

Mr Paterson—There are officers within the department who are involved in the policy conversation that takes place, but there are no specially allocated officers within the department to undertake that task and there is no separately identified funding stream. It is a responsibility of the ARC, and the ARC provides advice direct to the government.

Senator ABETZ—The ERA involvement by the department does not have individual full-time officers developing that policy?

Mr Paterson—It has been worked up explicitly through the ARC. The officers who are responsible for that work within the ERA were at estimates earlier today.

Senator ABETZ—Yes, I am aware of that. We spent some considerable time with them.

Mr Paterson—You did. I have officers who are involved in the policy conversation that takes place around the Excellence in Research for Australia initiative, along with all of the other higher education research activity that is being undertaken.

Senator ABETZ—Would it be fair to say that in general terms it is a minimal departmental involvement because the bulk of the ERA sits with the ARC?

Mr Paterson—It is its responsibility.

Senator ABETZ—I am aware of that, and I think we have determined that, but the department does provide some policy advice?

Mr Paterson—We provided policy advice to the government.

Senator ABETZ—The ARC provides policy advice to the government as well?

Mr Paterson—Absolutely. It is the agency commissioned essentially to design and deliver the program.

Senator ABETZ—Does the ARC's policy advice to the minister go via the department to the minister or do the department and the ARC submit simultaneously on an issue to the minister?

Mr Paterson—No, the ARC provides its policy advice direct to the minister. In the context that we are dealing with the issues, we cannot be oblivious to the developments that are going on within the ARC at the same time that we are providing policy advice in the higher education research space to the minister. We have to have officers who are aware of where those developments are at a particular point in time and are conscious of the policy direction that is being pursued, but the advice goes to the minister from the ARC.

Senator ABETZ—And also from your department?

Mr Paterson—We have policy advice in relation to higher education research issues.

Senator PRATT—Chair, I have a question.

Senator ABETZ—Of course. Go for it.

CHAIR—Senator.

Senator PRATT—Thank you very much.

Mr Paterson—Senator, you asked for the detail of the National Research Infrastructure Committee. I table the membership of the committee.

Senator ABETZ—Thank you very much. That is very helpful.

Mr Paterson—Sorry, Senator Pratt. I did not mean to cut you off.

Senator PRATT—No, that is fine. Why have the Australian Postgraduate Awards been increased this year and when will that increase commence?

Senator Carr—The APAs have been increased in response to a number of different reports and to meet the needs of postgraduate students. There has been a significant increase which, when considered, given their tax-free status, will provide additional support for postgraduate students and hopefully provide a greater level of incentive for students to take up postgraduate work.

Senator PRATT—I notice that the government is also doubling the number of APA places by 2012. What is the significance of the expansion in places?

Senator Carr—In the first instance the number of APAs will increase from about one in five students receiving a stipend to a position where 40 per cent of students will receive a stipend at the end of this estimates period. In this country we have a serious problem with postgraduate education and training. The fact is we have an ageing workforce and increasing requirements from industry to provide research of doctoral-qualified persons to work in industry. By international standards our participation rates in the workforce for PhD students or qualified persons is quite low. The intention of the government is to expand resources significantly in this area to try to meet some of the shortfalls that have developed. I will ask the officers here whether they can provide any additional material that would assist.

Ms Borthwick—Senator, we expect there to be 3,000 commencing APA students next year.

Senator PRATT—It is predicted that a lot of retirements in universities will occur in the near and medium term. Surely the number of places that have historically been available should have been foreseen some time ago.

Senator Carr—Senator, this has been an area of neglect for some time. A number of recent reports have identified the need to address the issue and indicated that even greater levels of assistance should be provided from what we have provided in this budget. In the circumstances, this is the amount of money that we could provide. It is a significant increase of more than 10 per cent in the value of the stipend itself. We will need to monitor this situation very carefully because as an area of future work it is clearly a priority.

Senator PRATT—Thank you.

CHAIR—Senator Abetz?

Senator ABETZ—I think I am pretty well finished. I was anticipating that Senator Cameron and Senator Pratt would have more questions, so I curtailed mine in anticipation.

Senator CAMERON—There was nothing to respond to.

CHAIR—Thank you, then, to the minister, to the department and all the officers.

Senator Carr—I apologise to Senator Cameron yet again for confusing him with his predecessor.

Senator ABETZ—I thought you were giving an answer to a Dorothy Dixier.

Senator Carr—No, it was in response to the peccadilloes of your former leader.

CHAIR—Thank you also to Hansard and Broadcasting. The committee will adjourn until 9 am tomorrow morning.

Committee adjourned at 10.44 pm